(incorporated in England and Wales under the Building Societies Act 1986, as amended)

€7.5 billion
Global Covered Bond Programme

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

SKIPTON COVERED BONDS LIMITED LIABILITY PARTNERSHIP

(a limited liability partnership incorporated in England and Wales)

Under this €7.5 billion covered bond programme (the "**Programme**"), Skipton Building Society (the "**Issuer**") may from time to time issue bonds (the "**Covered Bonds**") denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below). The price and amount of the Covered Bonds to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

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

Covered Bonds may be issued in bearer or registered form. The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed €7.5 billion (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Covered Bonds may be issued on a continuing basis to the Dealer specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each, a "**Dealer**" and together, the "**Dealers**"), which appointment may be to a specific issue or on an ongoing basis. References in this Prospectus (as defined below) 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.

See Risk Factors on page 31 of this Prospectus for a discussion of certain factors to be considered in connection with an investment in the Covered Bonds.

This prospectus (the "**Prospectus**") has been approved as a base prospectus by the Financial Conduct Authority (the "**FCA**"), as competent authority under Regulation (EU) 2017/1129 (as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020 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 or the LLP or the quality of the Covered Bonds that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Covered Bonds.

Application has been made to the FCA for the Covered Bonds issued under the Programme during the period of 12 months from the date of this Prospectus to be admitted to the official list of the FCA (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Covered Bonds to be admitted to trading on the main market of the London Stock Exchange (the "**main market of the London Stock Exchange**"), which is a UK-regulated market for the purposes of Regulation (EU) No. 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the EUWA ("**UK MiFIR**"). References in this Prospectus to Covered Bonds being "listed" (and all related references) shall mean that such Covered Bonds have been admitted to trading on the main market of the London Stock Exchange and have been admitted to the Official List. Notice of the aggregate nominal amount of Covered Bonds, interest (if any) payable in respect of Covered Bonds, the issue price of Covered Bonds and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Covered Bonds*") of Covered Bonds will be set out in a separate document containing the final terms for that Tranche ("**Final Terms**") which, with respect to Covered Bonds to be admitted to the Official List and admitted to trading by the London Stock Exchange, will be delivered to the FCA and the London Stock Exchange on or before the date of issue of such Tranche of Covered Bonds.

This Prospectus (as supplemented at the relevant time, if applicable) is valid for 12 months from its date in relation to Covered Bonds which are to be admitted to trading on a regulated market in the United Kingdom (the "**UK**") and/or offered to the public in the UK other than in circumstances where an exemption is available under Article 1(4) and/or 3(2) of the UK Prospectus Regulation or Section 86 of the Financial Services and Markets Act 2000 ("**FSMA**"). The requirement to publish a prospectus under the FSMA only applies to Covered Bonds (which are admitted to trading on a UK regulated market as defined in UK MiFIR and/or offered to the public in the UK) other than in circumstances where an exemption is available under Section 86 of the FSMA. The obligation to supplement this Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Prospectus is no longer valid.

On 18 July 2017, the Issuer was admitted to the register of issuers and the Programme was admitted to the register of regulated covered bonds under the Regulated Covered Bonds Regulations 2008 (SI 2008/346) as amended by the Regulated Covered Bonds (Amendment) Regulations 2008 (SI 2008/1714), the Regulated Covered Bonds (Amendment) Regulations 2011 (SI 2011/2859) and the Regulated Covered Bonds (Amendment) Regulations 2012 (SI 2012/2977) (the "**RCB Regulations**").

The Covered Bonds and the Covered Bond Guarantee (as defined below) have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws or "blue sky laws" of any state or other jurisdiction, and may not be offered, sold or delivered, in the United States or to, or for the account or benefit of any U.S. person except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable federal, state or local securities laws. Accordingly, the Covered Bonds are being offered only (i) in offshore transactions to non-U.S. persons in reliance upon Regulation S under the Securities Act (**Regulation S**) and (ii) to "qualified institutional buyers" (**QIBs**) in reliance upon Rule 144A (**Rule 144A**) under 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 are subject to certain restrictions on transfer, see "*Subscription and Sale and Transfer and Selling Restrictions*".

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

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

agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant non-EEA rating agency is certified in accordance with the EU CRA Regulation (and such endorsement or certification, as the case may be, has not been withdrawn or suspended). Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK-regulated investors are required to use, for UK regulatory purposes, ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended.

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

Arranger for the Programme

HSBC

The date of this Prospectus is 17 December 2024

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

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

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

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

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

The information contained in this Prospectus was obtained from the Issuer and other sources, but no assurance can be given by the Arranger, the Dealer(s), any Agent, the Bond Trustee or the Security Trustee as to the accuracy or completeness of this information. Accordingly, no representation, warranty or undertaking, express or implied, is made and, to the extent permitted by law, no responsibility or liability is accepted by the Arranger, the Dealer(s), any Agent, the Bond Trustee or the Security Trustee as to (i) the accuracy or completeness of any statement, representation, warranty or covenant of the Issuer and/or the LLP contained or incorporated in this Prospectus, the Transaction Documents or any other information provided by the Issuer and the LLP in connection with the Programme or for the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence thereof or (ii) any other statement, made or proposed to be made by the Dealer(s), the Arranger, any Agent, the Bond Trustee or the Security Trustee or on its behalf in connection with the Issuer, the LLP or the issue and/or offering of any Covered Bonds. None of the Arranger, the Dealer(s), the Agents, 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 and the LLP in connection with the Programme. Accordingly, each of the Arranger, the Dealer(s), the Agents, the Bond Trustee and the Security Trustee disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement or information.

No person is or has been authorised by the Issuer, the Seller, the LLP, the Arranger, the Dealer(s), the Agents, the Bond Trustee or the Security Trustee to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Programme or the Covered Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Seller, the LLP, the Arranger, the Dealer(s), the Agents, the Bond Trustee or the Security Trustee.

Neither this Prospectus nor any other information supplied in connection with the Programme or any Covered Bonds (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, the LLP, the Seller, the Arranger, the Dealer(s), the Agents, the Bond Trustee or the Security Trustee that any recipient of this Prospectus or any other information supplied in connection with the Programme or any Covered Bonds should purchase any Covered Bonds. Each investor contemplating investing in any Covered Bond should: (i) determine for itself the relevance of the information contained in (including incorporated by reference into) this Prospectus, (ii) make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, the LLP and such Covered Bonds and (iii) make its own determination of the suitability of any such investment in light of its own circumstances, with particular reference to its own investment objectives and experience, and any other factors that are relevant to it in connection with such investment, in each case, based upon such investigation as it deems necessary. The Arranger and the Dealer(s) have not prepared any report or statements (whether financial or otherwise) in relation to the Issuer, the LLP and/or the Portfolio.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Covered Bonds shall in any circumstances imply that the information contained herein concerning the Issuer and/ or the LLP and/or the Seller is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arranger, the Dealer(s), the Agents, the Bond Trustee and the Security Trustee expressly do not undertake to review the financial condition or affairs of the Issuer, the LLP or the Seller during the life of the Programme or to advise any investor in the Covered Bonds of any information coming to their attention. Investors should review, among other things, the most recently published documents incorporated by reference into this Prospectus when deciding whether or not to purchase any Covered Bonds.

The Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or any jurisdiction.

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

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

NONE OF THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION ("SEC") NOR ANY STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY IN THE UNITED STATES HAS APPROVED OR DISAPPROVED OF THESE COVERED BONDS OR PASSED UPON THE ACCURACY OR THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

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 Dealer(s), the Agents, 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 Dealer(s), the Agents, 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 and the Republic of Italy. See "*Subscription and Sale and Transfer and Selling Restrictions*".

An investment in the Covered Bonds is not subject to restriction under the U.S. Volcker Rule as an investment in an ownership interest in a covered fund.

The Covered Bonds may not be a suitable investment for all investors.

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

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

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

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

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

In connection with the issue of any Tranche of Covered Bonds, the Dealer or Dealers (if any) named as the stabilising manager(s) (or persons acting on behalf of any stabilising manager(s)) in the applicable Final Terms may over-allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the stabilising manager(s) (or persons acting on behalf of a stabilising manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Covered Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Covered Bonds and 60 days after the date of the allotment of the relevant Tranche of Covered Bonds. Any stabilisation action or over-allotment must be conducted by the relevant stabilising manager(s) (or persons acting on behalf of any stabilising manager(s)) in accordance with all applicable laws and rules.

In making an investment decision, investors must rely on their own examination of the Issuer and the LLP and the terms of the Covered Bonds being offered, including the merits and risks involved. The Covered Bonds have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Prospectus. Any representation to the contrary is unlawful.

None of the Arranger, the Dealer(s), the Issuer, the LLP, the Agents, 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 and the Covered Bond Guarantee have not been approved or disapproved by the SEC, any state securities commission or other regulatory authority in the United States, nor have any of the foregoing authorities approved this Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Prospectus. Any representation to the contrary is a criminal offence.

This Prospectus is being provided on a confidential basis in the United States to a limited number of QIBs 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 authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

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.

Registered Covered Bonds may 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) only to QIBs, pursuant to an exemption from, or a transaction not subject to, the registration requirements under the Securities Act and any applicable federal, state or local securities laws. Each U.S. purchaser of Registered Covered Bonds is hereby notified that the offer and sale of any Registered Covered Bonds to it may be made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act or Section 4(a)(2) of the Securities Act.

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

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Covered Bonds that are "restricted securities" within the meaning of the Securities Act, each of the Issuer and the LLP has undertaken in the Trust Deed (as defined under "*Terms and Conditions of the Covered Bonds*") to furnish, upon the request of a holder of such Covered Bonds or any beneficial interest therein, to such holder or to a prospective purchaser designated by such holder, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Covered Bonds remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act and each of the Issuer and the LLP is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the **Exchange Act**), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

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

Notwithstanding anything herein to the contrary, investors (and each employee, representative or other agent of the investors) may disclose to any and all persons, without limitation of any kind, the tax

treatment and tax structure of the offering and all materials and any kind (including opinions or other tax analyses) that are provided to the investors relating to such tax treatment and tax structure (as such terms are defined in Treasury Regulation Section 1.6011-4). This authorisation of tax disclosure is retroactively effective to the commencement of discussions between the Issuer, the Dealer(s) of their respective representations and a prospective investor regarding the transactions contemplated herein.

FORWARD-LOOKING STATEMENTS

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

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

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

IMPORTANT – PROHIBITION OF SALES TO EEA RETAIL INVESTORS – If the Final Terms in respect of any Covered Bonds includes a legend entitled "*Prohibition of Sales to EEA Retail Investors*", the Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "EU Prospectus Regulation"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the EU PRIIPs Regulation) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

IMPORTANT – PROHIBITION OF SALES TO UK RETAIL INVESTORS – If the Final Terms in respect of any Covered Bonds includes a legend entitled "*Prohibition of Sales to UK Retail*

Investors", **the Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.**

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

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

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

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

INTERPRETATION

In this Prospectus, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

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PRINCIPAL CHARACTERISTICS OF THE PROGRAMME

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

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

Issuer:	Skipton Building Society
Guarantor:	Skipton Covered Bonds Limited Liability Partnership
Regulated Covered Bonds:	The Issuer and the Programme were admitted to the register of issuers on 18 July 2017 and any Covered Bonds issued under the Programme will be admitted to the register of regulated covered bonds
Nature of eligible property:	Residential mortgage loans, Substitution Assets up to the prescribed limit and Authorised Investments
Location of eligible residential property underlying Loans:	England, Wales or Scotland
Maximum Current Balance to Indexed Valuation ratio given credit under the Asset Coverage Test:	75 per cent.
Maximum Asset Percentage:	92.5 per cent.
Asset Coverage Test:	As set out on page 186
Statutory minimum overcollateralisation:	The eligible property in the asset pool must be more than 108 per cent. of the Principal Amount Outstanding of the Covered Bonds
Amortisation Test:	As set out on page 192
Extended Maturities:	Available
Hard Bullet Maturities:	Not Available
Asset Monitor:	Deloitte LLP
Asset Segregation:	Yes
Namensschuldverschreibungen option:	No
Single/Multi Asset Pool designation:	Single Asset Pool, consisting of residential mortgage loans and liquid assets

Substitution Assets:	Asset backed securities are not eligible property and cannot form part of the Asset Pool. As set out on page 308, Substitution Assets include (a) Sterling gilt-edged securities, (b) Sterling demand or time deposits (subject to certain requirements); and (c) Sterling-denominated government and public securities, (subject to certain requirements), provided that such Substitution Assets comply with the requirements of Regulation 2(1A) of the RCB Regulations.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and filed with the FCA shall be deemed to be incorporated in, and to form part of, this Prospectus:

(a) the strategic report of the Issuer, as set out on pages 14 to 45 (inclusive) of the Annual Report & Accounts of the Issuer for the financial year ended 31 December 2023 available at: https://www.skipton.co.uk/investorrelations/unsecuredisclaimercoveredbonds;

(b) the strategic report of the Issuer, as set out on pages 14 to 37 (inclusive) of the Annual Report & Accounts of the Issuer for the financial year ended 31 December 2022 available at: https://www.skipton.co.uk/investorrelations/unsecuredisclaimercoveredbonds;

(c) the audited consolidated annual accounts of the Issuer, for the financial year ended 31 December 2023, including the auditor's report thereon and the notes thereto, as set out on pages 103 to 237 (inclusive) and the glossary of terms as set out on pages 245 to 248 of the Issuer's Annual Report & Accounts 2023, available at: https://www.skipton.co.uk/investorrelations/unsecuredisclaimercoveredbonds;

(d) the audited consolidated annual accounts of the Issuer, for the financial year ended 31 December 2022, as set out on pages 101 to 245 (inclusive) and the glossary of terms as set out on pages 253 to 256 of the Issuer's Annual Report & Accounts 2022, together with the auditor's reports thereon available at: https://www.skipton.co.uk/investorrelations/unsecuredisclaimercoveredbonds;

(e) the "Pillar 3 Disclosures 31 December 2023" and the "Pillar 3 Disclosures 30 June 2024", each of which is available at: https://www.skipton.co.uk/investorrelations/unsecuredisclaimercoveredbonds;

(f) the unaudited consolidated interim financial statements for the six month period ended 30 June 2024 (which includes the auditor's review report and unaudited consolidated interim accounts of the Issuer and its subsidiaries as at and for the six month period ended 30 June 2024) available at: https://www.skipton.co.uk/investorrelations/unsecuredisclaimercoveredbonds;

(g) the audited non-consolidated annual accounts of the LLP for the financial years ended 31 December 2023 and 31 December 2022 available at https://www.skipton.co.uk/investorrelations/unsecuredisclaimercoveredbonds; and

(h) the section entitled "*Terms and Conditions of the Covered Bonds*" set out on pages 109 to 154 (inclusive) of the prospectus dated 24 July 2017, the section entitled "*Terms and Conditions of the Covered Bonds*" set out on pages 116 to 164 (inclusive) of the prospectus dated 22 June 2018, the section entitled "*Terms and Conditions of the Covered Bonds*" set out on pages 118 to 168 (inclusive) of the prospectus dated 17 July 2019, the section entitled "*Terms and Conditions of the Covered Bonds*" set out on pages 98 to 148 (inclusive) of the prospectus dated 22 September 2020, the section entitled "*Terms and Conditions of the Covered Bonds*" set out on pages 98 to 148 (inclusive) of the prospectus dated 9 December 2021, the section entitled "*Terms and Conditions of the Covered Bonds*" set out on pages 10 to 151 (inclusive) of the prospectus dated 15 December 2022 and the section entitled "*Terms and Conditions of the Covered Bonds*" set out on pages 104 to 155 (inclusive) of the prospectus dated 15 December 2023, (for the avoidance of doubt, the applicable Final Terms for a Series or Tranche of Covered Bonds will indicate the Terms and Conditions applicable to such Series or Tranche and unless otherwise indicated in the applicable Final Terms, the Terms and Conditions of all Covered

Bonds issued after the date hereof shall be those set out in full in this Prospectus). The remaining portions of the prospectuses dated 24 July 2017, 22 June 2018, 17 July 2019, 22 September 2020, 9 December 2021, 15 December 2022 and 15 December 2023 are not relevant for prospective investors.

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

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

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

The Issuer and the LLP will provide, without charge, to each person to whom a copy of this Prospectus has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Written requests for such documents should be directed to the Issuer, Skipton Building Society, The Bailey, Skipton, North Yorkshire, BD23 1DN, and marked for the attention of the LLP, at its principal office as set out at the end of this Prospectus.

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

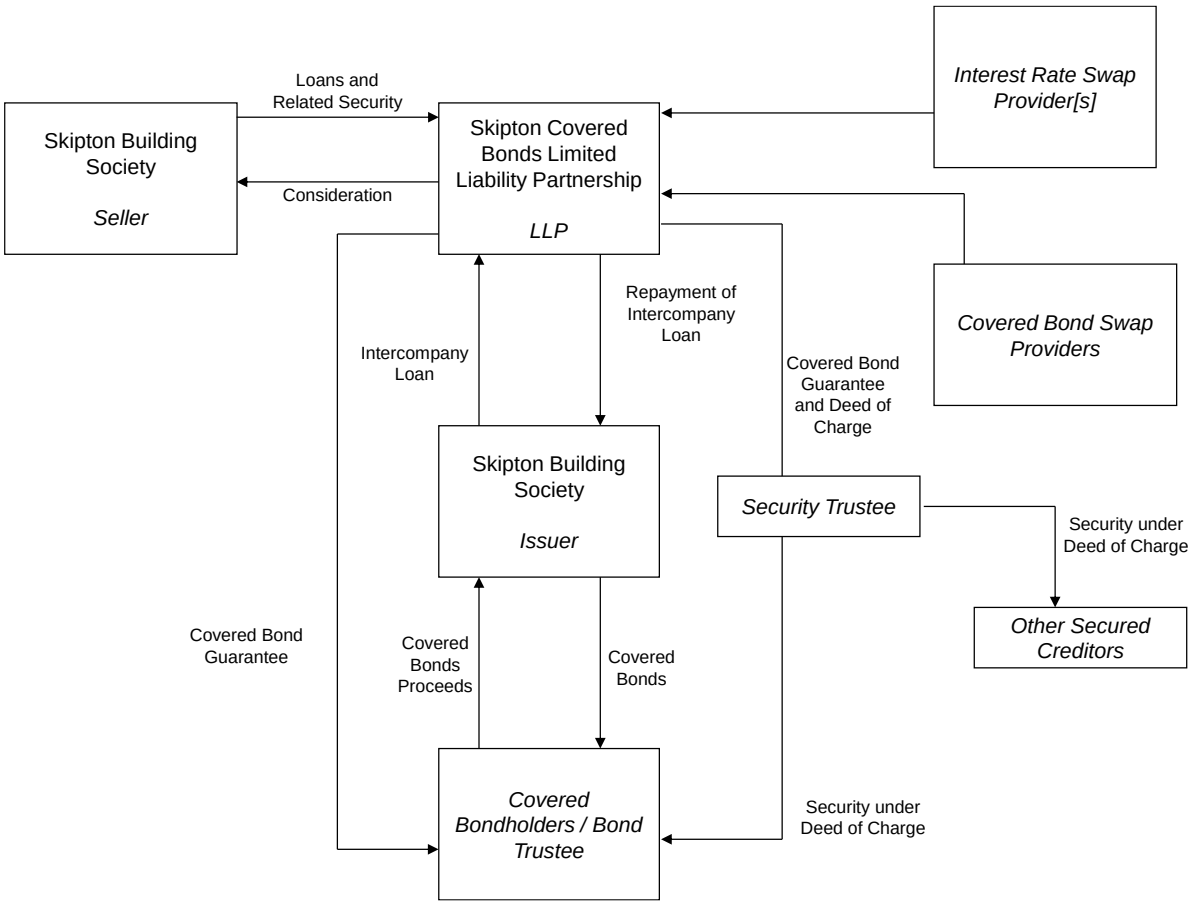
Copies of the documents incorporated by reference in this Prospectus will be available for viewing (i) at the offices of the Issuer at Skipton Building Society, The Bailey, Skipton, North Yorkshire, BD23 1DN, (ii) on the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html and (iii) https://www.skipton.co.uk/investorrelations/unsecuredisclaimercoveredbonds. Please note that, except in respect of any documents being incorporated by reference herein, websites and URLs referred to herein do not form part of this Prospectus. 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.

In the event of any material mistake or inaccuracy which is capable of affecting the assessment of any Covered Bonds, a supplement to this Prospectus or a new prospectus will be prepared for use in connection with any subsequent issue of Covered Bonds.

STRUCTURE OVERVIEW

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

Structure Diagram



Structure Overview

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

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

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

  If an LLP Acceleration Notice is served, the Covered Bonds will (if an Issuer Acceleration Notice has not been already 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, after swapping the same into Sterling under the relevant Covered Bond Swap Agreement):

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

  (b) to acquire Substitution Assets up to the prescribed limit,

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

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

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

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

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

  (v) to make a deposit of all or part of the proceeds in a Transaction Account (including, without limitation, to fund the Reserve Fund in the Transaction Accounts (other than the Skipton Transaction Account unless the Skipton Account Bank has the Account Bank Ratings) to an amount not exceeding the Reserve Fund Required Amount).

  To protect the value of the Portfolio under the terms of the LLP Deed, the LLP and the Members (other than the Liquidation Member) will be obliged to ensure that the Asset Coverage Test (as

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

- *Security*: To secure its obligations under the Covered Bond Guarantee and the Transaction Documents to which it is a party, the LLP has granted security over the Charged Property (which consists principally of the LLP's interest in the portfolio of Loans and their Related Security, the Substitution Assets, the Transaction Documents to which it is a party, the LLP Accounts and the Authorised Investments) in favour of the Security Trustee (for itself and on behalf of the other Secured Creditors) pursuant to the Deed of Charge.

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

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

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

  Following service on the LLP of an Asset Coverage Test Breach Notice (which has not been revoked) but prior to service 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:

  (i) 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, towards any Deferred Consideration, towards payment of the fee due to the Liquidation Member or towards any profit for the Members' respective interests in the LLP under the LLP Deed (but payments will, for the avoidance of doubt, continue to be made under the relevant Swap Agreements); and

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

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

Following the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice on the LLP and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP, the Covered Bonds will become immediately due and repayable (if not already due and payable following the occurrence of an Issuer Event of Default) and the Bond Trustee will then have a claim against the LLP under the Covered Bond Guarantee for an amount equal to the Early Redemption Amount in respect of each Covered Bond together with accrued interest and any other amounts due under the Covered Bonds other than additional amounts payable by the Issuer under Condition 7 (Taxation) and the security created by the LLP over the Charged Property will become enforceable. Any monies received or recovered by the Security Trustee following enforcement of the Security created by the LLP in accordance with the Deed of Charge, realisation of such Security and/or the commencement of winding-up proceedings against the LLP will be distributed according to the Post-Enforcement Priority of Payments as to which, see "*Cashflows*" below.

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

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

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

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

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

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

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

- *Amortisation Test*: In addition, following service of a Notice to Pay on the LLP (but prior to service 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 Calculation Date following an Issuer Event of Default and the service of a Notice to Pay on the LLP, the Amortisation Test Aggregate Loan Amount will be in an amount at least equal to the Sterling Equivalent (as swapped, as the case may be) of the aggregate Principal Amount Outstanding of the Covered Bonds from time to time. The Amortisation Test will be tested by the Cash Manager on each Calculation Date following an Issuer Event of Default and service of a Notice to Pay on the LLP. A breach of the Amortisation Test will constitute an LLP Event of Default, which will entitle the Bond Trustee to serve an LLP Acceleration Notice declaring the Covered Bonds immediately due and repayable and entitle the Security Trustee to enforce the Security over the Charged Property.

- *Extendable obligations under the Covered Bond Guarantee*: An Extended Due for Payment Date may be specified as applying in relation to a Series of Covered Bonds in the applicable Final Terms. This means that if the Issuer fails to pay the Final Redemption Amount of the relevant Series of Covered Bonds on the Final Maturity Date (subject to applicable grace periods) and if the Guaranteed Amounts equal to the Final Redemption Amount of the relevant Series of Covered Bonds are not paid in full by the Extension Determination Date (for example because, following the service of a Notice to Pay on the LLP, the LLP has insufficient monies available in accordance with the Guarantee Priority of Payments to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount of the relevant Series of Covered Bonds) then payment of the unpaid amount pursuant to the Covered Bond Guarantee shall be automatically deferred (without an LLP Event of Default occurring as a result of such non-payment) and shall be due and payable one year later on the Extended Due for Payment Date (subject to any applicable grace period). However, any amount representing the Final Redemption Amount due and remaining unpaid on the Extension Determination Date may be paid by the LLP on any Interest Payment Date thereafter, up to (and including) the relevant Extended Due for Payment Date. Interest will continue to accrue on any unpaid amount during such extended period and be payable on the Original Due for Payment Date and on the Extended Due for Payment Date in accordance with Condition 4.

- *Coupon Payments*: Subject as provided in the circumstances set out below, if Skipton Building Society is acting as Cash Manager pursuant to the Cash Management Agreement and a Cash Manager Relevant Event occurs and is continuing, the Seller will:

    - within ten London Business Days of such downgrade make a Cash Capital Contribution to the LLP in an aggregate amount equal to:

- (in the case of each Term Advance where a Covered Bond Swap is not in place other than an Accumulation Series of Covered Bonds), the Required Coupon Amount payable on the immediately succeeding Term Advance Interest Payment Date for each such Term Advance; and/or

- (in the case of a Term Advance where a Covered Bond Swap is in place), the Required Coupon Amount payable on the immediately succeeding Party B payment date (as defined in each relevant Covered Bond Swap Agreement) (other than those amounts due in respect of an Interim Exchange Date or Final Exchange Date (each as defined in the relevant Covered Bond Swap Agreement)) relating to each Term Advance; and/or

- (in the case of a Term Advance relating to an Accumulation Series of Covered Bonds), the Required Coupon Amount payable on the immediately succeeding LLP Payment Date for each such Term Advance; and

- thereafter, make a Cash Capital Contribution to the LLP not less than one London Business Day after:

  - each Term Advance Interest Payment Date, in an amount equal to the aggregate of the Required Coupon Amount due on the next following Term Advance Interest Payment Date in respect of each Term Advance without a Covered Bond Swap in place other than an Accumulation Series of Covered Bonds; and/or

  - each date on which the LLP is due to make a payment under a Covered Bond Swap, in an amount equal to the aggregate of the Required Coupon Amount due on such date in respect of each Term Advance with a Covered Bond Swap in place; and/or

  - each LLP Payment Date, in an amount equal to the aggregate of the Required Coupon Amount due on the next following LLP Payment Date in respect of each Term Advance relating to an Accumulation Series of Covered Bonds.

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

The LLP will transfer an amount equal to the Cash Capital Contribution it receives from the Seller within one London Business Day of receipt of such amount into the Transaction Accounts and make a credit to the Coupon Payment Ledger. On the date of the transfer the LLP will, on the direction of the Issuer, deliver an irrevocable payment instruction (specifying the ISIN Code and/or CUSIP as applicable or the relevant Series of Covered Bonds) to an Account Bank to pay such amounts to the Principal Paying Agent or the relevant Covered Bond Swap Provider, as applicable on the dates referred to above.

- *Servicing*: In its capacity as Servicer, Skipton Building Society has entered into the Servicing Agreement with the LLP and the Security Trustee, pursuant to which the Servicer has agreed

to provide certain services in respect of the Loans and their Related Security sold by Skipton Building Society (in its capacity as Seller) to the LLP.

- *RCB Regulations*: The Issuer and the Programme were admitted to the register of issuers on 18 July 2017 and any Covered Bonds issued under the Programme will be admitted to the register of regulated covered bonds.

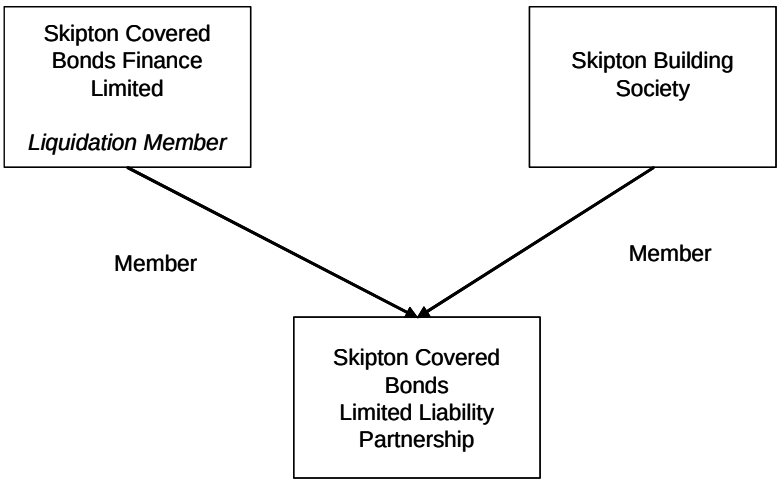
- *Further Information*: For a more detailed description of the transactions summarised above relating to the Covered Bonds see, among other relevant sections of this Prospectus, "*Overview of the Programme*", "*Terms and Conditions of the Covered Bonds*", "*Summary of the Principal Documents*", "*Credit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

Ownership Structure of Skipton Covered Bonds Limited Liability Partnership

- As at the Programme Date, the Members of the LLP are the Seller and the Liquidation Member.

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

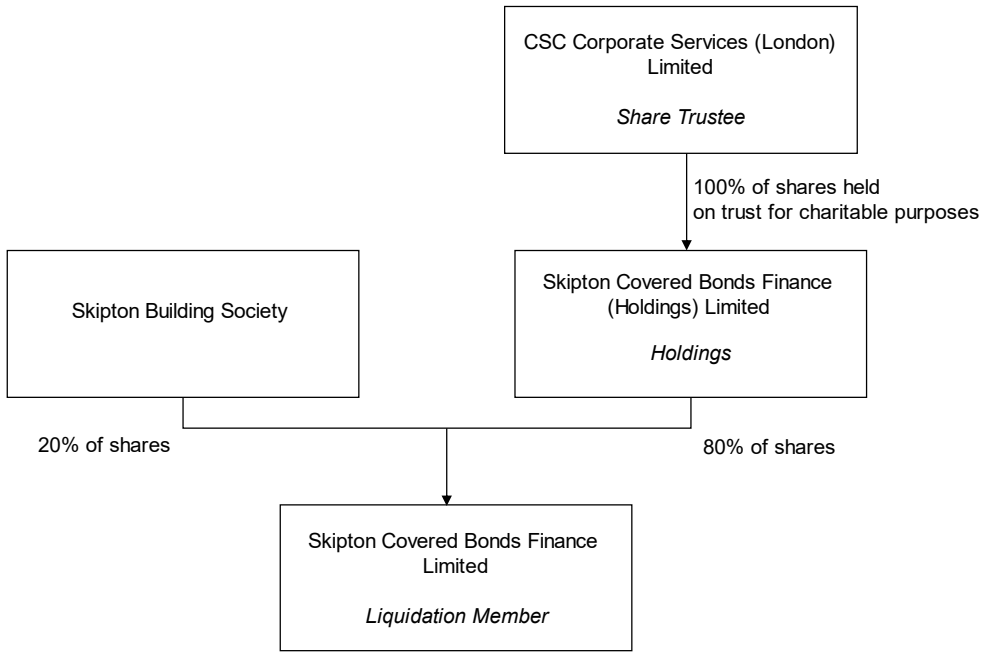
- Other than in respect of those decisions reserved to the Members, the LLP Management Committee (consisting of, as at the Programme Date, directors and/or employees of the Seller) will manage and conduct the business of the LLP and will have all the rights, power and authority to act at all times for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



Ownership Structure of the Liquidation Member

- As at the Programme Date, 80 per cent. of the issued share capital of the Liquidation Member is held by Skipton Covered Bonds Finance (Holdings) Limited and 20 per cent. of the issued share capital of the Liquidation Member is held by Skipton Building Society.

- The entire issued capital of Skipton Covered Bonds Finance (Holdings) Limited is held by CSC Corporate Services (London) Limited (formerly known as Intertrust Corporate Services Limited) as share trustee on trust for charitable purposes.


CSC Corporate Services (London) Limited
Share Trustee
100% of shares held on trust for charitable purposes
Skipton Building Society
Skipton Covered Bonds Finance (Holdings) Limited
Holdings
20% of shares
80% of shares
Skipton Covered Bonds Finance Limited
Liquidation Member

OVERVIEW OF THE PROGRAMME

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

Issuer:	Skipton Building Society ("**Skipton**" or the "**Society**"), incorporated in England and Wales under the Building Societies Act 1986 (as amended) (the "**Building Societies Act**") (which expression shall include, where applicable, any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under any statutory modification or re-enactment). For a more detailed description of the Issuer see "*The Issuer*", below.
Issuer Legal Entity Identifier (LEI):	66AGRETLUXS4YO5MUH35
Website of the Issuer	https://www.skipton.co.uk/
The LLP:	Skipton Covered Bonds Limited Liability Partnership, a limited liability partnership incorporated in England and Wales (partnership no. OC337698). The Members of the LLP on the Programme Date are Skipton (in its capacity as Seller) and the Liquidation Member. The LLP is a special purpose vehicle whose business is to acquire, among other things, Loans and their Related Security from the Seller pursuant to the terms of the Mortgage Sale Agreement and to guarantee certain payments in respect of the Covered Bonds. The LLP will hold the Portfolio and the other Charged Property in accordance with the terms of the Transaction Documents. The LLP has provided a guarantee covering all Guaranteed Amounts when the same shall become Due for Payment, but only following an Issuer Event of Default and the service on the LLP of a Notice to Pay or LLP Acceleration Notice. The obligations of the LLP under such guarantee and the other Transaction Documents to which it is a party are secured by the assets from time to time of the LLP and recourse against the LLP is limited to such assets. For a more detailed description of the LLP, see "*The LLP*", below.
Seller:	Skipton, which is in the business of originating and acquiring residential mortgage loans and conducting other building society related activities.

	For a more detailed description of Skipton, see "*The Issuer*", below.
Servicer:	Pursuant to the terms of the Servicing Agreement, Skipton has been appointed to service, on behalf of the LLP, the Loans and Related Security sold by the Seller.
Back-Up Servicer Facilitator:	CSC Management Services (UK) Limited (formerly known as Intertrust Management Limited) has been appointed to act as Back-Up Servicer Facilitator under the Servicing Agreement.
Cash Manager:	Skipton has been appointed, among other things, to provide cash management services to the LLP and to monitor compliance by the LLP with the Asset Coverage Test and the Amortisation Test pursuant to the terms of the Cash Management Agreement.
Principal Paying Agent and Agent Bank:	Citibank, N.A., London Branch has been appointed pursuant to the Agency Agreement as Principal Paying Agent and Agent Bank.
Exchange Agent and Transfer Agent:	Citibank, N.A., London Branch has been appointed pursuant to the Agency Agreement as Exchange Agent and Transfer Agent.
Paying Agent:	Citibank, N.A., London Branch has been appointed pursuant to the Agency Agreement as Paying Agent.
Bond Trustee:	Citicorp Trustee Company Limited whose registered office is at Citigroup Centre, Canada Square, London E14 5LB, has been appointed to act as Bond Trustee on behalf of the Covered Bondholders in respect of the Covered Bonds and holds the benefit of, among other things, the Covered Bond Guarantee on behalf of the Covered Bondholders pursuant to the terms of the Trust Deed.
Registrar:	Citibank, N.A., London Branch has been appointed pursuant to the Agency Agreement as Registrar.
Security Trustee:	Citicorp Trustee Company Limited whose registered office is at Citigroup Centre, Canada Square, London E14 5LB, has been appointed to act as Security Trustee to hold the benefit of the security granted by the LLP to the Security Trustee (for itself, the Covered Bondholders and other Secured Creditors) under the Deed of Charge.
Asset Monitor:	A reputable institution acceptable to the Rating Agencies appointed pursuant to the Asset Monitor Agreement as an independent monitor to perform tests in respect of the Asset Coverage Test and the Amortisation Test when required. The Asset Monitor is Deloitte LLP.
Asset Pool Monitor:	The Issuer is required to appoint an asset pool monitor in connection with its annual confirmation of compliance with

certain requirements of the RCB Regulations. (See "*Description of the UK Regulated Covered Bond Regime*" below). Deloitte LLP was appointed as asset pool monitor on the Programme Date.

Covered Bond Swap Providers: Each swap provider which agrees to act as Covered Bond Swap Provider to the LLP to hedge certain interest rate, currency and/or other risks in respect of amounts received by the LLP under the Loans and the Interest Rate Swap and amounts payable by the LLP under the Intercompany Loan Agreement (prior to the service of a Notice to Pay) and under the Covered Bond Guarantee in respect of the Covered Bonds (after service of a Notice to Pay) by entering into the Covered Bond Swaps with the LLP under the Covered Bond Swap Agreements. In the event that the ratings of a Covered Bond Swap Provider fall below a specified ratings level, the relevant Covered Bond Swap Provider will be required to post collateral, transfer the swap to another counterparty with the required ratings, obtain a guarantee of its obligations from an appropriately rated guarantor or take such other action as may be deemed appropriate by the Rating Agencies in order to maintain the then current ratings of the Covered Bonds.

Interest Rate Swap Providers: Each swap provider which agrees to act as Interest Rate Swap Provider to the LLP to hedge possible variances between the rates of interest payable on certain of the Loans sold by the Seller to the LLP (which may, for instance, include fixed rates of interest, variable rates of interest or rates of interest which track a base rate) and a compounded daily SONIA rate (payable by the LLP under the Covered Bond Swap Agreement in respect of each Series of Covered Bonds where a Covered Bond Swap is in place) by entering into an Interest Rate Swap with the LLP under the Interest Rate Swap Agreements. In the event that the ratings of an Interest Rate Swap Provider fall below a specified ratings level (which will be lower in respect of actions to be taken in relation to an Administered Rate Interest Rate Swap), the relevant Interest Rate Swap Provider will be required to post collateral, transfer the swap to another counterparty with the required ratings, obtain a guarantee of its obligations from an appropriately rated guarantor or take such other action as may be deemed appropriate by the Rating Agencies in order to maintain the then current ratings of the Covered Bonds. If the Administered Rate Swap Provider has used commercially reasonable efforts to transfer the swap to another counterparty with the required ratings, it may take such other action as would satisfy all regulatory requirements if (i) each of the Rating Agencies has confirmed that the ratings of the Covered Bonds would not be adversely affected or withdrawn as a consequence, and (ii) all necessary regulatory approvals and consents have been received. "Commercially reasonable efforts" for these purposes must include requesting an offered quotation for such transfer from the principal London office of three major banks, notwithstanding the fact

	that any such bank may not provide such offered quotation, or it may not be commercially reasonable to accept such quotation.
Skipton Account Bank:	Skipton has been appointed the Skipton Account Bank to the LLP pursuant to the terms of the Skipton Bank Account Agreement.
Citi Account Bank:	Citibank, N.A., London Branch has been appointed as Citi Account Bank to the LLP pursuant to the terms of the Citi Bank Account Agreement.
Third Party Account Bank:	Any other third party account bank provider selected by the Cash Manager on behalf of the LLP and appointed as Account Bank pursuant to a Third Party Bank Account Agreement.
Liquidation Member:	Skipton Covered Bonds Finance Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 6606923). As at the date of this Prospectus, 80 per cent. of the issued share capital of the Liquidation Member is held by Holdings and 20 per cent. of the issued share capital of the Liquidation Member is held by Skipton.
Holdings:	Skipton Covered Bonds Finance (Holdings) Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 6606991). All of the shares of Holdings are held by the Share Trustee on trust for general charitable purposes.
Share Trustee:	CSC Corporate Services (London) Limited (formerly known as Intertrust Corporate Services Limited), having its registered office at 1 Bartholomew Lane London EC2N 2AX.
Corporate Services Provider:	CSC Management Services (UK) Limited (formerly known as Intertrust Management Limited), having its registered office at 1 Bartholomew Lane London EC2N 2AX, has been appointed to provide certain corporate services to the Liquidation Member and Holdings, pursuant to the Corporate Services Agreement.
Description:	Global Covered Bond Programme.
Arranger:	HSBC Bank plc.
Dealers:	HSBC Bank plc and any other Dealers appointed from time to time in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Covered Bonds denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to

time (see "*Subscription and Sale and Transfer and Selling Restrictions*").

Programme Size: Up to €7.5 billion (or its equivalent in other currencies determined as described in the Programme Agreement) outstanding at any time as described herein. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.

Distribution: Covered Bonds may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis, subject to the restrictions set forth in "*Subscription and Sale and Transfer and Selling Restrictions*" below.

Specified Currencies: Subject to any applicable legal or regulatory restrictions, such currency or currencies as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Principal Paying Agent and the Bond Trustee (as set out in the applicable Final Terms).

Maturities: Such maturities as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.

Issue Price: Covered Bonds may be issued at par or at a premium or discount to par on a fully-paid basis or partly-paid basis.

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

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

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

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

(b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or

(c) on such other basis as may be agreed between the Issuer and the relevant Dealer(s),

	as set out in the applicable Final Terms. The Margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each issue of Floating Rate Covered Bonds as set out in the applicable Final Terms.
Other provisions in relation to Floating Rate Covered Bonds:	Floating Rate Covered Bonds may also have a maximum interest rate, a minimum interest rate or both (as indicated in the applicable Final Terms). Interest on Floating Rate Covered Bonds in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer(s), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer(s).
Zero Coupon Covered Bonds:	Zero Coupon Covered Bonds may be offered and sold at a discount to their nominal amount and will not bear interest except in the case of late payment unless otherwise specified in the applicable Final Terms.
Rating Agency Confirmation:	The issuance of all Covered Bonds shall be subject to confirmation by each of the Rating Agencies that the then current ratings for any outstanding Covered Bonds will not be adversely affected by the issuance of such Covered Bonds.
Redemption:	The applicable Final Terms relating to each Tranche of Covered Bonds will indicate either that the relevant Covered Bonds of such Tranche cannot be redeemed prior to their stated maturity (other than for taxation reasons or if it becomes unlawful for any Term Advance to remain outstanding or following an Issuer Event of Default or an LLP Event of Default) or that such Covered Bonds will be redeemable at the option of the Issuer upon giving notice to the Covered Bondholders, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).
Extendable obligations under the Covered Bond Guarantee:	The applicable Final Terms may also provide that the LLP's obligations under the Covered Bond Guarantee to pay the Guaranteed Amounts corresponding to the Final Redemption Amount of the applicable Series of Covered Bonds on their Final Maturity Date (subject to applicable grace periods) may be deferred until the Extended Due for Payment Date. In such case, such deferral will occur automatically if the Issuer fails to pay the Final Redemption Amount of the relevant Series of Covered Bonds on their Final Maturity Date (subject to applicable grace periods) and if the Guaranteed Amounts equal to the Final Redemption Amount in respect of such Series of Covered Bonds are not paid in full by the LLP by the Extension Determination Date (for example, because the LLP has

	insufficient monies to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of the relevant Series of Covered Bonds after payment of higher ranking amounts and taking into account amounts ranking *pari passu* in the Guarantee Priority of Payments). To the extent that the LLP has received a Notice to Pay in sufficient time and has sufficient monies to pay in part the Final Redemption Amount, such partial payment shall be made by the LLP on any Interest Payment Date up to and including the relevant Extended Due for Payment Date as described in Condition 6(a). Interest will continue to accrue and be payable on the unpaid amount up to the Extended Due for Payment Date in accordance with Condition 4 and the LLP will make payments of Guaranteed Amounts constituting Scheduled Interest on each Interest Payment Date thereafter, up to (and including) the relevant Extended Due for Payment Date.
Hard Bullet Covered Bonds:	The issuance of hard bullet covered bonds will be subject to Rating Agency Confirmation and is not currently contemplated under the Programme.
Denomination of Covered Bonds:	Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms save that the minimum denomination of each Covered Bond will be at least €100,000 (or, if the Covered Bonds are denominated in a currency other than euro, at least the equivalent amount in such currency) or such other higher amount as may be required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. Unless otherwise stated in the applicable Final Terms, the minimum denomination of each Definitive Rule 144A Covered Bond will be U.S. $250,000 or its approximate equivalent in other Specified Currencies.
Taxation:	All payments in respect of the Covered Bonds will be made without deduction or withholding for or on account of United Kingdom taxes, subject as provided in Condition 7 (Taxation). If any such deduction or withholding is made, the Issuer will, save in the limited circumstances provided in Condition 7 (Taxation), be required to pay additional amounts in respect of the amounts so deducted or withheld. Under the Covered Bond Guarantee, the LLP will not be liable to pay any such additional amounts that would have been payable by the Issuer under Condition 7 (Taxation).
Cross Default:	If an Issuer Acceleration Notice is served in respect of any one Series of Covered Bonds, then the Covered Bonds of all Series will accelerate against the Issuer. If an LLP Acceleration Notice is served in respect of any one Series of Covered Bonds, then the obligation of the LLP to pay

	Guaranteed Amounts in respect of all Series of Covered Bonds outstanding will be accelerated.
Status of the Covered Bonds:	The Covered Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank *pari passu* without any preference among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer, from time to time outstanding.
Covered Bond Guarantee:	Payment of Guaranteed Amounts in respect of the Covered Bonds when Due for Payment will be irrevocably guaranteed by the LLP. The obligations of the LLP to make payment in respect of the Guaranteed Amounts when Due for Payment are subject to the condition that an Issuer Event of Default occurs, an Issuer Acceleration Notice is served on the Issuer and a Notice to Pay is served on the LLP or, if earlier, an LLP Event of Default occurs and an LLP Acceleration Notice is served on the LLP. The obligations of the LLP under the Covered Bond Guarantee will accelerate against the LLP upon the service of an LLP Acceleration Notice. The obligations of the LLP under the Covered Bond Guarantee constitute direct obligations of the LLP secured against the assets from time to time of the LLP and recourse against the LLP is limited to such assets.
Ratings:	As at the date of this Prospectus: (i) the long-term senior obligations of the Issuer are rated "A2" by Moody's Investors Service Limited ("**Moody's**"), (ii) the short-term obligations of the Issuer are rated "P-1" by Moody's, (iii) the long-term counterparty risk assessment of the Issuer by Moody's is Aa3(cr), (iv) the short-term counterparty risk assessment of the Issuer by Moody's is P-1(cr), (v) the long-term issuer default rating of the Issuer by Fitch Ratings Limited ("**Fitch**") is A- and (vi) the short-term issuer default rating of the Issuer by Fitch is F1. Each of Moody's and Fitch is established in the United Kingdom and is registered under the UK CRA Regulation. Where a Series of Covered Bonds is rated, such rating will be disclosed in the Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing and admission to trading:	Application has been made to admit Covered Bonds issued under the Programme to the Official List and to admit the Covered Bonds to trading on the main market of the London Stock Exchange.
The RCB Regulations:	The Issuer and the Programme were admitted to the register of issuers on 18 July 2017 and any Covered Bonds issued under

	the Programme will be admitted to the register of regulated covered bonds.
Governing Law:	The Covered Bonds, and any non-contractual obligations arising out of or in connection with them, will be governed by, and construed in accordance with, English law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of any Tranche of Covered Bonds in the United States and the EEA (which includes Italy) and the United Kingdom. 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*".
Risk Factors:	There are certain risks related to any issue of Covered Bonds under the Programme, which investors should ensure they fully understand, a non-exhaustive summary of which is set out under "*Risk Factors*" from page 31 of this Prospectus.

RISK FACTORS

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

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

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

1. RISKS RELATING TO THE ISSUER

1.1 *The Group's results may be adversely affected by general economic conditions and other business conditions in the UK, the Eurozone and elsewhere*

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

The impact of global stresses on the UK economy, in particular those caused by (among others) increased conflict (including ongoing conflicts in Ukraine and the Middle East), rising inflation, global energy prices or a stress within the Eurozone and the UK Government's response to these, including the impact of monetary policies such as the Bank of England's programme of quantitative tightening, could adversely affect the Issuer's business by reducing the level of demand for, and supply of, the Issuer's products and services, exposing it to lower asset and other realisations and increased negative fair value adjustments and impairments of investments and other assets and may materially and adversely affect the Issuer's operating results and financial condition. For further information on adjustments to the valuations of financial assets, please see "*Impact of changes in IRB models and risk-weight floors*".

As the Issuer's customer base is predominantly based in the UK, it will be significantly exposed to the condition of the UK economy. In particular, factors such as UK house prices, levels of unemployment, inflation, interest rates, supply chain issues and change in consumers' disposable income can each have a material impact on customers. A deterioration of macro-economic conditions in the UK or uncertainty and/or volatility in relation to these factors has the potential to impact the short and medium-term credit performance of the Issuer, along with an increased probability of risk to the Issuer's customers and their ability to repay their debts. A sustained cost of living challenge could impact the Issuer's strategy and have a negative impact on the Issuer's profitability, capital, funding and liquidity requirements and increase market volatility. Additionally, there is a risk of increased fraudulent activity as a consequence of cost of living pressures, this could lead to material arrears and credit losses for the Issuer and could in turn affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

The cost of living crisis being faced by customers could potentially also result in an increased level of customer stress leading to increased defaults by customers, which in turn could lead to material arrears

and credit losses for the Issuer. This could affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

1.2 *Failure to meet capital, leverage and/or MREL requirements*

If the Issuer fails to meet its capital, leverage and/or MREL requirements in full, the Issuer may be unable to write new business, may be subject to regulatory sanction or fines and, in a severe scenario, could have its authorisation revoked. Furthermore, changes to the regulatory capital and liquidity requirements, and/or the prudential framework, under which the Issuer operates could hinder growth and/or increase its cost of capital by prescribing more stringent requirements than those with which it currently complies. The Issuer's capital ratios may be adversely affected not only by a reduction in the Issuer's capital (including if the Issuer suffers financial losses) but also by changes in the manner in which the Issuer is required to calculate its capital and/or the risk-weightings applied to its assets (including changes in the internal ratings based ("**IRB**") models of the Issuer, such as the introduction or amendment of risk-weight floors).

In addition, a failure to adequately manage capital, liquidity and the Issuer's MREL requirements could have a material adverse effect on the Issuer. Whilst the Issuer monitors current and expected future capital, liquidity and MREL requirements, including having regard to both leverage and RWA-based requirements, and seeks to manage and plan the prudential position accordingly and on the basis of current assumptions regarding future capital and liquidity requirements, there can be no assurance that the assumptions will be accurate in all respects or that it will not be required to take additional measures to strengthen its capital or liquidity position.

Effective management of the Issuer's capital and regulatory authorisations is critical to its ability to operate and grow its business and to pursue its strategy. Any change that limits the Issuer's ability to manage its balance sheet and capital resources effectively (including, for example, reductions in profits and retained earnings as a result of credit losses, write-downs or otherwise, increases in risk- weighted assets (which may be pro-cyclical under the current capital framework, resulting in risk- weighting increasing in economic downturns), delays in the disposal of certain assets or the inability to raise capital or funding through wholesale markets as a result of market conditions or otherwise) could have a material adverse impact on its business, financial condition, results of operations, liquidity and/or prospects.

Furthermore, if the Issuer fails, or is perceived to be likely to fail, to meet its minimum regulatory capital, leverage or liquidity requirements, or MREL, including in connection with any stress tests performed by the Bank of England or any other relevant authority, this may result in administrative actions or regulatory sanctions. In addition, any actual or perceived weakness relative to the Issuer's competitors could result in a loss of confidence, which could result in high levels of withdrawals from its deposit base, upon which it relies for lending and which could have a material adverse effect on the Issuer's business, financial position and results of operations.

Such events could have a material adverse impact on the Issuer's business, financial condition and results of operations, and could materially adversely impact its ability to meet its obligations (including those under the Covered Bonds).

1.3 *Prevailing Interest Rate Environment*

The Issuer's consolidated Group results are influenced by general economic and other business conditions, including the prevailing interest rate environment. The Issuer's mortgage standard variable rate for buy-to-let loans ("**BTL SVR**") and mortgage standard variable rate for owner occupied loans ("**Owner Occupied SVR**"), which still applies to some mortgage loans ("**SVR Loans**"), is capped at 3.00 per cent. above Base Rate unless the cap is removed in "exceptional circumstances". In 2010, the

Issuer's Board of Directors defined "exceptional circumstances" as prevailing where either (a) Base Rate is less than or equal to 2.70 per cent. or (b) Base Rate minus the UK average instant access savings rate (as published monthly by the Bank of England) is less than or equal to 2.25 per cent. for each of the three preceding months. The circumstances will remain exceptional for as long as either one of these tests continues to be satisfied. At the date of this Prospectus the circumstances prevailing were not exceptional under either of the two separate tests.

The Issuer's BTL SVR is currently set at 6.50 per cent. and the Issuer's Owner Occupied SVR is currently set at 6.50 per cent.. No assurance can be given as to whether exceptional circumstances will prevail in the future and whether the cap would be removed in relation to the SVR Loans. On 14 November 2012, the Issuer introduced a second administered rate called the buy-to-let mortgage variable rate ("**BTL MVR**") and the owner occupied mortgage variable rate ("**Owner Occupied MVR**" and, together with the BTL SVR, the Owner Occupied SVR and the BTL MVR, the "**Administered Rates**"). The Issuer's BTL MVR is currently set at 6.79 per cent. and the Issuer's Owner Occupied MVR is currently set at 6.79 per cent.. No cap applies or has applied to the BTL MVR or the Owner Occupied MVR.

An increasing interest rate environment may adversely affect the Issuer's business and financial performance. Increases in the base rate may increase the Issuer's cost of funding, and may also result in other market participants offering more competitive product pricing, which could result in increased customer attrition. A falling interest rate environment may also adversely affect the Issuer's business and financial performance, as it may also result in other market participants offering more competitive product pricing, which could result in increased customer attrition. Further it may put pressure on the margin earned by the Issuer between loans made to borrowers and interest rates paid on savings accounts.

The slowdown in both the global and the UK economy means that retail customers may reduce their financial services purchases. This could have an adverse effect on the Group's ability to generate revenue through the disbursement and servicing of new mortgage loans, the fees earned through estate agency and related services and income earned from advice to customers. The Issuer's results are more specifically affected by the financial health of, and the price and volume of transactions in, the UK housing market (as to which, see the risk factor entitled "*UK residential housing market risks may adversely impact the Issuer's business*" below). The trading risk of one of the Group's smaller subsidiaries relates to invoice finance/factoring.

The exact nature of the risks that the Issuer faces and the manner and the extent to which they will ultimately impact the Issuer is difficult to predict and to guard against in the light of (i) the interrelated nature of the risks involved, (ii) the difficulties in predicting whether recoveries will be sustained and at what rate, and (iii) the fact that the risks are totally or partially outside the control of the Issuer.

1.4 *Deterioration in wholesale funding markets may have an adverse effect on the Issuer*

The Issuer depends upon access to wholesale funding sources (including accessing the international debt capital markets) for around 15-20 per cent. of its funding requirements. More short-term unsecured money-market funding is also available as counterparties review credit criteria positively. The Issuer has continued to manage its funding requirements successfully through a combination of raising new funds from the wholesale market, debt capital market as well as through government and central bank facilities.

Various governments and central banks, including the UK government and the Bank of England, have provided significant support to UK financial institutions through a range of measures, including through the Term Funding Scheme with additional incentives for SMEs ("**TFSME**"). The availability of funding through central bank schemes had supported a benign funding environment for UK banks and

building societies in terms of both the cost and availability of funding. The TFSME is no longer available for any further funding, with the drawdown period having closed on 31 October 2021.

The availability of this Government support for UK financial institutions, to the extent that it provided access to cheaper and more attractive funding than other sources, reduced the need for those institutions to fund themselves in the retail or wholesale markets. The Issuer was a participant in the TFSME and had £1,150 million outstanding under the TFSME as at 30 June 2024. With the repayment period for the TFSME ending in 2025 for the majority of participants, it can be expected to result in an increase in competition for other forms of funding, which can be expected to increase funding costs across the industry. As a result, the Issuer may see a reduction in the availability of funding, and an increase in the cost of such funding. A decrease in the availability of funding may adversely impact the Issuer's ability to support its lending operations. Any increase in the cost of funding, driven by this increased competition or by other factors, will adversely impact the Issuer's net interest margin, results of operations and financial position, which in turn could affect the ability of the Issuer to make payments under the Covered Bonds. The Issuer expects to mitigate the impact of this refinancing concentration by seeking funds from alternative sources. There can be no assurance that such plans will be successful. The Issuer's available funding options are regularly reviewed. If such funding options are not successful in mitigating the impact of this refinancing concentration, the Issuer could face liquidity constraints. The Issuer manages its refinancing concentration under the government-backed liquidity schemes as part of its general ongoing funding strategy.

There can be no assurance that the wholesale funding markets will not deteriorate in the future. The Issuer has access to wholesale markets via a number of routes in order to mitigate against a deterioration in market conditions.

The Issuer holds buffer eligible liquidity in excess of the Prudential Regulation Authority's ("**PRA**") minimum regulatory requirement and reviews this position daily. The Issuer reported a Net Stable Funding Ratio of 137.1 per cent. at 31 December 2023, in excess of the 100 per cent. minimum requirement. Additional internal stress and scenario testing is also performed weekly (or more regularly if required) to assess the adequacy of the liquidity and contingent liquidity available to the Issuer. These results are reviewed weekly by senior management and monthly by the Issuer's Asset and Liability Committee ("**ALCO**") and the Board of Directors.

The Issuer is subject to a periodic statutory liquidity review process by the PRA and any recommendations resulting from this are implemented accordingly.

1.5 *Basel III, Capital management, Leverage and MREL*

As a building society, the Issuer is subject to the UK's prudential requirements, including in respect of its capital, liquidity, and related disclosures. The Basel Committee on Banking Supervision (the "**BCBS**") has approved a series of significant changes to the Basel regulatory capital and liquidity framework in January 2011, January 2014 and December 2017 (such changes being referred to by the BCBS as "**Basel III**", and referred to, colloquially, as Basel III in respect of reforms finalised prior to 7 December 2017 and "**Basel IV**" (or "**Basel 3.1**" as used by the PRA) in respect of reforms finalised on or following that date), including additional capital requirements, higher capital ratios, more stringent eligibility requirements for capital instruments, a new leverage ratio and liquidity requirements.

The Basel III reform package agreed in 2010 was implemented in the European Economic Area (the **"EEA"**, which at the time included the UK) through the Capital Requirements Regulation (575/2013) (the "**EU CRR**") and an associated directive (the Capital Requirements Directive (2013/36/EU) (the "**EU CRD**")) (together, "**EU CRD IV**") which were published in the Official Journal of the EU on 27 June 2013. The EU CRR established a single set of harmonised prudential rules which apply directly to

all credit institutions in the EEA, with the EU CRD containing less prescriptive provisions which were transposed into national law. The UK had transposed those aspects of EU CRD that were in effect as at 31 December 2020 into UK law, and EU CRR as in force on 31 December 2020 was onshored into UK law ("**UK CRR**"). UK CRR has been the subject of further amendments since 31 December 2020, with certain aspects repealed and effectively replaced by equivalent PRA rules. The UK CRR gives express recognition for Common Equity Tier 1 ("**CET1**") capital instruments for mutual and co-operative entities and permits the use of a cap or restriction to safeguard the interests of members and reserves.

In the UK, the PRA published a Consultation Paper on 30 November 2022 ("**CP 16/22**") on the implementation of the Basel 3.1 standards. The consultation closed on 31 March 2023. This consultation, among other things, proposed changes relating to the use of external credit ratings, a floor for the use of internal models, and a stricter delineation between the banking and trading books.

The PRA published its first near-final Policy Statement on the implementation of Basel 3.1 ("**PS 17/23**") on 12 December 2023. PS 17/23, among other things, has impacts on market risk, credit valuation adjustment risk, counterparty credit risk and operational risk. The PRA published its second near-final Policy Statement on the implementation of Basel 3.1 ("**PS 9/24**") on 12 September 2024. PS 9/24 addresses the remaining elements from CP16/22, including credit risk, the output floor, and Pillar 3 disclosures. The PRA concurrently announced that implementation of the changes is now expected to occur from 1 January 2026, with a transitional period of 4 years to ensure full implementation by 1 January 2030 (which remains unchanged).

Regulatory requirements adopted in the United Kingdom may change, as may the way in which the PRA continues to interpret and apply these requirements to UK banks and building societies (including as regards individual model approvals or otherwise) and implement the final Basel 3.1 standards.

Separately, the PRA is consulting on the restatement of the existing UK CRR requirements in the PRA Rulebook and on certain minor amendments to the own funds framework (CP 8/24), as well as minor amendments to the UK capital buffers framework and its associated materials (CP 10/24). Both consultations closed on 12 December 2024.

The above proposed and incoming changes, either individually and/or in aggregate, may lead to higher or enhanced requirements in relation to the Group's capital, leverage, liquidity and funding ratios or alter the way such ratios are calculated. The changes may also affect investors that are subject to regulatory capital requirements.

A market perception or actual shortage of capital issued by the Group could result in governmental actions, including requiring the Group to issue additional CET1 securities, requiring the Group to retain earnings or issuing a public censure or the imposition of sanctions. This may affect the Group's capacity to continue its business operations, generate a return on capital or pursue acquisitions or other strategic opportunities, impacting future growth potential. If the Group is unable to raise this capital, this could affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

The Issuer's capital is reported as a ratio of risk adjusted assets expressed as a percentage in different measures: CET1 capital, Tier 1 capital and total capital. If the Issuer fails, or is perceived to be likely to fail, to meet its minimum regulatory requirements, this may result in administrative actions or regulatory sanctions and could result in the Issuer becoming unable to meet its obligations, including those under the Covered Bonds.

In addition to the specified requirements for all relevant entities, the PRA may require a credit institution such as the Issuer to meet additional "Pillar 2" requirements, split between "Pillar 2A" and "Pillar 2B". The PRA's current approach to Pillar 2 is set out in its Policy Statement PS 22/21, which took effect from 1 January 2022. The Issuer's Pillar 2A requirement is equivalent to 2.03 per cent. of risk weighted

assets as at 30 June 2024. The PRA expects firms to meet Pillar 2A with at least 56.25 per cent. in CET1 capital, no more than 43.75 per cent. Additional Tier 1 capital and no more than 25 per cent. in Tier 2 capital. The Issuer meets these requirements. The Pillar 2B requirement (the "**PRA buffer**") is an amount of capital that firms should hold, in addition to their total capital requirement, to cover losses that may arise under a severe stress scenario, but avoiding duplication with the Basel III buffers. Where the PRA assesses a firm's risk management and governance to be significantly weak, it may also set the PRA buffer to cover the risk posed by those weaknesses until they are addressed.

Accordingly, there is a risk that the Issuer will be required to hold higher levels of, or better quality, capital than is currently anticipated or planned for. If and to the extent that the PRA adopts capital or other requirements which exceed existing capital requirements, this may adversely impact the Issuer's competitiveness relative to any banks and financial institutions subject to less stringent requirements.

1.6 *Capital management – leverage ratio requirements*

Basel III also introduced a new leverage ratio requirement which is in effect for UK banks and building societies. Revisions to the leverage ratio finalised by BCBS in December 2017 had to be implemented by 1 January 2023. The leverage ratio is a non-risk based measure that is designed to act as a supplement to risk based capital requirements. The leverage calculation determines a ratio based on the relationship between Tier 1 capital and total consolidated exposure (i.e. total exposure is the sum of on-balance sheet exposures, derivative exposures, securities financing transaction exposures and off-balance sheet items).

In a Policy Statement on the UK leverage ratio framework that was published on 8 October 2021 (PS21/21), the PRA stated that it would keep the leverage ratio requirements under review to ensure they remain consistent with the Bank of England's concurrent stress testing framework. On 10 September 2024, the PRA confirmed that it was reviewing the leverage ratio requirements (the "**Leverage Ratio Review**"), and that, if this review identifies a need for changes, the PRA expects to publish a consultation paper in Q1 2025. No concrete proposals have been published as a consequence of the Leverage Ratio Review to date. The Financial Policy Committee ("**FPC**") has powers to direct (rather than recommend) that the PRA implement its proposed changes to the leverage ratio framework and the FPC has played a role in reviewing the leverage policy framework in the UK.

As at the date of this Prospectus, the Issuer continues to be subject to a supervisory expectation under the PRA's Supervisory Statement on the UK leverage framework ("**SS45/15**") but is not subject to a binding minimum leverage ratio requirement. More specifically, under Chapter 5 of SS45/15, the PRA states that it expects firms not in scope of the leverage ratio minimum capital requirement to manage their leverage risk so that their leverage ratio does not fall below 3.25 per cent. in the normal course of business or as part of their base business plan. Should the Issuer fail, or be perceived likely to fail, to meet its supervisory expectation or any applicable future leverage requirements, this may result in administrative actions or regulatory sanctions and could result in the Issuer becoming unable to meet its obligations, including those under the Covered Bonds.

1.7 *Capital management – MREL*

To support the effectiveness of bail-in and other resolution tools, the UK implementation of Directive 2014/59/EU (the "**BRRD**") required that all institutions must meet an individual "minimum requirement for own funds and eligible liabilities" (known as "**MREL**") which may be bailed-in, calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities. Items eligible for inclusion in MREL will include an institution's own funds, along with "eligible liabilities".

In the UK, the BRRD was implemented by amendments made to the UK's existing special resolution regime contained principally in the Banking Act and associated regulatory rules.

The Bank of England's current policy for exercising its power to direct institutions to maintain a minimum requirement for MREL under section 3A(4) of the Banking Act, set out under a revised MREL Statement of Policy, published on 3 December 2021, has applied since 1 January 2022 (the "**2021 MREL Review**"). This revised MREL Statement of Policy provided that the end-state MREL compliance date for institutions considered by the Bank of England to be 'mid-tier firms' (such as the Issuer) was extended to 1 January 2023. On 15 October 2024, the Bank of England published a Consultation Paper entitled "Amendments to the Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities (MREL)" (the "**October Consultation**"). At a high level, the October Consultation proposes the potential restatement (with modifications) of provisions currently found in UK CRR into the Bank of England's MREL Statement of Policy, and contains proposals relating to the thresholds at which the Bank of England will determine that either a modified insolvency or a bail-in preferred resolution strategy will be more appropriate. These thresholds, which were last reviewed as part of the 2021 MREL Review, are as follows: (a) 40,000-80,000 transactional accounts, at which the Bank will consider whether a transfer preferred resolution strategy (e.g. a sale to a private sector purchaser) is appropriate, and (b) GBP 15-25 billion in total assets, at which the Bank will consider whether a bail-in preferred resolution strategy is appropriate. In the October Consultation, the Bank of England is proposing two changes: (a) increasing the total assets threshold for the transfer preferred resolution strategy from GBP 15-25 billion to GBP 20-30 billion, and (b) for bail-in preferred resolution strategy firms, MREL being expected to be set equal to the firm's minimum capital requirements. The Bank of England has stated that any changes following from the October Consultation would be expected to come into force, at the earliest, on 1 January 2026.

The full application of these measures (including any proposals) and any changes in them from time to time could increase the Issuer's costs and may affect the Issuer's plans to grow its balance sheet. The Issuer has been designated as a single point of entry firm and the Bank of England has provided an MREL requirement that is, as at the date of this Prospectus, being satisfied by the Issuer. If MREL requirements change and exceed current regulatory capital requirements, the Issuer may need to raise additional eligible instruments or reduce total assets. Accordingly, the effects of these requirements could adversely impact the results of operations, financial condition and prospects of the Issuer.

1.8 *Capital management – internal capital adequacy assessment*

The Group conducts an Internal Capital Adequacy Assessment Process ("**ICAAP**") at least annually to assess the Group's current and projected capital requirements to support the current risks in the business and future risks arising from the corporate plan. The ICAAP considers all the Group's material risks and includes Board-approved stress scenarios which are intended, as a minimum, to meet regulatory requirements. The ICAAP is approved annually by the Board of Directors and is reviewed by the PRA when setting the Group's Total Capital Requirements.

The Group adopts the following approaches to calculate its Pillar 1 minimum capital requirements:

- Internal Ratings Based approach for residential mortgage exposures of the Issuer;
- Internal Ratings Based approach for exposures relating to investments in subsidiaries outside the regulatory group and non-credit obligation assets (property, plant and equipment, fair value adjustments for hedged risk and cash);
- Standardised approach for other lending exposures;
- Standardised approach for treasury portfolios; and
- Standardised approach for operational risk and market risk.

If the Issuer fails, or is perceived to be likely to fail, to meet its minimum regulatory capital requirements, this would result in administrative action or regulatory sanctions and could result in the Issuer becoming unable to meet its obligations, including those under the Covered Bonds.

1.9 *Impact of changes in IRB models and risk-weight floors*

Changes to how the Issuer applies its IRB model, or which may require the Issuer to calculate its risk-adjusted assets on the basis of standardised or loan-to-value-based standardised risk-weights, could have a material adverse impact on the Issuer's capital ratios, even if the Issuer remains profitable. In particular, risk weighted asset ("**RWA**") output floors are due to be implemented through a 4-year transitional period which, as detailed in PS 9/24, is expected to apply from 1 January 2026 with full implementation by 1 January 2030, and other reforms for the calculation of risk-weights are also due to be implemented.

Further, a number of PRA reforms for IRB calibration have also been made effective from 1 January 2022. These include the amendment of all rating systems to align with the PRA's updated definitions of 'default', 'probability of default' and 'loss given default', floors for mortgage exposures and the amendment of the PRA's expectations regarding residential mortgage rating systems. The reforms are designed to ensure less volatility in risk-based capital requirements through periods of economic stress by increasing starting RWAs closer to a through-the-cycle average.

The Society submitted updated IRB models to the PRA in 2021 and following feedback, a revised model in January 2024; the process for review and approval is ongoing and therefore the models remain subject to change until the models are approved by the PRA and may cause variations in the capital metrics. At the date of this Prospectus a TMA has been applied to estimate what the final impact will be in moving to regulator approved hybrid IRB models.

The Issuer does not currently expect any increase in risk weights from its IRB calculations although there can be no certainty that the Issuer's RWAs won't change further once IRB models are finalised and have undergone PRA approvals. This may mean implementation of new IRB models results in a reduction to its CET1 ratio and a reduction to its MREL ratio which could in turn result in the Issuer becoming unable to meet its obligations, including those under the Covered Bonds.

1.10 *Financial Instruments*

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

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

Since the adoption by the Issuer of International Financial Reporting Standard 9 *Financial Instruments* ("**IFRS 9**"), the Issuer is required to use a forward-looking "expected credit loss" ("**ECL**") model when valuing financial assets. The ECL model in IFRS 9 involves a number of factors that require significant judgement. These factors include, for example, assessing probability of default, determining when the risk of default has significantly increased and forming a view as to the future direction of relevant

economic variables. To implement its IFRS 9 methodologies, the Group has designed and built an appropriate suite of models. The modelling techniques vary according to the characteristics of each impacted portfolio of financial assets, ranging from complex statistical models for the Group's residential loan portfolios, to a more simplified approach for trade receivables. The impact of the cost of living crisis (including rising energy costs) and government policies may render these valuations and assessments more volatile, which may materially and adversely impact the Issuer's operating results and financial condition.

1.11 ***The Issuer's accounting policies and methods are critical to how it reports its financial condition and results of operations. They require the Issuer to make estimates about matters that are uncertain***

Accounting policies and methods are fundamental to how the Issuer records and reports its financial condition and results of operations. The Issuer must exercise judgement in selecting and applying many of these accounting policies and methods so that they comply with IFRS.

The Issuer has identified certain accounting policies in the notes to its audited consolidated financial statements for the year ended 31 December 2023 incorporated by reference in this Prospectus in respect of which significant judgement is required in determining appropriate assumptions and estimates when valuing assets, liabilities, commitments and contingencies. A variety of factors could affect the ultimate value that is obtained either when earning income, recognising an expense, recovering an asset or reducing a liability. The Issuer has established detailed policies and control procedures that are intended to ensure that these judgements (and the associated assumptions and estimates) are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Nevertheless, because of the uncertainty surrounding the Issuer's judgements and the estimates pertaining to these matters, the Issuer may be required to make changes in accounting estimates or restate prior period financial statements in the future and any such changes or restatements could be material in nature and may therefore have an adverse effect on the Issuer's financial position.

1.12 ***UK personal financial services market***

The UK financial services market for products such as savings and regulated investments (where the Issuer acts as distributor for third parties) is competitive. Further increased demand for retail funding from financial institutions and other existing and new market participants (including alternative finance challenger or fintech competitors) and a downturn in equity markets could have an adverse effect on the Issuer's sales opportunities, and therefore on the Issuer's financial position.

The Group is predominantly active in the UK and is, to a large extent, exposed to the UK property market. Therefore, the general UK macro-economic environment is a key determinant of the success of the Group. The main economic drivers that impact the risk profile of the Group include:

- interest rates;
- inflation;
- unemployment; and
- the housing market (volume of transactions and house prices).

Whilst levels of mortgage arrears remained relatively low throughout 2024, the Issuer remains cognisant that the situation can change at any time. Increasing interest rates, higher unemployment, inflation (including through increased energy prices) or a material decline in house prices would impact the

Home Financing business through higher levels of arrears and possessions, and ultimately higher credit losses. The Issuer is complying with FCA rules relating to supporting customers in payment difficulties, related guidance (FG 24/2) and was complying with the now revoked previous guidance the Mortgages Tailored Support Guidance published on 25 March 2021 (the "**Mortgages Tailored Support Guidance**") which was issued to address exceptional circumstances arising out of the coronavirus pandemic and later expressed by the FCA as to having relevance if the Issuer were to offer forbearance to a significant number of customers as a result of FCA rules and guidance, it may adversely affect the Issuer's ability to make payments on the Covered Bonds where due (or, if applicable, the LLP's ability to make payments under the Covered Bond Guarantee). No assurance can be given as to the impact of the cost of living crisis faced by the borrowers in the UK on the general economy. Furthermore, the Issuer has signed up to the Mortgage Charter, which outlines the standards lenders have agreed to uphold for customers affected by the increase in mortgage rates and the elevated cost of living. See "*Default by Borrowers in paying amounts due on their Loans*" and "*Further Information on the regulation of mortgages in the UK – FCA response to the cost of living crisis*" for further details.

1.13 *Subsidiary businesses*

The Issuer's business is also complemented by additional subsidiary businesses, such as the Connells Limited group of companies ("**Connells**") and Skipton International Limited ("**SIL**"). The results of Connells group are principally driven by the volume of UK property transactions, which is heavily influenced by consumer confidence, driven by the general state of the economy. A slowdown in the housing market was seen following the mini-budget in September 2022, and this continued into 2023 as a result of rising interest rates, subduing demand for mortgages and reducing the volume of housing transactions, putting pressure on Connells' income levels. Connells is partially protected against the performance of its core business through its own diversification into complementary businesses such as lettings and property asset management, whilst the wider diversification of the full Group has helped maintain overall performance.

On 8 March 2021, Connells acquired the entire issued share capital of Countrywide plc (now Countrywide Limited). In order to fund the transaction, enable Connells to repay existing borrowings in Countrywide and provide working capital, the Society agreed to provide a loan of £253.0 million to Connells Limited on completion of the acquisition. As at 31 December 2023, the outstanding amount due from Connells to the Society in respect of this loan was £122.5 million. The size of the two businesses, and the majority of the activities they undertake, are not too dissimilar, hence the acquisition has roughly doubled the risk exposure to the housing market and the operational risks associated with operating within it.

Any downturn in the business prospects of any or all of the Issuer's subsidiaries could adversely affect the performance of the Group. No assurance can be given as to the impact of adverse general economic conditions on the performance of the Group.

1.14 *Any decline in the Issuer's credit rating may affect the market value of the Issuer's securities and the accessibility of wholesale funding*

The Issuer's credit ratings are an assessment of its profitability, financial strength and its ability to pay obligations, including those on any securities issued (including the Covered Bonds). Consequently, actual or anticipated declines in the Issuer's credit ratings may affect the market value of the Issuer's securities (including the Covered Bonds).

A negative change of sentiment towards financial institutions generally operating in the UK's residential mortgage market (including the Issuer) could occur which may result in wholesale funding being more difficult to obtain and/or being more costly, which could have a material adverse effect on the liquidity and funding of all UK financial services institutions, including the Issuer. If the Issuer's credit rating

were to decline, in the short term the Issuer may have to increase its level of retail funding. Whilst the Issuer's strong retail franchise would enable this, such funding would be expected to come at a significantly higher cost to the Issuer. In addition, any such events could affect the market value of the Covered Bonds.

1.15 *The Issuer's hedging strategies may not prevent losses*

The Issuer is continually managing its exposure to interest rate, currency and refinancing risks. If any of the variety of instruments and strategies the Issuer uses to hedge its exposure to these various types of risk is not effective, the Issuer may incur losses and could become unable to meet its obligations, including those under the Covered Bonds. The Issuer may not be able to obtain economically efficient hedging contracts that will enable it to carry on its present policies with respect to new assets and liabilities.

1.16 *The Issuer's derivatives counterparties may not honour their contracts*

The Issuer uses derivatives to manage its market risks. These derivatives are negotiated and transacted with a range of counterparties. As of the date of this Prospectus there has not been a situation in which the Issuer's derivative counterparties have not honoured their obligations under the derivative agreements. A failure by one or more counterparties to honour the terms of its derivatives contract with the Issuer could have an adverse effect on the business, operations and financial condition of the Issuer.

The Issuer clears all relevant derivative contracts as required by Regulation (EU) 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories dated 4 July 2012 (including, without limitation, any associated regulatory technical standards and advice, guidance or recommendations from relevant supervisory regulators), as amended or supplemented from time to time ("**EU EMIR**") and Regulation (EU) 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 domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) ("**EUWA**") (including, without limitation, any associated regulatory technical standards and advice, guidance or recommendations from relevant supervisory regulators), as amended or supplemented from time to time ("**UK EMIR**"). This means that the Issuer's exposure is with a centralised clearing body, LCH Ltd. There is protection under these rules and margin management on an intra-day basis ensures any additional exposure due to mark to market changes in valuation are covered. Additionally, the Issuer has collateralised swap agreements in place with all major swap counterparties in order to minimise the risk of loss in the event of default by a counterparty. However, there can be no guarantee that such strategy will effectively prevent all counterparty-related loss.

1.17 *Failure by the Issuer to manage its financial risks, which include liquidity, credit and interest rate, may result in adverse effects on its business, financial condition and/or reputation*

The Issuer's success depends on its ability to manage and control its financial risks, which include liquidity, credit and interest rate risks.

Credit risk. Credit risk is the risk of suffering financial loss should borrowers or counterparties default on their contractual obligations to the Group. The Group faces credit risk from its lending to individual customers, businesses and wholesale counterparties.

If the Issuer fails to manage and control its credit risk, the Issuer could become unable to meet its obligations, including those under the Covered Bonds.

Liquidity risk. Liquidity risk is the risk that the Group is unable to meet its current and future financial obligations as they fall due or only able to do so at excessive cost. Liquidity stress testing is carried out against a number of scenarios, including those prescribed by the PRA, considering a wide range of liquidity and economic factors. Early warning indicators are regularly assessed by a variety of functions across the Issuer to ensure liquidity is maintained at appropriate levels and reported to ALCO and the Board of Directors on a monthly basis.

If the Issuer fails to manage and control its liquidity risk, the Issuer could become unable to meet its obligations, including those under the Covered Bonds.

Interest Rate risk. Interest rate risk is the risk of loss arising from adverse movements in market interest rates. This risk is managed through the use of appropriate financial instruments, including derivatives used to hedge exposures, with established risk limits, reporting lines, mandates and other control procedures. For further information in relation to the Issuer's hedging activities please see above risk factors entitled "*The Issuer's hedging strategies may not prevent losses*" and "*The Issuer's derivatives counterparties may not honour their contracts*".

If the Issuer fails to manage and control its interest rate risk, the Issuer could become unable to meet its obligations, including those under the Covered Bonds.

1.18 ***Failure of the Issuer to manage its regulatory and conduct risk may have a material adverse effect on the Issuer's business, financial condition and reputation***

The Issuer conducts its businesses subject to regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies and interpretations in the markets in which it operates.

The FCA periodically reviews certain market sectors to assess compliance against its statutory objectives: if it deems certain practices to be contrary to its objectives, it may introduce regulatory reforms.

Firms authorised under the Financial Services and Markets Act 2000 (the "**FSMA**") are subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations thereof in the UK. This is particularly the case in the current market environment, which is witnessing increased levels of government and regulatory intervention in the banking and building society sector, and which the Issuer expects to continue for the foreseeable future. The UK government, the PRA, the FCA and other regulators in the UK may intervene further in relation to areas of industry risk already identified, or in new areas, each of which could adversely affect the Issuer. As examples, the Issuer expects that a number of regulatory initiatives in relation to climate change, along with other environmental, social and governance matters generally, will be introduced or consulted upon by the FCA, PRA or other regulators in the UK. The effects that such regulation may have on the Issuer include, without limitation, the imposition of additional costs or the limitation or restriction on the manner in which the Issuer conducts elements of its business. A failure to identify and adapt its business to meet new rules or evolving expectations, or any perception that the Issuer is under-performing relative to its peers, could result in reputational damage and may have an adverse impact on the Issuer's financial performance and business operations. The Issuer continues to work closely with regulatory authorities and industry associations to ensure that it is able to identify and respond to proposed regulatory changes and mitigate the risks posed, although future changes are difficult to predict and could materially adversely affect the business of the Issuer.

The Issuer is exposed to various forms of regulatory risk in its operations, including the risk of mis-selling financial products, acting in breach of legal or regulatory principles or requirements, mis-

reporting of regulatory returns, mis-calculation of tax payments, filing failure or other claims of alleged misconduct on the part of the Issuer, any of which could have a material adverse effect on its results or its relations with its customers. The Issuer may settle litigation or regulatory proceedings prior to a final judgment or determination of liability in order to avoid the cost, management efforts, negative business, and regulatory or reputational consequences of continuing to contest liability, even when the Issuer believes that it has no liability. The Issuer may also do so when the potential consequences of failing to prevail would be disproportionate to the costs of settlement.

1.19 *Climate Change*

Climate change risk refers to the commercial impact that climate and environmental changes present to the Group's business model.

The physical and transition risks of climate change are becoming ever more apparent and have the potential to pose a significant threat to the Issuer if the Issuer fails to implement a coordinated and timely response.

Climate change, and businesses' response to the emerging threats, are under increasing scrutiny by governments, regulators and the public alike. These include physical risks resulting from changing climate and weather patterns and extreme weather-related events, as well as transition risks resulting from the process of adjustment towards a lower carbon economy. Governments and regulators may introduce increasingly stringent rules and policies designed to achieve targeted outcomes, which could have an impact on the UK economy, increase compliance costs for the Issuer, drive asset impairments and result in regulatory fines or other action if the Issuer is unable to implement adequate reforms sufficiently quickly. How the Issuer assesses and responds to these developments and challenges could increase its costs of business, and a failure to identify and adapt its business to meet new rules or evolving expectations, or any perception that it is under-performing relative to its peers, could result in reputational damage and/or the risk of legal claims and may have an adverse impact on the Issuer's financial performance and business operations.

1.20 *Reputational risk*

Reputational risk is the risk to earnings, liquidity or capital arising from negative market or public opinion. The Issuer's ability to attract and retain customers and conduct business with its counterparties could be adversely affected to the extent that its reputation or the reputation of its brand is damaged.

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

1.21 *Operational risk*

Operational risk is the risk of poor customer outcome or loss resulting from inadequate or failed internal processes, systems, people, culture and/or external factors. Failure by the Issuer to control its operational risks may result in material adverse effects to its business, financial condition and/or reputation.

Operational risk and losses can result from financial crime and fraud, cyber threats, weaknesses or failures in the design or use of a model, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, IT systems failures, change demand and delivery, the failure to provide a high quality service to customers, the failure to attract and retain employees, pandemics, natural disasters, external geopolitical events, the failure of external systems (for example, those of the Issuer's suppliers or counterparties) or the failure of third party suppliers which the Issuer is reliant upon. Failure to manage these risks effectively could adversely impact the Issuer's business and financial profile and its ability to make payments on the Covered Bonds.

Operational resilience has been a key focus area for the PRA, the Bank of England and the FCA in recent years. On 29 March 2021, the PRA published its Policy Statement PS6/21: "Operational resilience: Impact tolerances for important business services". The Policy Statement sets out the PRA's policy interventions on operational resilience, which were effective from 31 March 2022. The regulators expect firms to identify their important business services that, if disrupted, could cause harm to consumers or market integrity, threaten the viability of firms or cause instability in the financial system. Impact tolerances should be set for each important business service and firms should take actions to be able to remain within their impact tolerances through a range of severe but plausible disruption scenarios. Firms are expected to identify and document the people, processes, technology, facilities and information that support their important business services. The policy requires boards and senior management to approve the important business services identified for the firms and the impact tolerances set. Boards are expected to ensure they have the appropriate management information, adequate knowledge, skills and experience to provide constructive challenge to senior management and informed decisions that have consequences for operational resilience.

The FCA also published its Policy Statement PS21/3 titled "Building operational resilience: Feedback to CP19/32 and final rules" on 29 March 2021. These rules and guidance were also effective from 31 March 2022, and require that:

- firms must by 31 March 2022 have identified their important business services, set impact tolerances for the maximum tolerable disruption and carried out mapping and testing to a level of sophistication necessary to do so. Firms must also have identified any vulnerabilities in their operational resilience; and

- as soon as possible after 31 March 2022, and no later than 31 March 2025, firms must have performed mapping and testing so that they are able to remain within impact tolerances for each important business service. Firms must also have made the necessary investments to enable them to operate consistently within their impact tolerances.

Although the Society has implemented all measures required to date by the PRA under each of Policy Statements PS6/21 and PS21/3, a failure to comply with these new operational resilience rules in the future (particularly following the 31 March 2025 deadline) may expose the Issuer to administrative sanctions and regulatory fines.

1.22 *Model risk*

Model risk is the risk of a financial loss or a poor business or strategic decision as a result of errors, weaknesses or failures in the design or use of a model. There are three types of model risk in particular

which may result in such financial loss, impact upon efficiency, or inhibit delivery of the Issuer's strategic objectives - (i) model input risk, whereby errors or inaccuracies in the Issuer's models may incorrectly inform inputs (such as data hypotheses, assumptions or scenarios), (ii) modelling risk, whereby errors or inaccuracies in the Issuer's models may incorrectly inform decision-making, and (iii) model output risk, whereby errors or inaccuracies in the Issuer's models may incorrectly inform outputs (such as forecasts, estimates, or management decision support). To mitigate these model risks, the Issuer has an established model governance framework and policy with oversight provided by its Model Risk Committee. The relevant policy has been approved by the Board Risk Committee. However, there can be no assurance that the estimates and modelling by the Issuer will prove accurate or be sufficient to monitor risk, and any failure to manage such model risk adequately could adversely affect the Issuer's business, financial condition and results of operations, and could damage its relationships with its regulators.

1.23 ***The Group is exposed to risk in relation to data protection***

The Group holds, controls and processes a significant volume of personal data and could be adversely affected if any of this data were to be lost, compromised or not handled in accordance with the relevant data protection legislation. This could give rise to legal or regulatory penalties as well as commercial costs. Although the Group has robust data protection policies and procedures in place, any loss or compromise of personal data or other breach of data protection legislation could have a material adverse effect on the Group's business, results of operations and financial performance, which could adversely affect the Issuer's ability to make payments on the Covered Bonds.

Regulation (EU) 2016/679 as it forms part of domestic law by virtue of the EUWA (the "**UK GDPR**") imposes obligations on data controllers and data processors and new rights for data subjects which the Group needs to comply with. The UK GDPR also introduces significantly increased financial penalties that can be imposed on the Group as the result of any non-compliance with the UK GDPR.

There is a risk that the measures introduced by the UK GDPR may not have been implemented correctly or that individuals within the Issuer will not be fully compliant with such measures. If there are breaches of these measures, the Issuer could face significant administrative and monetary sanctions as well as reputational damage which may have a material adverse effect on the Issuer's operations, financial condition and prospects.

1.24 ***Systemic risk could adversely affect the Issuer's business***

Concerns about, or a default by, one institution could lead to liquidity problems or losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships between institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which the Issuer interacts on a daily basis and therefore could adversely affect the Issuer and its ability to meet its obligations, including those under the Covered Bonds.

1.25 ***Increasing competition may adversely affect the Issuer's income and business***

Competition in the Issuer's business is based on name recognition, service, product and price. The Issuer competes with a large number of other financial services providers (including banks, building societies and insurance companies) and provides a range of financial services covering (but not limited to) mortgages, savings and financial advice. Other financial services competitors provide a different range of financial products, may have more competitive pricing in certain areas and may have greater financial resources with which to compete. Increasing competition may have a negative effect on the

Issuer's results, if the Issuer is unable to match the products and services of its competitors, which may affect the ability of the Issuer to meet its obligations including those under the Covered Bonds.

1.26 *UK residential housing market risks may adversely impact the Issuer's business*

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

A downturn in the UK economy or period of stagflation or inflation, either regionally or nationally, could reduce demand for housing or consequently reduce house price growth and sales, which could result in lower levels of lending, the Issuer's core activity. A fall in property prices resulting from a deterioration of the economy and increased unemployment could lead to increased numbers of borrowers defaulting on their mortgage loans and result in losses being incurred by the Issuer where the net recovery proceeds are insufficient to redeem the outstanding loans.

If deterioration occurs in the quality of the Portfolio, this could have an adverse effect on the value of the Asset Pool and the LLP's ability to make payment under the Covered Bond Guarantee. There can be no assurance that the housing market will not deteriorate (whether as a result of inflation or for any other reason), and the UK's economic environment may affect the rate at which the new mortgage loans are originated and may also affect the level of attrition of the Issuer's existing borrowers.

The Group has exposure to the buy-to-let market. Whilst this market has performed strongly in recent years, there can be no guarantee that this will continue. There have been various tax-related changes to United Kingdom legislation in recent years which may affect the ability of the Borrowers to repay their buy-to-let Loans due to the increased tax costs associated with buy-to-let mortgages and there may be further changes in the future which further impact the Borrowers' ability to meet their obligations under such Loans. For example, the amount of income tax relief that individual landlords can claim for residential property finance costs is now restricted to the basic rate of tax which may result in higher taxes for individual landlords depending on their personal circumstances.

Further, a higher rate of stamp duty land tax ("**SDLT**"), Welsh land transactions tax ("**WLTT**") and Scottish land and buildings transaction tax ("**LBTT**") applies to the purchase of additional residential properties (such as buy-to-let properties) in England and Northern Ireland, Wales and Scotland respectively. The current additional tax rates are as follows: (i) in England and Northern Ireland the higher rate is 5 per cent. above the current SDLT rates; (ii) in Wales the additional residential rate is 5 per cent. higher than the main WLTT rate for the first £180,000 of purchase price; for subsequent bands of purchase price, the additional rates remain higher than the main WLTT rates (by differing percentages) and the bands of purchase price to which the additional rates are applied are structured differently to the main WLTT bands; and (iii) in Scotland the additional dwelling supplement (akin to the higher rate in England and Wales) is 4 per cent. of the full chargeable consideration of the property above the current LBTT rates (for properties purchased prior to 16 December 2022) and is 6 per cent. of the full chargeable consideration of the property above the current LBTT rates (for properties purchased on or after 16 December 2022), in each case where the property is valued at £40,000 or more.

A 2 per cent. SDLT surcharge applies to non-UK residents purchasing residential property in England and Northern Ireland. This applies in addition to the 5 per cent. additional rate that applies to the purchase of additional residential properties in England and Northern Ireland described above.

The introduction of these measures may adversely affect the private residential rental market in England, Scotland and Wales in general, or (in the case of the restriction of income tax relief) the ability of Borrowers of buy-to-let Loans to meet their obligations under those loans.

1.27 *Financial Services Compensation Scheme*

The FSMA established the Financial Services Compensation Scheme (the "**FSCS**"), which pays compensation to eligible customers of authorised financial services firms which are unable, or are likely to be unable, to pay claims against them. Claims on the FSCS are funded by levies on UK deposit-taking institutions. An institution's FSCS levy is linked to its share of the UK deposit market. However, in certain circumstances, regulated UK deposit takers may further be required to fund, by way of a further increase in the FSCS levy, the capital repayment to HM Treasury of such loans. The FSCS levy may have a material impact on the profits of the Issuer.

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

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

1.28 *Demutualisation, mutual society transfers and consequences of the Building Societies Act for Covered Bondholders*

Subject to confirmation by the relevant UK regulatory authority, Skipton or its members determine whether it remains a building society or if it demutualises (save in circumstances where a direction is made under section 42B of the Building Societies Act or a UK authority makes an instrument or order under the Banking Act, which results in demutualisation through the conversion of it into a company or the transfer of all the property, rights or liabilities of the society to a company).

The Building Societies Act includes provisions under which a building society may demutualise by transferring the whole of its business to an existing company (referred to as a "takeover") or to a specially formed company (referred to as a "conversion"). In addition, the Building Societies Act (as modified by the Mutual Societies (Transfers) Order 2009 (the "**Mutual Transfers Order**") made under section 3 of the Building Societies (Funding) and Mutual Societies (Transfers) Act 2007 (the "**Funding and Mutual Societies Transfers Act**")) includes provisions under which a building society may transfer the whole of its business to the subsidiary of another mutual society (as defined in section 3 of the Funding and Mutual Societies Transfers Act).

Following a transfer of business to a company (including where the transfer is to a subsidiary of another mutual society) by the Issuer, the obligations under the Covered Bonds will become obligations of any transferee entity. Covered Bondholders should be aware that if the Covered Bonds become obligations

of any transferee entity, it may, depending on the type of entity for which the business of the Issuer is transferred, result in adverse regulatory consequences for Covered Bondholders.

It is expressed to be a condition of any transfer of business by the Issuer under the Transaction Documents that the Covered Bond Guarantee will remain in place or be modified to apply *mutatis mutandis* in full force and effect and will continue as an obligation of the LLP in respect of the Covered Bonds which, following any transfer, will be obligations of the transferee entity.

1.29 ***Certain of the Issuer's liabilities will be preferred by law in the event of its winding-up***

A substantial portion of claims against the Issuer in the event of its winding up (which expression includes building society insolvency under the Banking Act 2009) or dissolution will rank ahead of claims in respect of the Covered Bonds. Holders of the Covered Bonds and other unsubordinated creditors of the Issuer will, in an insolvency of the Issuer, rank junior to deposits (whether held by members or non-members of the Issuer) which are given preferential status under law.

In addition to the priority status given to secured debt and certain employee and tax claims, the English insolvency regime applicable to the Issuer at the date of this Prospectus provides for:

(i) a first-ranking preference to those deposits (or a relevant part thereof) of natural persons and micro, small, medium and large sized enterprises (but excluding financial institutions), which are eligible for protection by the Financial Services Compensation Scheme (the "**FSCS**") up to the FSCS coverage limit (being, as at the date of this Prospectus, £85,000); and

(ii) a second-ranking preference to deposits (or a relevant part thereof) of natural persons and micro, small and medium enterprises (this definition being narrower than the definition of eligible deposit referred to in paragraph (i) above) which would be eligible for FSCS protection but for the fact that they either (a) exceed the coverage limit of the FSCS or (b) were made through a non-UK branch of a UK-authorised credit institution. Such deposits (or the relevant part thereof) will rank after the preferential debts referred to in paragraph (i) above but in priority to the claims of ordinary unsecured creditors that are not afforded preferential status in the event of an insolvency.

Therefore, in light of the above, in a winding-up or dissolution of the Issuer, a substantial portion of the claims against it would be claims of its depositors, whose claims will rank ahead of claims in respect of the Covered Bonds.

1.30 ***Future legislative and regulatory changes could impose operational restrictions on the Issuer, require the Issuer to raise further capital, increase the Issuer's expenses and/or otherwise adversely affect its business, results, financial condition or prospects***

The Issuer is regulated by the PRA and the FCA (the "**UK Regulators**"). The regulatory regime requires the Issuer to be compliant across many aspects of activity, including the training, authorisation and supervision of personnel, systems, processes and documentation. If the Issuer fails to be compliant with any relevant regulations, there is a risk of an adverse impact on its business due to sanctions, fines or other action imposed by the regulatory authorities. The current market environment is witnessing continued high levels of government and regulatory intervention in the banking, personal finance and real estate sectors. Future changes in regulation, accounting, fiscal or other policies are unpredictable and beyond the Issuer's control and could materially adversely affect its business or operations.

On 9 December 2022, HM Treasury announced a package of over 30 measures to reform UK financial services regulation. Collectively known as the 'Edinburgh Reforms', these are intended to deliver the next chapter of the HM Treasury's vision for UK financial services and are divided into four categories: a competitive marketplace promoting effective use of capital; sustainable finance; technology and

innovation; and consumers and business. HM Treasury explained that it will deliver the reforms through two tranches.

As part of the Edinburgh Reforms, the government is also seeking to foster competition through reforms to the Building Societies Act 1986, which were first proposed in the government's December 2022 response to the Call for Evidence ("**Proposed Building Societies Reforms**"). Section 7 of the Building Societies Act 1986 limits building societies' use of external wholesale funding by requiring building societies to raise at least 50 per cent. of their funding from their members' deposits in savings accounts (the "**Building Society Funding Limit**"), subject to certain exemptions. The Building Societies Reforms included proposed changes to how the calculation of the Building Society Funding Limit under the Building Societies Act 1986 would be performed, by excluding the following sources of funding: (i) funding from specific Bank of England Liquidity Insurance Facilities under the Sterling Monetary Framework; (ii) funding from senior non-preferred debt instruments raised to meet MREL (i.e. a building society's minimum requirement for own funds and eligible liabilities); (iii) funding from repurchase agreements of level 1 high-quality liquid assets where funding essentially counts twice for the purpose of the funding limit; and (iv) deposits from small to medium-sized enterprises with a turnover of up to £6.5 million (up to 10 per cent. of a building society's overall funding). All four of the above proposals have now been implemented.

Following a consultation on the optimal structure for UK financial services post-Brexit, the Financial Services and Markets Act 2023 ("**FSMA 2023**") received Royal Assent on 29 June 2023, with some provisions having come into effect on 29 August 2023 and others coming into force pursuant to subsequent regulations made by HM Treasury. FSMA 2023 establishes a framework to repeal, reform or revoke onshored EU legislation relating to financial services, and enables HM Treasury, the FCA and PRA to replace it with legislation and a regulatory rule set to deliver a comprehensive FSMA model of regulation. FSMA 2023 intends to move away from the onshored EU legislation towards the approach taken under the FSMA, whereby primary responsibility for regulation is delegated to the UK regulatory authorities, subject to the oversight of Parliament. FSMA 2023 is being followed by a programme of regulatory reform, the timetable and full extent of which are currently uncertain.

On 10 July 2023, the Chancellor of the Exchequer's Mansion House Speech included a package of reforms ("**Mansion House Reforms**"), which built on the Edinburgh Reforms and FSMA 2023. The Mansion House Reforms aim to deliver a smarter regulatory framework, and elaborates on how the government intends to deliver the first two tranches. The Mansion House Reforms confirm that before the end of 2023, among other things, work will continue on Basel 3.1 implementation and the "strong and simple" framework for small banks and building societies. As part of the Mansion House Reforms, in July 2023, HM Treasury published its 'Plan for Delivery' setting out how the government intends to deliver on its December 2022 Policy Statement 'Building a Smarter Financial Services Framework for the UK'. FSMA 2023, the Building Societies Reforms and the wider UK regulatory reforms, will impact the future regulatory environment for the Group, particularly regarding the regulators' consideration of competition. Such changes could have an impact on the business of the Group and in turn affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

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

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

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

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

2. RISKS RELATING TO THE COVERED BONDS

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

Following service of an Issuer Acceleration Notice on the Issuer, a Notice to Pay will be served by the Bond Trustee on the LLP. Subsequent to a failure by the Issuer to make a payment in respect of one or more Series of Covered Bonds, the Bond Trustee may, but is not obliged to, serve an Issuer Acceleration Notice unless and until requested or directed by the holders of at least 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds then outstanding as if they were a single Series or if so directed by an Extraordinary Resolution of all the Covered Bondholders in accordance with Condition 9(a) and subject to the Bond Trustee being indemnified and/or secured and/or prefunded to its satisfaction. Following service of a Notice to Pay on the LLP, under the terms of the Covered Bond Guarantee the LLP will be obliged to pay Guaranteed Amounts as and when the same are Due for Payment. In these circumstances, the LLP will not be obliged to pay any other amounts which become payable for any other reason.

Payments by the LLP will be made subject to any applicable withholding or deduction and the LLP will not be obliged to pay any additional amounts as a consequence. The attention of potential Covered Bondholders is drawn to the paragraph headed "*Taxation – United Kingdom Taxation – Payments by the LLP*" in the Taxation section below. Prior to service on the LLP of an LLP Acceleration Notice, the LLP will not be obliged to make any payments in respect of broken funding indemnities, penalties, premiums, default interest or interest on interest which may accrue on or in respect of the Covered Bonds. In addition, the LLP will not be obliged at any time to make any payments in respect of additional amounts which may become payable by the Issuer under Condition 7 (*Taxation*).

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

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

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

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

In relation to any issue of Covered Bonds that have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Covered Bonds may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case, a Covered Bondholder who, as a result of trading such amounts, holds an amount which (after deducting integral multiples of such minimum Specified Denomination) is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Covered Bond in respect of such holding (should definitive Covered Bonds be printed) and would need to purchase a principal amount of Covered Bonds such that its holding amounts to a Specified Denomination. If definitive Covered Bonds are issued, Covered Bondholders should be aware that definitive Covered Bonds that have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

2.4 *Excess Proceeds received by the Bond Trustee*

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

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

2.5 *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:

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 or the ability of the Issuer to make payments in respect of the Covered Bonds. As a result, investors may receive less interest or principal than expected, or no interest or principal.

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

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

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

To the extent that the LLP has received a Notice to Pay in sufficient time and has sufficient monies available to pay in part the Guaranteed Amounts corresponding to the relevant Final Redemption Amount in respect of the relevant Series of Covered Bonds, the LLP shall make such payment on the Extension Determination Date. If the LLP has not received a Notice to Pay in sufficient time and/or does not have sufficient monies available to pay the Guaranteed Amounts corresponding to the relevant Final Redemption Amount in respect of the relevant Series of Covered Bonds, the LLP shall make such

partial payment in accordance with the Guarantee Priority of Payments and as described in Condition 6(a) (*Final redemption*) on any Interest Payment Date up to and including the relevant Extended Due for Payment Date. Payment of the unpaid amount shall be deferred automatically until the applicable Extended Due for Payment Date. The Extended Due for Payment Date will be specified in the relevant Final Terms, and interest will continue to accrue and be payable on the unpaid amount in accordance with Condition 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 money in accordance with the Guarantee Priority of Payments, failure by the LLP to make payment in respect of the Final Redemption Amount on the Final Maturity Date (or such later date within any applicable grace period) shall not constitute an LLP Event of Default. However, failure by the LLP to pay Guaranteed Amounts corresponding to the Final Redemption Amount or the balance thereof, as the case may be, on the Extended Due for Payment Date and/or pay Guaranteed Amounts constituting Scheduled Interest on any Original Due for Payment Date or the Extended Due for Payment Date will (subject to any applicable grace period) be an LLP Event of Default.

2.6 *Covered Bonds subject to Optional Redemption by the Issuer*

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

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

2.7 *Ratings of the Covered Bonds*

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

The expected ratings of the Covered Bonds are set out in the relevant Final Terms for each Series of Covered Bonds. Any Rating Agency may lower its 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 any Rating Agency may revise its relevant rating methodology with the result that, among other things, any rating assigned to the Covered Bonds may be lowered. If any rating assigned to the Covered Bonds is lowered or withdrawn, the market value of the Covered Bonds may reduce.

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

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension or withdrawal (or, as noted above, revision) at any time. A credit rating may not reflect the potential impact of all of the risks related to the structure, market, additional factors discussed above and other

factors that may affect the value of the Covered Bonds. Any downgrade in the rating of the Issuer by the Rating Agencies may have a negative impact on the ratings of the Covered Bonds.

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

The terms of certain of the Transaction Documents provide that, in certain circumstances, the Issuer must, and the Bond Trustee or the Security Trustee may, obtain written confirmation (or, in the case of Moody's, affirmation) in writing by a Rating Agency 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.

In respect of each Rating Agency, if receipt of a Rating Agency Confirmation or other response by a Rating Agency is a condition to any action, step or matter under any Transaction Document and a written request for such Rating Agency Confirmation or other response by a Rating Agency is delivered to that Rating Agency by or on behalf of the Issuer (copied to the Bond Trustee and the Security Trustee, as applicable) and:

(a) (i) that Rating Agency indicates that it does not consider such Rating Agency Confirmation or other response necessary in the circumstances or otherwise declines to review the matter for which the Rating Agency Confirmation or other response is sought (including as a result of the policy or practice of that Rating Agency) or (ii) within 30 days of delivery of such request, that Rating Agency has not responded to the request for the Rating Agency Confirmation or other response; and

(b) the Issuer has otherwise received no indication from that Rating Agency that its then current ratings of the Covered Bonds would be reduced, qualified, withdrawn or put on negative watch as a result of such action, step or matter,

then (A) there shall be no requirement for the Rating Agency Confirmation or other response from the Rating Agency if the Issuer provides to the Bond Trustee and the Security Trustee a certificate signed by two Directors or two Authorised Signatories of the Issuer (which certificate the Bond Trustee and the Security Trustee may rely upon absolutely) certifying and confirming that each of the events in paragraphs (a)(i) or (ii) and (b) above has occurred; and (2) none of the Issuer, the LLP, the Security Trustee nor the Bond Trustee shall be liable for any loss that Covered Bondholders may suffer as a result.

However, nothing herein shall in any way affect the right of a Rating Agency to downgrade or withdraw the then current ratings of the Covered Bonds in a manner as it sees fit.

In addition, certain actions under the Transaction Documents require that before such an action can be undertaken pursuant to the Transaction Documents, (a) Fitch has been notified of such event or matter and (b) the LLP, the Issuer, the Bond Trustee and/or the Security Trustee (as applicable), has received a Rating Agency Confirmation from each Rating Agency (other than Fitch) in respect of such event or matter (the "**Rating Condition**").

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

LLP, the Bond Trustee, the Security Trustee and each of the other Secured Creditors (including the Covered Bondholders) is deemed to have acknowledged and agreed that the above does not impose or extend any actual or contingent liability on the Rating Agencies to the Issuer, the LLP, the Bond Trustee, the Security Trustee, the Secured Creditors (including the Covered Bondholders) or any other person or create any legal relations between the Rating Agencies and the Issuer, the LLP, the Bond Trustee, the Security Trustee, the Secured Creditors (including the Covered Bondholders) or any other person whether by way of contract or otherwise.

Any such Rating Agency Confirmation may be given or not given at the sole discretion of each Rating Agency. It should be noted that, depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that a Rating Agency cannot provide a Rating Agency Confirmation in the time available or at all, and the Rating Agency will not be responsible for the consequences thereof. Such confirmation, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time, and in the context of cumulative changes to the transaction of which the 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.

2.9 *Issuer liable to make payments when due on the Covered Bonds*

The Issuer is liable to make payments when due on the Covered Bonds. The obligations of the Issuer under the Covered Bonds are direct, unsecured, unconditional and unsubordinated obligations, ranking *pari passu* without any preference among themselves and (subject to applicable law) equally with its other direct, unsecured, unconditional and unsubordinated obligations (save for any obligations to be preferred by law).

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

2.10 *Obligations under the Covered Bonds*

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

2.11 *Covered Bonds issued under the Programme*

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

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

If an Issuer Event of Default occurs in respect of a particular Series of Covered Bonds, the Covered Bonds of all Series outstanding will accelerate at the same time against the Issuer (following service of an Issuer Acceleration Notice) but will be subject to, and have the benefit of, payments made by the LLP under the Covered Bond Guarantee (following service of a Notice to Pay). If an LLP Event of Default occurs, following service of an LLP Acceleration Notice, the Covered Bonds of all Series outstanding will accelerate against the Issuer (if not already accelerated following an Issuer Event of Default) and the obligations of the LLP under the Covered Bond Guarantee will accelerate. In order to ensure that any further issue of Covered Bonds under the Programme does not adversely affect the existing Covered Bondholders:

- the Issuer will be obliged to apply the proceeds of any issue of Covered Bonds to make a Term Advance to the LLP. The LLP will use the proceeds of such Term Advance (if not denominated in Sterling, after swapping the same into Sterling under the relevant Covered Bond Swap Agreement):

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

  (b) to acquire Substitution Assets up to the prescribed limit,

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

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

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

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

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

  (v) to make a deposit of all or part of the proceeds in the Transaction Accounts (including, without limitation, to fund the Reserve Fund in the Transaction Accounts (other than the Skipton Transaction Account unless the Skipton Account Bank has the Account Bank Ratings) to an amount not exceeding the Reserve Fund Required Amount);

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

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

2.12 *Covered Bonds not in physical form*

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

- result in payment delays on the Covered Bonds because distributions on the Covered Bonds will be sent by or on behalf of the Issuer to Euroclear, Clearstream, Luxembourg or DTC instead of directly to Covered Bondholders;

- make it difficult for Covered Bondholders to pledge the Covered Bonds as security if Covered Bonds in physical form are required or necessary for such purposes; and

- hinder the ability of Covered Bondholders to resell the Covered Bonds because some investors may be unwilling to buy Covered Bonds that are not in physical form.

3. RISK RELATING TO THE ASSET POOL

3.1 *Limited description of the Portfolio*

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

- the Seller selling Loans and their Related Security (or New Loan Types and their Related Security) to the LLP;

- New Sellers acceding to the Transaction Documents and selling Loans and their Related Security (or New Loan Types and their Related Security) to the LLP; and

- the Seller repurchasing Loans and their Related Security in accordance with the Mortgage Sale Agreement.

There is no assurance that the characteristics of the New Loans assigned to the LLP on a Transfer Date will be the same as those of the Loans in the Portfolio as at that Transfer Date. However, each Loan will be required to meet the Eligibility Criteria and the Representations and Warranties set out in the Mortgage Sale Agreement – see "*Summary of the Principal Documents – Mortgage Sale Agreement – Sale by the Seller of Loans and Related Security*" (although the Eligibility Criteria and Representations and Warranties may change in certain circumstances – see the risk factor entitled "*The Bond Trustee and the Security Trustee may agree to certain 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 Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding and the Cash Manager will provide monthly reports that will set out certain information in relation to the Asset Coverage Test.

3.2 *Default by Borrowers in paying amounts due on their Loans*

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

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

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

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.

3.3 *Sale of Selected Loans and their Related Security following the occurrence of an Issuer Event of Default*

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

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

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

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

As described above, the sale by the Seller to the LLP of English Loans has been or will be given effect by an equitable assignment, with each sale of Scottish Loans being given effect by a Scottish Declaration of Trust. As a result, legal title to the English Loans and Scottish Loans and their Related Security sold by the Seller to the LLP will remain with the Seller. Therefore, the rights of the LLP may be subject to the direct rights of the Borrowers against the Seller, including rights of set-off which occur in relation to transactions or deposits made between the Borrowers and the Seller existing prior to notification to the Borrowers of the assignment or assignation (as appropriate) of the Loans. References to "**set-off**" in this Prospectus shall include analogous rights in Scotland.

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

3.5 *Maintenance of Portfolio*

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

Alternatively, Skipton (in its capacity as Member of the LLP) may make a Cash Capital Contribution to the LLP pursuant to the LLP Deed in order to ensure that the LLP is in compliance with the Asset

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

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

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

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

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

3.6 *Limited resources of the LLP*

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

of Authorised Investments purchased from amounts credited to the Transaction Accounts, as applicable. Recourse against the LLP under the Covered Bond Guarantee is limited to the aforementioned assets and the LLP will not have any other source of funds available to meet its obligations under the Covered Bond Guarantee.

If an LLP Event of Default occurs and the Security created by or pursuant to the Deed of Charge is enforced, the proceeds of enforcement of 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 or the Security Trustee having determined that there is no reasonable likelihood of there being further realisation in respect of the Charged Property, the Secured Creditors have not received the full amount due to them from the LLP pursuant to the terms of the Transaction Documents, then they may still have an unsecured claim against the Issuer for the shortfall. There is no guarantee that the Issuer will have sufficient funds to pay that shortfall.

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

3.7 *No independent investigations; reliance on warranties in relation to the Loans; limited recourse to the Seller*

The Seller will give certain warranties to each of the LLP and the Security Trustee regarding its respective Loans and their Related Security to be sold to the Issuer on each Transfer Date (see the section entitled "*Summary of the Principal Documents – Mortgage Sale Agreement – Sale by the Seller of Loans and Related Security*" below for a summary of these).

Neither the LLP nor the Security Trustee has undertaken, or will undertake, any investigations, searches or other actions of any nature whatsoever in respect of any Loan or its Related Security and each relies instead on the warranties given in the Mortgage Sale Agreement by the Seller. The Loans may be subject to matters which would have been revealed by a full investigation of title and which may have been remedied or, if incapable of remedy, may have resulted in the Related Security not being accepted as security for a Loan had such matters been revealed. The primary remedy of the Issuer against the Seller if any of the warranties made by the Seller is materially breached or proves to be materially untrue as at a Transfer Date or, as the case may be, the last day of the Calculation Period in which a Product Switch or a Further Advance is made, and is not remedied within 30 Business Days of receipt by the Seller of a notice from the LLP, shall be to require the Seller to repurchase any relevant Loan and its Related Security.

There can be no assurance that the Seller will have the financial resources to honour such obligations under the Mortgage Sale Agreement. This may affect the quality of the Loans and their Related Security

in the Portfolio and accordingly the ability of the LLP to meet its obligations under the Covered Bond Guarantee. However, if the Seller does not repurchase those Loans and their Related Security which are in breach of the Representations and Warranties then the Current Balance of those Loans will be excluded from the calculation of the Asset Coverage Test. There is no further recourse to the Seller or the Issuer in respect of a breach of a Representation and Warranty.

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

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

- representations or warranties not being given by the LLP or (unless otherwise agreed with the Seller) the Seller;
- default by Borrowers of amounts due on their Loans;
- the Loans of New Sellers being included in the Portfolio;
- changes to the Lending Criteria of the Seller;
- the LLP not having legal title to the Loans in the Portfolio;
- risks in relation to some types of Loans which may adversely affect the value of Portfolio or any part thereof;
- no independent investigations, reliance on warranties in relation to the Loans and limited recourse to the Seller;
- possible regulatory changes by the FCA, the PRA, the Competition and Markets Authority ("**CMA**") and other regulatory authorities; and
- regulations in the UK that could lead to some terms of the Loans being unenforceable.

In order to enforce a power of sale in respect of a mortgaged property, the relevant mortgagee must first obtain possession of the relevant property. Possession is usually obtained by way of a court order or decree. This can be a lengthy and costly process and will involve the mortgagee assuming certain risks. In addition, once possession has been obtained, a reasonable period must be allowed for marketing the property, to discharge obligations and to take reasonable care to obtain a proper price. If obtaining possession of properties and arranging a sale in such circumstances is lengthy or costly, the ability of the LLP to make payments under the Covered Bond Guarantee may be reduced. The LLP's ability to make such payments may be reduced further if the powers of a mortgagee, in relation to obtaining possession of properties permitted by law, are restricted in the future.

In Scotland, although a heritable creditor (the Scottish equivalent of a mortgagee) does not require to take possession in order to exercise a power of sale, additional requirements imposed by Part 1 of the Home Owner and Debtor Protection (Scotland) Act 2010 mean that the heritable creditor must obtain a court order to exercise its power of sale (in addition to initiating the statutory enforcement process pursuant to the Conveyancing and Feudal Reform (Scotland) Act 1970 by the service of a two-month "calling-up" notice) unless the borrower and other occupiers have surrendered the property voluntarily. In applying for the court order, the heritable creditor also has to demonstrate that it has taken various

preliminary steps to attempt to resolve the borrower's position and comply with further procedural requirements. This may have an adverse effect in markets experiencing above average levels of repossession claims and may result in lower recoveries and may reduce the Issuer's ability to make payments on the Covered Bonds.

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

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

Following the service of an Asset Coverage Test Breach Notice (which has not been revoked) or the service of a Notice to Pay on the LLP (but in each case prior to the service of a LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security), the LLP will be obliged to sell Selected Loans and their Related Security to third party purchasers, subject to a right of pre-emption enjoyed by the Seller pursuant to the terms of the Mortgage Sale Agreement (see "*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 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 warranties or representations in respect of the Selected Loans and their Related Security. Any Representations and Warranties previously given by the Seller in respect of the Loans in the Portfolio may not have value for a third party purchaser if the Seller is then insolvent. Accordingly, there is a risk that the realisable value of the Selected Loans and their Related Security could be adversely affected by the lack of representations and warranties which in turn could adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee.

3.10 *The Loans of New Sellers may be included in the Portfolio*

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

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

3.11 *Changes to the Lending Criteria of the Seller*

Each of the Loans originated by the Seller will have been originated in accordance with its Lending Criteria at the time of origination. It is expected that the Seller's Lending Criteria will generally consider

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

3.12 ***The LLP does not have legal title to the Loans in the Portfolio on the relevant Transfer Date***

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

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

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

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

- third, unless the LLP has perfected the assignment or assignation (as appropriate) of the Loans and their Related Security (which it is only entitled to do in certain limited circumstances), the LLP would not be able to enforce any Borrower's obligations under a Loan or Mortgage itself but would have to join the Seller as a party to any legal proceedings.

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

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

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

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

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

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

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

3.14 *Risk of losses associated with buy-to-let Loans*

The Borrower's ability to make payments in respect of the Loans is likely to depend on the Borrower's ability to let the relevant Properties on appropriate terms. It is intended that the Properties which secure such Loans will be let by the relevant Borrower to tenants but there can be no guarantee that each such Property will be the subject of an existing tenancy when the relevant Loan is acquired by the LLP or that any tenancy which is granted will subsist throughout the life of the Loan and/or the rental income achievable from tenancies of the relevant Property over time will be sufficient to provide the Borrower with sufficient income to meet the Borrower's obligations in respect of the Loan.

Consequently, the Security for the Covered Bonds may be affected by the condition of the private residential rental market in the UK. The condition of the market will influence both the ability of the Borrower to find tenants and the level of rental income which may be achieved in letting. The obligations of a Borrower to make payment under the Loan are unconditional without regard to whether the Property is let or the amount of rent received by the Borrower from the relevant tenant but any lack of payment by a Borrower as a result of failing to find a tenant or accepting a lower level of rental income may 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.

For further details in relation to buy-to-let Loans, please see the section headed "*Further Information Relating to the Regulation of Mortgages in the UK – Matters relating to buy-to-let Loans*" below.

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

Certain regulatory risks exist in relation to the Loans, including in relation to the legal and regulatory considerations relating to the Loans and their Related Security, changes in law, regulation, the possibility of complaints by Borrowers in relation to the terms of the Loans and in relation to the policies and procedures of the Seller. If any of these risks materialise, they could have an adverse effect on the Seller, the Issuer 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 UK is set out in the section headed "*Further Information Relating to the Regulation of Mortgages in the UK*" and certain specific risks are set out below:

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

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

Regulation of residential secured lending (other than regulated mortgage contracts). 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. Non-compliance with certain provisions of the CCA may render a regulated credit agreement totally unenforceable or unenforceable without a court order or an order of the appropriate regulator, or may render the borrower not liable to pay interest or charges in relation to the period of non-compliance. This regulatory regime may result in adverse effects on the enforceability of certain Loans and consequently the LLP's ability to make payment in full on the Covered Bond Guarantee when due. Further detail is included in the section headed "*Further Information relating to the regulation of Mortgages in the UK – Regulation of residential secured lending (other than regulated mortgage contracts)*" below.

Guidance Issued by the Regulators. Guidance issued by the regulators has changed over time and it is possible that it may change in the future. No assurance can be given that any changes in legislation, guidance or case law as it relates to the 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 any regulators' responsibilities) will not affect the Loans. Any such changes (including changes in any regulators' responsibilities) may also adversely affect the Issuer's operating results, financial condition and prospects. Further detail is included in the section headed "*Further Information Relating to the Regulation of Mortgages in the UK - Regulation of residential secured lending (other than Regulated Mortgage Contracts)*".

Unfair Relationships. If a court has determined that there was an unfair relationship between the lender and the Borrowers in respect of the Loans (including 'consumer credit back book mortgage contracts'), except in relation to Regulated Mortgage Contracts, and ordered that financial redress was made in respect of such Loans, such redress may adversely affect the ultimate amount received by the LLP in respect of the relevant Loans, and the realisable value of the Portfolio and/or the ability of the LLP to make payments under the Covered Bond Guarantee. Further detail is included in the section headed "*Further Information Relating to the Regulation of Mortgages in the UK – Unfair relationships*" below.

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

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

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

Consumer Protection from Unfair Trading Regulations 2008 and the Digital Markets, Competition and Consumers Act 2024. The Consumer Protection from Unfair Trading Regulations 2008 (the "**CPUTR**") prohibits certain practices which are deemed unfair within the terms of the CPUTR. Breach of the CPUTR may lead to liability for misrepresentation or breach of contract in relation to the underlying credit agreements, which may result in irrecoverable losses on amounts to which such agreements apply and which may adversely affect the LLP's ability to make payments on the Covered Bond Guarantee. Further, in May 2024 some parts of the Digital Markets, Competition and Consumers Act 2024 (the "**DMCCA**") came into force. Once fully in force, the DMCCA will revoke the CPUTR rules and recreate their effect, with some amendments. The new regime will introduce new rules on consumer reviews, drip pricing and consumer vulnerability, new powers to expand the list of automatically unfair practices and a new enforcement regime. While the new unfair commercial practices regime under the DMCCA will apply to acts or omissions which take place on or after the

commencement date (to be determined by secondary legislation) the possibility of having an adverse impact on the Loans cannot be excluded. Further detail is included in the section headed "*Further Information Relating to the Regulation of Mortgages in the UK – Consumer Protection from Unfair Trading Regulations 2008 and the Digital Markets, Competition and Consumers Act 2024* ".

Financial Ombudsman Service: Under the FSMA, the Ombudsman is required to make decisions on, among other things, complaints relating to activities and transactions under its jurisdiction. As the Ombudsman is required to make decisions on the basis of, among other things, the principles of fairness, and may order a money award to a borrower, it is difficult to predict how any future decision of the Ombudsman would affect the ability of the LLP to make payments under the Covered Bond Guarantee. Further detail is included in the section headed *"Further Information Relating to the Regulation of Mortgages in the UK – Financial Ombudsman Service"*.

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

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

The Renting Homes (Wales) Act 2016. The Renting Homes (Wales) Act 2016 (the "**Renting Homes Act**") received royal assent on 18 January 2016 and fully entered into force on 1 December 2022. The Renting Homes Act converts the majority of existing residential tenancies in Wales into an occupation contract with retrospective effect. The Renting Homes Act may result in lower recoveries in relation to buy-to-let mortgage loans over Properties in Wales and may adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee. Further detail is included in the section headed "*Further Information Relating to the Regulation of Mortgages in the UK – The Renting Homes (Wales) Act 2016*".

FCA response to the cost of living crisis. On 16 June 2022, the FCA sent a "Dear CEO" letter which stated that the FCA consider that the Mortgages Tailored Support Guidance published on 25 March 2021 (the "**Mortgages Tailored Support Guidance**") which was issued to address exceptional circumstances arising out of COVID-19, is also relevant for borrowers in financial difficulties due to other circumstances such as the rising cost of living. Therefore, if a borrower indicates that they are experiencing or reasonably expect to experience payment difficulties due to the rising cost of living, the FCA have said that lenders should offer prospective forbearance to enable them to avoid, reduce, or manage any payment shortfall that would otherwise arise. This includes borrowers who have not yet missed a payment. On 10 April 2024, the FCA published PS24/2: Strengthening protections for borrowers in financial difficulty: Consumer credit and mortgages and the related Consumer Credit and Mortgages (Tailored Support) Instrument 2024 (FCA 2024/7). It also published FG24/2: Guidance for firms supporting existing mortgage borrowers impacted by rising living costs. The FCA have stated that they want to build on the Mortgages Tailored Support Guidance and provide a stronger framework for lenders to protect customers facing payment difficulties. They are doing this by incorporating relevant aspects of the Mortgages Tailored Support Guidance into their Handbook, as well as

introducing further targeted changes. For mortgages, the FCA have changed their guidance to allow lenders more scope to capitalise payment shortfalls where appropriate and to improve disclosure for all customers in payment shortfall. The new rules came into force on 4 November 2024 and the Mortgages Tailored Support Guidance was withdrawn at the same time. There can be no assurance that the FCA, or other UK government or regulatory bodies, will not take further steps in response to the rising cost of living in the UK which may impact the performance of the Loans, including further amending and extending the scope of the above guidance. Further detail is included in the section headed "*Further Information Relating to the Regulation of Mortgages in the UK - FCA response to the cost of living crisis*" below.

Mortgage Charter. On 26 June 2023, the HM Treasury published the 'Mortgage Charter' in light of the current pressures on households following interest rate rises and the cost of living crisis. The Mortgage Charter states that the UK's largest mortgage lenders and the FCA have agreed with the Chancellor a set of standards that they will adopt when helping their regulated mortgage borrowers worried about high interest rates (the "**Mortgage Charter**"). The Issuer is a signatory to the Mortgage Charter and has agreed that, among other things, a borrower will not be forced to leave their home without their consent, unless in exceptional circumstances, in less than a year from their first missed payment. In addition, lenders will permit borrowers who are up to date with their payments to: (i) switch to interest-only payments for six months (the "**MC Interest-Only Agreement**"); or (ii) extend their mortgage term to reduce their monthly payments and give borrowers the option to revert to their original term within six months by contacting their lender (the "**MC Extension Agreement**"). These options can be taken by borrowers who are up to date with their payments without a new affordability check or affecting their credit score. The Mortgage Charter commitments do not apply to buy-to-let mortgages. This may adversely affect the ability of the Issuer to make payments when due on the Covered Bonds, or (if applicable) the ability of the LLP to meet its obligations under the Covered Bond Guarantee. Further detail in relation to the Mortgage Charter is included in the section headed "*Further Information Relating to the Regulation of Mortgages in the UK - Mortgage Charter*" below.

Energy Efficiency Regulations 2015. From 1 April 2018, landlords of relevant domestic properties in England and Wales may not grant a tenancy to new or existing tenants if their property has an EPC rating of band F or G (as shown on a valid Energy Performance Certificate for the property) and from 1 April 2020, landlords must not continue letting a relevant domestic property which is already let if that property has an EPC rating of band F or G (as shown on a valid Energy Performance Certificate for the property). In September 2020 the Department for Business, Energy & Industrial Strategy issued a consultation titled "Improving the energy performance of privately rented homes in England and Wales" regarding, among other things, the proposal to raise energy performance standards for the domestic private rented sector to an EPC energy efficiency rating band of C. The consultation period closed on 8 January 2021. No publication date for the results of the consultation has yet been announced by the UK Government. However, there is a risk that if proposals to require new tenancies in England and Wales to have an EPC rating of at least C or higher from 2025 (and for existing tenancies from 2028) were enacted, this could result in increasing arrears within the buy-to-let portfolio. This may adversely affect the ability of the Issuer to make payments when due on the Covered Bonds, or (if applicable) the ability of the LLP to meet its obligation under the Covered Bond Guarantee. Further detail is included in the section headed "*Further Information Relating to the Regulation of Mortgages in the UK - Matters relating to buy-to-let Loans*" below.

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

obligations under the Covered Bond Guarantee. Further detail is included in the section headed "*Further Information Relating to the Regulation of Mortgages in the UK– Breathing Space Regulations*" below.

Assured Shorthold Tenancy (AST). Currently, there is a risk where:

(i) a long lease is also an AT/AST due to the level of the ground rent;

(ii) the tenant is in arrears of ground rent for more than three months;

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

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

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

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

4. RISKS RELATING TO REGULATION OF THE COVERED BONDS

4.1 *UK regulated covered bond regime*

The Issuer and the Programme were admitted to the register of issuers on 18 July 2017 and any Covered Bonds issued under the Programme will be admitted to the register of regulated covered bonds.

The FCA may take certain actions in respect of the Issuer and/or the LLP under the RCB Regulations. Such actions include directing the winding-up of the LLP, removing the Issuer from the register of issuers, directing the Issuer and/or the LLP to take specified steps for the purpose of complying with the RCB Regulations and/or imposing a financial penalty of such amount as it considers appropriate in respect of the Issuer or the LLP and/or restricting the ability of the Seller to transfer further Loans to the LLP and directing the Issuer to publish information given to the FCA under the RCB Regulations. Moreover, the bodies which regulate the financial services industry in the UK may take certain actions in respect of issuers using their general powers under the UK regulatory regime (including restricting an issuer's ability to transfer further assets to the asset pool). There is a risk that any such regulatory actions by the FCA may reduce the amounts available to pay Covered Bondholders.

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

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

Interest rates and indices which are deemed to be "benchmarks" (including EURIBOR and SONIA) are the subject of ongoing national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to be replaced or reconfigured, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Covered Bonds referencing such a benchmark.

Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation**") has applied since 1 January 2018 in general, subject to certain transitional provisions. Certain requirements of the EU Benchmarks Regulation apply with respect to the provision of a wide range of benchmarks (including EURIBOR), the contribution of input data to a benchmark and the use of a benchmark within the European Union ("**EU**"). In particular, the EU Benchmarks Regulation, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and to comply with extensive requirements in relation to the administration of benchmarks, (ii) imposes extensive requirements in relation to the administration of benchmarks and (iii) prevents certain uses by EU-supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU-based, deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Benchmarks Regulation**"), among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The administrator of SONIA, the Bank of England, is not currently required to obtain authorisation/registration and SONIA does not fall within the scope of the EU Benchmarks Regulation or the UK Benchmarks Regulation by virtue of Article 2 of those regulations. The administrator of EURIBOR appears on the register of administrators and benchmarks established and maintained by each of ESMA and the FCA.

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

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Investors should be aware that the euro risk-free rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, among other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. On 11 May 2021, the euro risk-free rate working group published its recommendations on EURIBOR fallback trigger events and fallback rates. The recommended fallback triggers include both cessation and pre-cessation triggers, including, inter alia, permanent cessation, non-representativeness and (potentially) unlawfulness triggers (the working group recommended against a material change in the EURIBOR methodology as defined by the European Money Markets Institute (**EMMI**) being an automatic trigger). For debt securities, based on support for the proposals from the public consultation and issuances already observed in the capital markets, the working group recommended the replacement rate to be €STR with a backward-looking lookback period methodology (with an observation shift methodology,

although use of the lag approach was considered a robust alternative) and applying an adjustment spread based on a five-year historical median methodology.

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

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

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

(b) if EURIBOR or SONIA is discontinued or is otherwise unavailable, then the rate of interest on the Covered Bonds will be determined for a period by the fallback provisions provided for under Condition 4 (*Interest*) of the Terms and Conditions of the Covered Bonds, although such provisions in respect of EURIBOR, being dependent in part upon the provision by reference banks of offered quotations for leading banks in the Eurozone interbank market (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 or SONIA was available;

(c) while an amendment may be made under Condition 14(xv) in the Terms and Conditions of the Covered Bonds to change the EURIBOR or SONIA rate (as applicable) on the relevant Floating Rate Covered Bonds to an alternative base rate under certain circumstances broadly related to EURIBOR or SONIA (as applicable) dysfunction or discontinuation and subject to certain conditions there can be no assurance that any such amendment will be made or, if made, that it (i) will fully or effectively mitigate all relevant interest rate risks or result in an equivalent methodology for determining the interest rates on the relevant Floating Rate Covered Bonds or (ii) will be made prior to any date on which any of the risks described in this risk factor may become relevant; and

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

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

Moreover, any of the above matters or any other significant change to the setting or existence of EURIBOR, SONIA or any other relevant interest rate benchmark could affect the ability of the Issuer or the LLP to meet its obligations under the Covered Bonds and/or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Covered Bonds. Changes in the manner of administration of EURIBOR, SONIA or any other relevant interest rate benchmark could result in adjustment to the Conditions, 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 EURIBOR, SONIA or any other relevant interest rate benchmark and/or that such benchmarks will continue to exist. Investors should consider these matters when making their investment decision with respect to the Covered Bonds.

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

5. RISKS RELATING TO COUNTERPARTIES

5.1 *Reliance of the LLP on third parties*

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

If a Servicer Event of Default occurs pursuant to the terms of the Servicing Agreement, then the LLP (with the assistance of the Back-Up Servicer Facilitator) 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 on the terms of the Servicing Agreement. In addition, as described below, any substitute servicer will be required to be authorised under the FSMA. The ability of a substitute servicer to fully perform the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute servicer may affect the realisable value of the Portfolio or any part thereof, and/ or the ability of the LLP to make payments under the Covered Bond Guarantee.

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

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

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

5.2 *Reliance on Skipton Account Bank*

As described in "*Summary of the Principal Documents – Skipton Bank Account Agreement*", an amount up to the Skipton Permitted Cash Amount may be credited to and held in the Skipton Transaction Account (which amount will form part of the funds available for distribution on the next following Term Advance Interest Payment Date or LLP Payment Date). As at the date of this Prospectus, the Skipton Account Bank has the Account Bank Ratings. In the event the Skipton Account Bank ceases to have the required ratings, and for so long as such amounts are held in the Skipton Transaction Account, they are exposed to a greater risk of account bank insolvency than would be the case if such amounts were held with the Citi Account Bank or a Third Party Account Bank. If an Insolvency Event were to occur in relation to Skipton Account Bank, it is possible that such amounts could not be withdrawn and transferred to the LLP resulting in a reduction in Available Principal Receipts and Available Revenue Receipts available for distribution on the relevant Term Advance Interest Payment Date or LLP Payment Date.

5.3 *Reliance on Swap Providers*

To provide a hedge against, among other things, possible variances in the rates of interest payable on certain of the Loans in the Portfolio (which may, for instance, include fixed rates of interest, variable rates of interest or rates of interest which track a base rate) and SONIA, the LLP will enter into Interest Rate Swap Agreements with one or more Interest Rate Swap Providers. In addition, to provide a hedge against interest rate and currency risks in respect of amounts received by the LLP under the Loans and the Interest Rate Swaps and amounts payable by the LLP on the outstanding Term Advances or (following service on the LLP of a Notice to Pay) under the Covered Bond Guarantee in respect of the Covered Bonds, the LLP will enter into a Covered Bond Swap Agreement with each Covered Bond Swap Provider.

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

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

If the LLP is obliged to pay a termination payment under any Swap Agreement, such termination payment will rank (a) ahead of amounts due on the Covered Bonds in respect of the Interest Rate Swap prior to the service of an LLP Acceleration Notice, the commencement of winding-up proceedings against the LLP and/or realisation of the Security and (b) *pari passu* with amounts due on the Covered Bonds in respect of the Covered Bond Swaps and in respect of the Interest Rate Swap following service of an LLP Acceleration Notice, the commencement of winding-up proceedings against the LLP and/or realisation of the Security, except where default by, or downgrade of, the relevant Swap Provider has

caused the relevant Swap Agreement to terminate. The obligation to pay a termination payment may adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee.

5.4 *Change of counterparties*

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

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

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

6. RISKS RELATING TO STRUCTURAL AND DOCUMENTATION CHANGES

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

Pursuant to the terms of the Trust Deed, the Bond Trustee may (other than in respect of a Series Reserved Matter), without the consent or sanction of any of the Covered Bondholders of any Series and/or the relevant Couponholders and without the consent of the other Secured Creditors (other than any Secured Creditor party to a relevant Transaction Document to be amended) at any time and from time to time concur with the Issuer and the Guarantor and any other person; and direct the Security Trustee to concur with the Issuer and the Guarantor and any other person, in making any modification:

(a) to the Terms and Conditions of the Covered Bonds of any Series and/or any Transaction Document provided that 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; or

(b) to the Terms and Conditions of the Covered Bonds of any Series and/or any Transaction Document which is in the sole opinion of the Bond Trustee of a formal, minor or technical nature or, which in the sole opinion of the Bond Trustee is to correct a manifest error or to comply with mandatory provisions of law.

In respect of any proposed modification, waiver, authorisation or determination, prior to the Bond Trustee and/or the Security Trustee agreeing to any such modification, waiver, authorisation or determination, two Directors or Authorised Signatories of the Issuer must send written confirmation to the Bond Trustee that such modification, waiver, authorisation or determination, as applicable, would not result in a breach of the RCB Regulations or the RCB Sourcebook, or result in the Issuer, the Programme and/or any Covered Bonds issued under the Programme and/or ceasing to be registered under the RCB Regulations; and that either:

(a) such modification, waiver, authorisation or determination would not require the FCA to be notified in accordance with Regulation 20 of the RCB Regulations; or

(b) if such modification, waiver, authorisation or determination would require the FCA to be notified in accordance with Regulation 20 of the RCB Regulations, the Issuer has provided all information required to be provided to the FCA and the FCA has given its consent to such proposed modification, waiver, authorisation or determination.

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

The Bond Trustee shall (other than in respect of a Series Reserved Matter), without the consent of the Covered Bondholders of any Series and/or the related Couponholders and without the consent of the other Secured Creditors (other than any Secured Creditor party to a relevant Transaction Document to be amended) at any time and from time to time:

- concur with the Issuer and/or the LLP or any other person; and
- direct the Security Trustee to concur with the Issuer and/or the LLP or any other person,

with regards to certain amendments as are more fully set out in Condition 14 (*Meetings of Covered Bondholders, Modification, Waiver and Substitution*) any modification (other than in respect of a Series Reserved Matter, provided that a Base Rate Modification (as defined below) will not constitute a Series Reserved Matter) to the Conditions and/or any Transaction Document (including, for the avoidance of doubt but without limitation, the Covered Bond Swap in relation to the relevant Series of Covered Bonds and subject to the consent only of the Secured Creditors (i) party to the relevant Transaction Document being amended or (ii) whose ranking in any Priorities of Payments is affected) that the Issuer considers necessary for the purpose of changing the base rate in respect of the Covered Bonds from EURIBOR, SONIA or another benchmark rate (each, a "**Reference Rate**") to an alternative base rate (any such rate, an "**Alternative Base Rate**") and make such other amendments as are necessary or advisable in the reasonable judgment of the Issuer to facilitate such change (a "**Base Rate Modification**"), provided that the conditions set out in Condition 14(b)(xv) have been satisfied, including, without limitation, that the requisite notice has been given to Covered Bondholders and provided further that if Covered Bondholders representing more than 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds notify the Issuer or the Principal Paying Agent in accordance with the then current practice of any applicable Clearing System through which the Covered Bonds may be held by the time specified in such notice that such Covered Bondholders do not consent to the Base Rate Modification, such Base Rate Modification will not be passed.

Therefore, it is possible that a modification relating to the Reference Rate could be made without the vote of any Covered Bondholders taking place, even if Covered Bondholders holding less than 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds then outstanding objected to it. In addition, Covered Bondholders should be aware that, unless they have made arrangements promptly to receive notices sent to Covered Bondholders (a) from any custodians or other intermediaries through which they hold their Covered Bonds and (b) from Bloomberg on the "Company News" screen relating to the Covered Bonds, and give the same their prompt attention, Meetings may be convened or resolutions (including Extraordinary Resolutions) may be proposed and considered and passed or rejected or deemed to be passed or rejected without their involvement even if, were they to have been promptly informed, they would have voted in a different way from the Covered Bondholders which passed or rejected the relevant proposal or resolution. There can therefore be no

assurance that the interests of Covered Bondholders will not ultimately be adversely affected in certain circumstances by such a modification despite any objections raised.

6.3 *Security Trustee's and Bond 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 act in accordance with the instructions of the Instructing Party.

Unless in relation to a proposed modification under Clause 21.2 of the Trust Deed, if, in connection with the exercise of its powers, trusts, authorities or discretions, the Bond Trustee is of the opinion that the interest of the holders of the Covered Bonds of any one or more Series would be materially prejudiced thereby, the Bond Trustee shall not exercise such power, trust, authority or discretion without the approval of such 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 the Covered Bonds of the relevant Series then outstanding.

The Bond Trustee and the Security Trustee may, in certain circumstances, agree to modifications or waivers in respect of the Transaction Documents without the prior consent of the Covered Bondholders or Secured Creditors, respectively, as to which see the risk factor entitled "*The Bond Trustee and the Security Trustee may agree to certain modifications to the Transaction Documents without, respectively, the Covered Bondholders' or Secured Creditors' prior consent*" above.

7. MACROECONOMIC AND MARKET RISKS

7.1 *Absence of secondary market*

No assurance is provided that there is an active and liquid secondary market for the Covered Bonds, and there can be no assurance that a secondary market for the Covered Bonds will continue or develop further. The Covered Bonds 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 are subject to certain restrictions on the resale and other transfer thereof as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*". If a secondary market is available, it may not continue for the life of the Covered Bonds or it may not provide Covered Bondholders with liquidity of investment with the result that a Covered Bondholder may not be able to find a buyer to buy its Covered Bonds readily or at prices that will enable the Covered Bondholder to realise a desired yield. Consequently, a Covered Bondholder must be able to bear the economic risk of an investment in a Covered Bond for an indefinite period of time.

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

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

Investors should be aware that the market continues to develop in relation to SONIA as a reference rate in the capital markets and its adoption as a successor to Sterling LIBOR. In particular, market participants and relevant working groups are exploring alternative reference rates based on SONIA, including term SONIA reference rates (which seek to measure the market's forward expectation of an

average SONIA rate over a designated term). The market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the Conditions and used in relation to Floating Rate Covered Bonds that reference a SONIA rate issued under this Prospectus. Investors should carefully consider how any mismatch between the adoption of SONIA reference rates across other markets, such as the derivatives and loan markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Covered Bonds referencing Compounded Daily SONIA. Interest on Covered Bonds which reference a SONIA rate is only capable of being determined at the end of the relevant Observation Period and immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Covered Bonds which reference a SONIA rate to reliably estimate the amount of interest which will be payable on such Covered Bonds. Some investors may be unable or unwilling to trade such Covered Bonds without changes to their IT systems, both of which could adversely impact the liquidity of the Covered Bonds. Further, if the Floating Rate Covered Bonds become due and payable under Condition 9, the Rate of Interest payable shall be determined on the date on which the Covered Bonds became due and payable and shall not be reset thereafter. Investors should consider these matters when making their investment decision with respect to any such Floating Rate Covered Bonds.

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

Whilst central bank schemes (such as the Bank of England's Discount Window Facility, the Indexed Long-Term Repo Facility and other schemes under its Sterling Monetary Framework, and the Eurosystem monetary policy framework for the European Central Bank), including emergency liquidity operations introduced by central banks in response to a financial crisis or a wide spread health crisis (such as the Covid-19 pandemic), provide an important source of liquidity in respect of eligible securities, relevant eligibility criteria for eligible collateral apply (and will apply in the future) under such schemes and liquidity operations. Investors should make their own conclusions and seek their own advice with respect to whether or not the Covered Bonds constitute eligible collateral for the purposes of any of the central bank liquidity schemes, including whether and how such eligibility may be affected by the UK withdrawal from the EU and the UK no longer being part of the EEA. No assurance is given that any Covered Bonds will be eligible for any specific central bank liquidity schemes. If the Covered Bonds cannot meet the relevant central bank eligibility criteria, it may impact on the liquidity of the Covered Bonds and could have an adverse effect on their value.

8. LEGAL AND REGULATORY RISKS

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

No assurance can be given that additional regulations or guidance from the regulators, or any other regulatory authority, will not arise with regard to the mortgage market in the UK generally (including without limitation, in relation to matters arising from changes to the FCA's MCOB rules), the Seller's particular sectors 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.

8.2 ***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 hedging counterparty's payment rights in respect of certain termination payments upon the occurrence of insolvency proceedings or other default on the part of such counterparty (so-called "flip clauses"). Such provisions are similar in effect to the terms which will be included in the Transaction Documents relating to the Priorities of Payments.

The UK Supreme Court held in *Belmont Park Investments Pty Limited v BNY Corporate Trustee Services Ltd and Lehman Brothers Special Financing Inc [2011] UKSC 38* that a flip clause as described above is valid under English law. Contrary to this, however, the U.S. Bankruptcy Court has held that such a subordination provision is unenforceable under U.S. bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a U.S. bankruptcy of the counterparty. However, a subsequent 2016 U.S. Bankruptcy Court decision held that in certain circumstances flip clauses are protected under the 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 conflict remain unresolved.

If a creditor of the LLP (such as a swap counterparty) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales (including, but not limited to, the U.S.), and it is owed a payment by the LLP, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the English law governed Transaction Documents (such as a provision of the Priorities of Payments which refers to the ranking of the swap counterparties' payment rights). In particular, based on the decision of the U.S. Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under U.S. bankruptcy laws. Such laws may be relevant in certain circumstances with respect to a range of entities which may act as swap counterparty, including U.S. established entities and certain non-U.S. established entities with assets or operations in the U.S. (although the scope of any such proceedings may be limited if the relevant non-U.S. entity is a bank with a licensed branch in a U.S. state).

In general, if a subordination provision included in the Transaction Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales, and any relevant foreign judgment or order was recognised by the English courts, there can be no assurance that such actions would not adversely affect the rights of the Covered Bondholders, the market value of the Covered Bonds and/or the ability of the LLP to satisfy its obligations under the Covered Bond Guarantee.

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

of the Covered Bonds. If any rating assigned to the Covered Bonds is lowered, the market value of the Covered Bonds may reduce.

8.3 *Expenses of insolvency officeholders*

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

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

See also the risk factor described below under "*Liquidation Expenses*".

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

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

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

However, certain employee claims (in respect of contributions to pension schemes and wages) still have preferential status. In this regard, it should be noted that the LLP has agreed in the Transaction Documents not to have any employees.

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

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

8.5 *English law security and insolvency considerations*

The LLP entered into the Deed of Charge on the Programme Date, pursuant to which it granted the Security in respect of its obligations under the Covered Bond Guarantee (as to which, see "*Summary of Principal Documents – Deed of Charge*"). In certain circumstances, including the occurrence of certain insolvency (or certain pre-insolvency) events in respect of the LLP, the ability to realise the Security may be delayed and/or the value of the Security impaired. In particular, it should be noted that significant changes to the UK insolvency regime were enacted under the Corporate Insolvency and Governance Act 2020. The changes include, among other things: (i) the introduction of a new moratorium regime that certain eligible companies can obtain which will prevent creditors 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 UK government has expressly provided for changes to the Restructuring Plan to be effected through secondary legislation, particularly in relation to the cross-class cram-down procedure. It is therefore possible that aspects of the legislation may change. While the transaction structure is designed to minimise the likelihood of the LLP becoming insolvent and/or subject to pre-insolvency restructuring proceedings, no assurance can be given that any modification of the exceptions from the application of the new insolvency reforms referred to above will not be detrimental to the interests of the Covered Bondholders and there can be no assurance that the LLP will not become insolvent and/or the subject of insolvency or pre-insolvency restructuring proceedings and/or that the Covered Bondholders would not be adversely affected by the application of insolvency laws (including English insolvency laws and, if appropriate, Scottish insolvency laws or the laws affecting the creditors' rights generally).

In addition, it should be noted that, to the extent that the assets of the LLP are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge), in certain circumstances under the provisions of sections 174A, 176ZA and 176A of the Insolvency Act 1986, certain floating charge realisations which would otherwise be available to satisfy expenses of the insolvency proceeding, the claims of Secured Creditors under the Deed of Charge may be used to satisfy any claims of unsecured creditors or creditors who otherwise take priority over floating charge recoveries. While certain of the covenants given by the LLP in the Transaction Documents are intended to ensure it has no significant creditors other than the secured creditors under the Deed of Charge, it

will be a matter of fact as to whether the LLP has any other such creditors at any time. There can be no assurance that the Covered Bondholders will not be adversely affected by any such reduction in floating charge realisations upon the enforcement of the Security.

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

8.6 *Liquidation Expenses*

Under the Insolvency Act 1986 the costs and expenses of a liquidation (including certain tax charges) will be payable out of floating charge assets in priority to the claims of the floating charge holder. In respect of certain litigation expenses of the liquidator only, this is subject to approval of the amount of such expenses by the floating charge holder (or, in certain circumstances, the court) pursuant to provisions set out in the Insolvency (England and Wales) Rules 2016 (as amended) as applied to LLPs by virtue of the Insolvency (Miscellaneous Amendments) Regulations 2017 (SI 2017/1119).

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

8.7 *Limited Liability Partnerships*

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

8.8 *UK Banking Act 2009*

The Banking Act 2009 (the "**Banking Act**") as amended, which came into effect on 21 February 2009, includes (among other things) provision for a special resolution regime pursuant to which specified UK authorities have extended tools to deal with the failure (or likely failure) of certain UK incorporated entities, including authorised deposit-taking institutions and certain authorised investment firms and powers to take certain resolution actions in respect of third-country institutions. Relevant transaction parties for these purposes include the Issuer, the Seller, the Servicer, the Cash Manager, the Principal Paying Agent, the Agent Bank, the Exchange Agent, the Registrar, the Skipton Account Bank and the Citi Account Bank. In addition, powers may be used in certain circumstances in respect of UK established banking group companies, where such companies are in the same group as a relevant UK or third-country institution.

The tools available under the Banking Act include share and property transfer powers (including powers for partial property transfers), bail-in powers, certain ancillary powers (including powers to modify contractual arrangements in certain circumstances) and special insolvency procedures which may be commenced by the UK authorities. In respect of UK building societies, the relevant tools include

(i) modified property transfer powers which also refer to cancellation of shares and conferring rights and liabilities in place of such shares, (ii) modified share transfer powers as well as a public ownership tool which may involve (among other things) arranging for deferred shares in a building society to be publicly owned, cancellation of private membership rights and the eventual winding-up or dissolution of the building society and (iii) modified bail-in powers such that exercise of the tool may be immediately preceded by the demutualisation of the building society through the conversion of it into a company or the transfer of all of the property, rights or liabilities of the society to a company. It is possible that the tools described above could be used prior to the point at which an application for insolvency proceedings with respect to a relevant entity could be made and, in certain circumstances, the UK authorities may exercise broad pre-resolution powers in respect of relevant entities with a view to removing impediments to the exercise of the stabilisation tools.

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

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

If an instrument or order were to be made under the provisions of the Banking Act currently in force in respect of a relevant entity as described above (including the Issuer), such action may (among other things) affect the ability of such entity to satisfy its obligations under the Transaction Documents (including limiting its capacity to meet its repayment obligations) and/or result in the cancellation, modification or conversion of certain unsecured liabilities of such entity under the Transaction Documents (possibly preceded by demutualisation in the case of a building society such as the Issuer), including any unsecured portion of the liability in respect of the Covered Bonds at the relevant time, and/or in other modifications to the Terms and Conditions of the Covered Bonds and/or the Transaction Documents. In particular, modifications may be made pursuant to powers permitting (i) certain trust arrangements to be removed or modified, (ii) contractual arrangements between relevant entities and other parties to be removed, modified or created where considered necessary to enable a transferee in the context of a property or share transfer to operate the transferred business effectively and (iii) in connection with the modification of an unsecured liability through use of the bail-in tool (including any unsecured portion of the liability in respect of the Covered Bonds at the relevant time), the reduction of the relevant liability (including to zero) and/or the discharge of a relevant entity from further performance of its obligations under a contract. In addition, subject to certain conditions, powers would apply to require a relevant instrument or order (and related events) to be disregarded in determining whether certain widely defined "default events" have occurred (which events may include trigger events included in the Transaction Documents in respect of the Issuer, including certain trigger events in respect of perfection of legal title to the Loans and certain Issuer Events of Default). As a result, the making of an instrument or order in respect of the Issuer, the Seller, the Servicer, the Cash Manager, the Principal Paying Agent, the Agent Bank, the Exchange Agent, the Registrar, the Skipton Account Bank and the Citi Account Bank may affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee and/or otherwise adversely affect the rights and interests of the Covered Bondholders.

As noted above, the stabilisation tools may be used in respect of certain banking group companies provided certain conditions are met. If the LLP was regarded to be a banking group company and no

exclusion applied, then it would be possible in certain scenarios for the relevant authority to exercise one or more relevant stabilisation tools (including the property transfer powers and/or the bail-in powers) in respect of it, which could result in reduced amounts being available to make payments under the Covered Bond Guarantee and/or in the modification, cancellation or conversion of any unsecured portion of the liability of the LLP under the Covered Bond Guarantee at the relevant time. In this regard, it should be noted that the UK authorities have provided an exclusion for covered bond vehicles, which exclusion is expected to extend to the LLP, although aspects of the relevant provisions are not entirely clear.

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

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

8.9 ***Regulatory initiatives and reforms may have an adverse impact on the regulatory treatment of the Covered Bonds***

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

As noted above, the BCBS has approved a series of significant changes to the Basel regulatory capital and liquidity framework (such changes being referred to by the BCBS (and colloquially) as "Basel III" in respect of reforms finalised prior to 7 December 2017 and "Basel IV" (or "Basel 3.1" as used by the PRA) in respect of reforms finalised on or following that date), including additional capital requirements, higher capital ratios, more stringent eligibility requirements for capital instruments, a new leverage ratio and liquidity requirements.

As noted above, the PRA published its second near-final Policy Statement on the implementation of Basel 3.1, PS 9/24, on 12 September 2024. PS 9/24 introduces changes to the risk weight treatment that applies to certain covered bonds. Should covered bonds meet the definition of a “CRR covered bond” (CRR covered bonds are, among other things, issued by a credit institution with its registered office in

the UK) and be secured by exposures which meet the collateral eligibility criteria (including additional requirements for immovable property collateral), they may qualify for lower risk weighting. No assurance is made as to whether the Covered Bonds meet the definition of the CRR covered bonds and prospective investors should therefore make themselves aware of any applicable regulatory matters with respect to their investment in the Covered Bonds.

The BCBS released a statement on 3 October 2023 which shows good progress among member states in implementing Basel III standards. However, as implementation of Basel III requires national legislation, the final rules and the timetable for its implementation in each jurisdiction, as well as the treatment of covered bonds, may be subject to some level of national variation. It should also be noted that changes to regulatory capital requirements have been made for insurance and reinsurance undertakings through participating jurisdiction initiatives, such as the Solvency II framework in EU member states. In the UK, the PRA proposed transitional arrangements in CP16/22 that would have increased certain capital requirements in respect of the output floor, credit valuation adjustment risk and counterparty credit risk in five annual steps between 1 January 2025 and 1 January 2030. The PRA has now issued a revised transitional period with the first step lasting for six months from 1 July 2025 to 1 January 2026 and the subsequent four annual steps continuing from 1 January 2026 to 1 January 2030 as originally envisaged.

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.

It should also be noted that covered bond reforms made up of a new covered bond directive (Directive (EU) 2019/2162) and a new regulation (Regulation (EU) 2019/2160) have applied in the EU since 8 July 2022 (both texts have relevance for the EEA and have been (or will be) implemented in other countries in the EEA). The covered bond directive replaces Article 52(4) of Directive 2009/65/EC (the "**UCITS Directive**") and established a revised common base-line for issue of covered bonds for EU regulatory purposes (subject to various options that members states may choose to exercise when implementing the new directive through national laws). The regulation amends Article 129 of Regulation (EU) No 575/2013 (for these purposes, "**EU CRR**") (and certain related provisions) and further strengthens the criteria for covered bonds that benefit from preferential capital treatment under the EU CRR regime. Given that aspects of the new regime have been transposed through national laws, some variation in the position across the EU and EEA has been introduced. As EU CRR permits the exercise of certain national discretion, the implementation has been subject to some level of national variation. In the UK, the impact of the EU covered bond directive on the UK covered bond regime remains unclear. Therefore, there can be no assurances or predictions made as to the precise effect of the new regime on the Covered Bonds.

In addition, preferential regulatory treatment under Article 129 of the EU CRR is no longer available in respect of the Covered Bonds after 31 January 2020 following the UK's departure from the EU. Furthermore, none of the Covered Bonds will be grandfathered under the EU covered bond reforms given that the new covered bond directive provides for permanent grandfathering for Article 52(4) UCITS Directive-compliant covered bonds issued by an issuer with its registered office in an EU member state before the relevant implementing measures came into force, provided there is continued supervision by the relevant designated competent authority in the EU (similar grandfathering provisions are also provided for in the new regulation). The Covered Bonds may be eligible as Level 2A assets under Delegated Regulation (EU) 2018/1620 (as amended), provided that certain equivalence and transparency requirements are met, as to which no assurances are made and prospective investors should therefore make themselves aware of the changes in addition to any other applicable regulatory requirements with respect to their investment in the Covered Bonds.

8.10 *Impact of UK EMIR and EU EMIR on the Interest Rate Swaps and Covered Bond Swaps*

The derivatives markets are subject to extensive regulation in a number of jurisdictions, including in the UK pursuant to UK EMIR and in the EU pursuant to EU EMIR, each as amended from time to time. UK EMIR and EU EMIR establish certain requirements for OTC derivatives contracts, including (i) a mandatory clearing obligation for certain classes of OTC derivatives contracts (the "**Clearing Obligation**"), (ii) margin posting, daily valuation and other risk-mitigation techniques for OTC derivatives contracts not cleared by a central counterparty (the "**Risk Mitigation Requirements**"), and (iii) certain reporting requirements (the "**Reporting Obligations**"). Prospective investors should also note that uncertainty remains as to the full impact on the Swap Agreements of ongoing reforms to UK EMIR and EU EMIR.

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

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

OTC derivatives contracts that are not cleared by a central counterparty are also subject to certain other Risk Mitigation Requirements, including arrangements for timely confirmation of OTC derivatives contracts, portfolio reconciliation, dispute resolution and arrangements for monitoring the value of outstanding OTC derivatives contracts. These requirements are already in effect. In order to comply with certain of these Risk Mitigation Requirements, the LLP includes appropriate provisions in each Swap Agreement and the related Transaction Documents. In respect of the Reporting Obligation, mandatory reporting would also cease to apply which means that the LLP would be legally liable and responsible for their own reporting obligations under UK EMIR (although this requirement can be delegated).

8.11 *Impact of change of the LLP's counterparty's status under UK EMIR and EU EMIR*

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

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

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

Furthermore, if the LLP's status as an NFC- for the purposes of UK EMIR and/or TCE NFC- for the purposes of EU EMIR changes and the LLP is unable to rely on the relevant conditional exemptions, this may adversely affect the ability of the LLP to continue to be party to Swap Agreements (possibly resulting in restructuring or termination of the Swap Agreements) or to enter into Swap Agreements, thereby negatively affecting the ability of the LLP to hedge certain risks. This may also reduce the amounts available to make payments with respect to the Covered Bonds.

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

Changes to the Reporting Obligations and other obligations under UK EMIR and EU EMIR may, *inter alia*, lead to more administrative burdens and higher and/or additional costs and expenses for the LLP, which may in turn reduce the amounts available to make payments with respect to the Covered Bonds. Further, if any party fails to comply with the applicable rules under UK EMIR and/or EU EMIR, as

applicable, it may be liable for a fine. If such a fine is imposed on the LLP, this may also reduce the amounts available to make payments with respect to the Covered Bonds.

8.12 *EU CRA Regulation and UK CRA Regulation*

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

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

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third-country non-UK credit rating agencies, third–country credit ratings can either be: (a) endorsed by a UK-registered credit rating agency; or (b) issued by a third-country credit rating agency that is certified in accordance with the UK CRA Regulation. Note that this is subject, in each case, to the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended.

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

8.13 *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. Skipton is an employer under an occupational scheme and also a member of the LLP. On this basis, the LLP is likely to be treated as 'connected to' the Society.

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

main purpose or one of the main purposes of which was either (i) to prevent the recovery of the whole or any part of a debt which was, or might become, due from the employer under Section 75 of the Pensions Act 1995 or (ii) otherwise than in good faith, to prevent such a debt becoming due, to compromise or otherwise settle such a debt, or to reduce the amount of such a debt which would otherwise become due.

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

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

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

8.14 *Volcker Rule*

The enactment of the Dodd-Frank Act, which was signed into law on 21 July 2010, imposed a new regulatory framework over the U.S. financial services industry and the U.S. consumer credit markets in general. On 10 December 2013, U.S. regulators adopted final regulations to implement Section 619 of the Dodd-Frank Act, which added a new section 13 to the Bank Holding Company Act of 1956, commonly referred to as the "**Volcker Rule**". The Volcker Rule generally prohibits "banking entities" (broadly defined to include U.S. banks, bank holding companies and foreign banking organisations, together with their respective subsidiaries and other affiliates) from (i) engaging in proprietary trading, (ii) acquiring or retaining an ownership interest in, or sponsoring, a "covered fund" and (iii) entering into certain relationships with such funds, subject to certain exceptions and exclusions. The LLP is not, and after giving effect to any offering and sale of Covered Bonds and the application of the proceeds thereof will not be, a "covered fund" for purposes of the Volcker Rule. In reaching this conclusion, although other statutory or regulatory exemptions under the Investment Company Act of 1940, as amended ("**Investment Company Act**"), and under the Volcker Rule and its related regulations may be available, the LLP has determined that (i) the LLP may rely on the exemption from registration under the Investment Company Act provided by Section 3(c)(5)(C) thereof and accordingly (ii) the LLP does not rely on Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act for its exemption from registration under the Investment Company Act and may rely on the exemption from the definition of a "covered fund" under the Volcker Rule made available to entities that do not rely solely on Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act for their exemption from registration under the Investment Company Act. Although the LLP has conducted careful analysis to determine the availability of the exemption provided by Section 3(c)(5)(C) of the Investment Company Act, there is no assurance that the U.S. Securities and Exchange Commission will not take a contrary position.

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

8.15 *Potential effects of any additional regulatory changes*

In the UK and elsewhere, there is continuing political and regulatory scrutiny of the banking industry and, in particular, retail banking. In the UK, the FCA, the PRA and the CMA have recently carried out, or are currently conducting, several enquiries across the financial services industry, including in markets in which the Issuer operates and in relation to products the Issuer offers. In recent years there have been several issues in the UK financial services industry in which the FCA has intervened directly, including the sale of personal pensions and the sale of mortgage-related endowments. No assurance can be given that changes will not be made to the regulatory regime and developments described above in respect of the mortgage market in the UK generally, the Seller's particular sector in that market or specifically in relation to the Seller. Any such action or developments, in particular, but not limited to, to the cost of compliance, may have a material adverse effect on the Group and its businesses and operations. This may adversely affect the Issuer's or the LLP's (as the case may be) ability to make payments in full when due on the Covered Bonds.

FORM OF THE COVERED BONDS

The Covered Bonds of each Series will be in either bearer form, with or without interest coupons and/or talons attached, or registered form, without interest coupons and/or talons attached. Bearer Covered Bonds will be issued outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act ("**Regulation S**") and Registered Covered Bonds will be issued both outside the United States to non-U.S. persons in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S and within the United States or to, or for the account or benefit of, QIBs in reliance on Rule 144A or otherwise in private transactions that are exempt from or not subject to the registration requirements of the Securities Act and any applicable state or local securities laws.

Bearer Covered Bonds

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

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

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

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

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

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

The applicable Final Terms will specify that a Permanent Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for Bearer Definitive Covered Bonds with, where applicable, interest coupons and talons attached upon either: (i) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Covered Bond) to the Principal Paying Agent as described therein; or (ii) only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that: (i) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or (ii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Bearer Covered Bonds represented by the Permanent Global Covered Bond in definitive form. The Issuer will promptly give notice to the Covered Bondholders of each Series of Bearer Global Covered Bonds in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Covered Bond) or the Bond Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (ii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

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

Bearer Global Covered Bonds and Bearer Definitive Covered Bonds will be issued pursuant to the Agency Agreement.

The following legend will appear on all Bearer Covered Bonds (other than Temporary Global Covered Bonds) where TEFRA D is specified in the applicable Final Terms and on all interest coupons and talons relating to such Bearer Covered Bonds:

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

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

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

Registered Covered Bonds

The Registered Covered Bonds of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global covered bond in registered form (a "**Regulation S Global Covered Bond**"). Prior to expiry of the Distribution Compliance Period (as defined in Regulation S) applicable to each Tranche of Covered Bonds, beneficial interests in a Regulation S Global Covered Bond may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg, and such Regulation S Global Covered Bond will bear a legend regarding such restrictions on transfer.

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

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

Registered Global Covered Bonds will either (i) be deposited with a custodian for, and registered in the name of a nominee of, the Depository Trust Company ("**DTC**") or (ii) be deposited with a common depositary or, if the Registered Global Covered Bonds are to be held under the new safekeeping structure (the "**New Safekeeping Structure**"), a common safekeeper, as the case may be for Euroclear and Clearstream, Luxembourg, and registered in the name of the nominee for the Common Depositary of Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Covered Bonds will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Definitive Covered Bonds in fully registered form.

Where the Registered Global Covered Bonds issued in respect of any Tranche are intended to be held under the New Safekeeping Structure, Euroclear and Clearstream, Luxembourg will be notified as to whether or not such Registered Global Covered Bonds are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Registered 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 Eurosystem either upon issue or at any time during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The common safekeeper for a Registered Global Covered Bond held under the New Safekeeping Structure will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Payments of principal, interest and any other amount in respect of the Registered Global Covered Bonds will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 5(d)) as the registered holder of the Registered Global Covered Bonds. None of the Issuer, the LLP, the Bond Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

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

Interests in a Registered Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for Registered Definitive Covered Bonds without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that: (i) in the case of Covered Bonds registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Covered Bonds and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act; (ii) in the case of Covered Bonds registered in the name of a nominee for a common depositary or in the name of a nominee of the common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Covered Bonds represented by the Registered Global Covered Bond in definitive form. The Issuer will promptly give notice to the Covered Bondholders of each Series of Registered Global Covered Bonds in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any registered holder of an interest in such Registered Global Covered Bond) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.

Definitive Rule 144A Covered Bonds will be issued only in minimum denominations of U.S.$250,000 and integral multiples of U.S.$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency).

Transfer of Interests

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

General

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

Any reference herein to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified

in the applicable Final Terms or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Bond Trustee.

No Covered Bondholder or Couponholder shall be entitled to proceed directly against the Issuer or the LLP unless the Bond Trustee or, as the case may be, the Security Trustee, having become so bound to proceed, fails so to do within a reasonable period and the failure shall be continuing.

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

FORM OF FINAL TERMS

[**IMPORTANT – PROHIBITION OF SALES TO EEA RETAIL INVESTOR**S – The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 ("**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**EU Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**EU PRIIPs Regulation**") for offering or selling the Covered Bonds, or otherwise making them available to retail investors in the EEA, has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.] [1]

[IMPORTANT – PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Covered Bonds are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) as amended, varied, superseded or substituted from time to time ("**EUWA**"); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Covered Bonds, or otherwise making them available to retail investors in the UK, has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.] [2]

[MIFID II PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "**distributor**") should take into consideration the manufacturer['s][s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer['s][s'] target market assessment) and determining appropriate distribution channels.][3]

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

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

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

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

[Date]

Skipton Building Society

Legal entity identifier (LEI): 66AGRETLUXS4YO5MUH35

Issue of Regulated [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds] irrevocably and unconditionally guaranteed as to payment of principal and interest by Skipton Covered Bonds LLP under the €7.5 billion Global Covered Bond Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated [date] [and the supplemental Prospectus(es) dated [date]] which constitute[s] a base prospectus (the "**Prospectus**") for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**"). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of the UK Prospectus Regulation and must be read in conjunction with such Prospectus in order to obtain all the relevant information. Copies of the Prospectus [and the supplemental Prospectus[es]] [is/are] available free of charge to the public at the principal office of the Issuer and from the specified office of each of the Paying Agents and have been published on the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html and on the website of the Issuer at https://www.skipton.co.uk/investorrelations/unsecuredisclaimercoveredbonds.

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated [date] which have been incorporated by reference into the Prospectus dated [date] [and the supplemental prospectus(es) dated [date]], which [together] constitute[s] a base prospectus (the "**Prospectus**") for the purposes of the Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**"). This document constitutes the final terms of the Covered Bonds described herein for the purposes of the UK Prospectus Regulation and must be read in conjunction with the Prospectus in order to obtain all the relevant information. Copies of the Prospectus [and the supplemental Prospectus(es)] [is/are] available free of charge to the public at the principal office of the Issuer and from the specified office of each of the Paying Agents and have been published on the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html and on the website of the Issuer at https://www.skipton.co.uk/investorrelations/unsecuredisclaimercoveredbonds.]

[The LLP is not now, and immediately following the issuance of the Covered Bonds pursuant to the Trust Deed will not be, a "covered fund" for purposes of regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended, commonly known as the "**Volcker Rule**". In reaching this conclusion, although other statutory or regulatory exemptions under the Investment Company Act of 1940, as amended, and under the Volcker Rule and its related regulations may be available, the LLP has relied on the exemption from registration set forth in Section 3(c)(5)(C) of the Investment Company Act of 1940, as amended. See "*Certain U.S. Regulatory Considerations*" in the Prospectus dated [●].]

1.	(i)	Issuer:	Skipton Building Society
	(ii)	Guarantor:	Skipton Covered Bonds Limited Liability Partnership
2.	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]
	(iii)	Series which Covered Bonds will be consolidated and form a single Series with:	[●]/[Not Applicable]
	(iv)	Date on which the Covered Bonds will be consolidated and form a single Series with the Series specified above:	[●]/[Issue Date]/[Not Applicable]
3.	Specified Currency or Currencies:		[●]
4.	Aggregate Nominal Amount of the Covered Bonds admitted to trading:		
	(i)	Series:	[●]
	(ii)	Tranche:	[●]
5.	Issue Price:		[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
6.	(i)	Specified Denominations:	[●]/€100,000 and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Covered Bonds in definitive form will be issued with a denomination above [€199,000].]
	(ii)	Calculation Amount:	[●]
7.	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[●]/[Issue Date]/[Not Applicable]
8.	(i)	Final Maturity Date:	Interest Payment Date falling in or nearest to [●.]

	(ii)	Extended Due for Payment Date of Guaranteed Amounts corresponding to the Final Redemption Amount under the Covered Bond Guarantee:	[●]/[Interest Payment Date falling in or nearest to [●]]/[Not Applicable]
9.	Interest Basis:		[[●] per cent. Fixed Rate] [Compounded Daily SONIA/EURIBOR] +/- [●] per cent. [Floating Rate] [Zero Coupon]
10.	Redemption/Payment Basis:		[●] per cent. of the nominal value
11.	Change of Interest Basis or Redemption/Payment Basis:		[●]/[in accordance with paragraphs [15] and [16] below]
12.	Call Options:		[Issuer Call]/[Not Applicable]
13.	[Date [Board] approval for issuance of Covered Bonds obtained:		[●]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	Fixed Rate Covered Bond Provisions:		[Applicable/Not Applicable]
	(i)	Fixed Rate(s) of Interest:	[●] per cent. per annum payable in arrear on each Interest Payment Date
	(ii)	Interest Payment Date(s):	[●] in each year up to and including the [Final Maturity Date] [Extended Due for Payment Date, if applicable]/(provided however that after the Extension Determination Date, the Interest Payment Date shall be [monthly])
	(iii)	Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(iv)	Business Day(s):	[●]
		Additional Business Centre(s):	[●]/[Not Applicable]
	(v)	Fixed Coupon Amount(s):	[●] per Calculation Amount
	(vi)	Initial Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]/[Not Applicable]
	(vii)	Final Broken Amount:	[●]

	(viii)	Day Count Fraction:	[Actual/Actual (ICMA) 30/360]
	(ix)	Determination Date(s):	[[●] in each year]/[Not Applicable]
15.	Floating Rate Covered Bond Provisions:		[Applicable/Not Applicable]
	(i)	Specified Period(s)/Specified Interest Payment Date(s):	[●] (provided however that [prior to the Extension Determination Date,][the Specified Interest Payment Date shall be no more frequent than quarterly][, and provided further that] [after the Extension Determination Date, the Interest Payment Date shall be [monthly][quarterly]]) The first Interest Payment Date shall be [●].
	(ii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
		Additional Business Centre(s):	[●]/[Not Applicable]
	(iii)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
	(iv)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent):	[●]
	(v)	Screen Rate Determination:	
		– Reference Rate and Relevant Financial Centre:	[Applicable] [Not Applicable] Reference Rate: [SONIA]/[EURIBOR] Relevant Financial Centre: [London/Brussels/[●]]
		– Interest Determination Date(s):	[●]
		– Relevant Screen Page:	[●]
		– Relevant Time:	[●]
		– SONIA Lag Period (p):	[five (5)/[●] London Business Days][Not Applicable]
		– Observation Method:	[Lag][Lock-Out][Shift]

		– Index Determination:	[Applicable]/[Not Applicable] [*Where Index Determination is applicable, "Shift" should be specified as the Observation Method*]
	(vi)	ISDA Determination:	[Applicable]/[Not Applicable]
		– Floating Rate Option:	[●]
		– Designated Maturity:	[●]
		– Reset Date:	[●]
	(vii)	Margin(s):	[+/-] [●] per cent. per annum.
	(viii)	Minimum Rate of Interest:	[●] per cent. per annum
	(ix)	Maximum Rate of Interest:	[●] per cent. per annum
	(x)	Day Count Fraction:	[Actual/Actual (ICMA) Actual/Actual (ISDA) Actual/Actual Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 360/360 Bond Basis Eurobond Basis 30E/360 (ISDA)]
16.	Zero Coupon Covered Bond Provisions:		[Applicable/Not Applicable]
	(i)	Accrual Yield:	[●] per cent. per annum
	(ii)	Reference Price:	[●]
	(iii)	Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(iv)	Business Day(s):	[●]
		Additional Business Centre(s):	[●]/[Not Applicable]
	(v)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	Condition 6(e) applies

PROVISIONS RELATING TO REDEMPTION BY THE ISSUER

17.	Issuer Call:	[Applicable/Not Applicable]

	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[●]
		(b) Higher Redemption Amount:	[●]
18.	Final Redemption Amount:		[Nominal Amount/[●] per Calculation Amount]
19.	Early Redemption Amount payable on redemption for taxation reasons, on acceleration following an Issuer Event of Default or an LLP Event of Default:		[●] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

20.	New Global Covered Bond:	[Yes][No]
21.	Form of Covered Bonds:	[Bearer Covered Bonds: [Temporary Global Covered Bond exchangeable for a Permanent Global Covered Bond which is exchangeable for Bearer Definitive Covered Bonds in definitive form only after an Exchange Event[/on not less than 60 days' notice] [Temporary Global Covered Bond exchangeable for Bearer Definitive Covered Bonds only after an Exchange Event] [Permanent Global Covered Bond exchangeable for Bearer Definitive Covered Bonds in definitive form only after an Exchange Event[/on not less than 60 days' notice] [Registered Covered Bonds: [Regulation S Global Covered Bond (U.S.$[●] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]/[Rule 144A Global Covered Bond (U.S.$[●] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and

		Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]
22.	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[4]] and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Covered Bonds are capable of meeting them the Covered Bonds may then be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper[5]]. 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.]
23.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[●]/[Not Applicable]
24.	Talons for future Coupons to be attached to Bearer Definitive Covered Bonds (and dates on which such Talons mature):	[Yes, as the Covered Bonds have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupons payments are still to be made]/[No]

4 Include this text for Registered Notes which are to be held under the NSS.

5 Include this text for Registered Notes.

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

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

2. RATINGS

Ratings:	The Covered Bonds to be issued have been rated:
	[Moody's]: [●]
	[Fitch]: [●]
	[Include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]
	(The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

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

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

4. REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

(i)	Reasons for the offer:	[See ["*Use of Proceeds*"] in the Prospectus /[*Give details*]]
		(*See ["Use of Proceeds"] wording in Prospectus – if reasons for offer different from what is disclosed in the Prospectus, give details*.)

	(ii)	Estimated net proceeds:	[ ]

5. DISTRIBUTION:

(i)	Method of Distribution:	[Syndicated/Non-syndicated]
(ii)	Name(s) of Dealer(s):	[Not Applicable/*give names*]
(iii)	Stabilising Manager(s) (if any):	[Not Applicable/[●]]
(iv)	U.S. Selling Restrictions:	[Rule 144A/Reg. S Compliance Category 2; TEFRA D/TEFRA C/TEFRA Not applicable/[●]]
(v)	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable]
(vi)	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable]

6. YIELD (Fixed Rate Covered Bonds only)

Indication of yield:	[●]

7. OPERATIONAL INFORMATION

(i)	ISIN Code:	[●]
(ii)	Common Code:	[●]
(iii)	[Any other relevant codes such as CUSIP AND CINS codes]	[●]
(iv)	CFI Code:	[[●],]/[as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable]
(v)	FISN:	[[●],]/[as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable]
(vi)	Delivery:	Delivery [against/free of] payment
(vii)	Names and addresses of additional Paying Agent(s) (if any):	[●]

8. RELEVANT BENCHMARKS	[[*specify benchmark*] is provided by [*administrator legal name*]]. As at the date hereof, [[*administrator legal name*][appears]/[does not appear]] [in the register of administrators and benchmarks established and maintained by the FCA pursuant to Article 36 (Register of administrators and benchmarks) of the UK Benchmarks Regulation]/[As far as the Issuer is aware, as at the date hereof, [specify benchmark] does not fall within the scope of the UK Benchmarks Regulation]/[Not Applicable]
Signed on behalf of the Issuer:	Signed on behalf of the LLP:
By:	By:
Duly authorised	Duly authorised

TERMS AND CONDITIONS OF THE COVERED BONDS

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

This Covered Bond is one of a Series (as defined below) of Covered Bonds issued by Skipton Building Society (the "**Issuer**") constituted by a trust deed (such trust deed as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated 24 July 2017 (the "**Programme Date**") made between the Issuer, Skipton Covered Bonds Limited Liability Partnership as guarantor (the "**LLP**") and Citicorp Trustee Company Limited as bond trustee (in such capacity, the "**Bond Trustee**", which expression shall include any successor as Bond Trustee).

Save as provided for in Conditions 9 and 14, references herein to the "**Covered Bonds**" shall be references to the Covered Bonds of this Series and shall mean:

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

(ii) any Global Covered Bond;

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

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

The Covered Bonds and the Coupons (as defined below) have the benefit of an agency agreement (such agency agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated the Programme Date and made between the Issuer, the LLP, the Bond Trustee, the Security Trustee and Citibank, N.A., London Branch, as issuing and principal paying agent and agent bank (in such capacity, the "**Principal Paying Agent**", which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents), Citibank, N.A., London Branch, as exchange agent (in such capacity, the "**Exchange Agent**", which expression shall include any additional or successor exchange agent), Citibank, N.A., London Branch as registrar (in such capacity, the "**Registrar**", which expression shall include any successor registrar) and Citibank, N.A., London Branch as transfer agent (in such capacity, a "**Transfer Agent**" and together with the Registrar, the "**Transfer Agents**", which expression shall include any additional or successor transfer agents. As used herein, "**Agents**" shall mean the Paying Agents and the Exchange Agent and the Transfer Agents).

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

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

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

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

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

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

These Conditions include summaries of, and are subject to, the provisions of the Trust Deed, the Deed of Charge and the Agency Agreement.

Copies of the Trust Deed, the Deed of Charge, the Master Definitions and Construction Agreement (as defined below), the Agency Agreement and each of the other Transaction Documents (which, in the case of each Scottish Declaration of Trust, will be in redacted form) are available for inspection (i) during normal business hours at the registered office for the time being of the Bond Trustee being as at the Programme Date at Citigroup Centre, Canada Square, London E14 5LB and at the specified office of each of the Paying Agents, (ii) electronically on request to the Bond Trustee or any of the Paying Agents or (iii) can be viewed on-line at https://www.skipton.co.uk/investorrelations/unsecuredisclaimercoveredbonds.

Copies of the applicable Final Terms for all Covered Bonds of each Series (including in relation to unlisted Covered Bonds of any Series) are obtainable during normal business hours at the specified office of each of the Paying Agents or can be viewed on-line at https://www.skipton.co.uk/investorrelations/unsecuredisclaimercoveredbonds and any Covered Bondholder must produce evidence satisfactory to the Issuer and the Bond Trustee or, as the case may be, the relevant Paying Agent as to its holding of Covered Bonds and identity. The Covered Bondholders and the Couponholders are deemed to have notice of, are bound by, and are entitled to the benefit of, all the provisions of, and definitions contained in, the Trust Deed, the Deed of Charge, the Master Definitions and Construction Agreement, the Agency Agreement, each of the other Transaction

Documents and the applicable Final Terms which are applicable to them and to have notice of each set of Final Terms relating to each other Series.

Except where the context otherwise requires, capitalised terms used and not otherwise defined in these Conditions shall bear the meanings given to them in the applicable Final Terms and/or the master definitions and construction agreement made between the parties to the Transaction Documents on or about the Programme Date (as the same may be amended and/or supplemented and/or restated from time to time, the "**Master Definitions and Construction Agreement**"), a copy of each of which may be obtained as described above.

1. Form, Denomination and Title

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

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

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

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

For so long as any of the Covered Bonds is represented by a Global Covered Bond held on behalf of, or, as the case may be, registered in the name of a common depositary (in the case of a CGCB (as defined below)) or common safekeeper (in the case of a NGCB (as defined below)) for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") or so long as The Depository Trust Company ("**DTC**") or its nominee is the registered holder of a Registered Global Covered Bond, each person (other than Euroclear or Clearstream, Luxembourg or DTC) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg or DTC as the holder of a particular nominal amount of such Covered Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg or DTC as to the nominal amount of such Covered Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error and any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system

(including Euroclear's EUCLID or Clearstream's Cedcom system) in accordance with its usual procedures and in which the holder of a particular nominal amount of the Covered Bonds is clearly identified with the amount of such holding) shall be treated by the Issuer, the LLP, the Paying Agents, the Security Trustee and the Bond Trustee as the holder of such nominal amount of such Covered Bonds for all purposes other than with respect to the payment of principal or interest or other amounts on such nominal amount of such Covered Bonds, and, in the case of DTC or its nominee, voting, giving consents and making requests, for which purpose the bearer of the relevant Global Covered Bond or the registered holder of the relevant Registered Global Covered Bond shall be treated by the Issuer, the LLP, any Paying Agent, the Security Trustee and the Bond Trustee as the holder of such nominal amount of such Covered Bonds in accordance with and subject to the terms of the relevant Global Covered Bond and the expression "**Covered Bondholder**" and related expressions shall be construed accordingly.

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

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

2. Transfers of Registered Covered Bonds

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

Transfers of beneficial interests in Rule 144A Global Covered Bonds (as defined below) and Regulation S Global Covered Bonds (as defined below) (together, the "**Registered Global Covered Bonds**") will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Covered Bond will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Covered Bonds in definitive form or for a beneficial interest in another Registered Global Covered Bond only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Covered Bond registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Covered Bond, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

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

Subject as provided in Conditions 2(e), 2(f) and 2(g) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Covered Bond in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer: (i) the holder or holders must: (A) surrender the Registered Covered Bond for registration of the transfer of the Registered Covered Bond (or the relevant part of the Registered Covered Bond) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing; and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent; and (ii) the Registrar or, as the case may be, the relevant Transfer

Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Bond Trustee, the Transfer Agent and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 6 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Covered Bond in definitive form of a like aggregate nominal amount to the Registered Covered Bond (or the relevant part of the Registered Covered Bond) transferred. In the case of the transfer of part only of a Registered Covered Bond in definitive form, a new Registered Covered Bond in definitive form in respect of the balance of the Registered Covered Bond not transferred will be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to the address specified by the transferor.

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

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

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

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

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

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

(i) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a "**Transfer Certificate**"), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Covered Bond or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or

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

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

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

(f) ***Transfers of interests in Legended Covered Bonds***

Transfers of Legended Covered Bonds or beneficial interests therein may be made:

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

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

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

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

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

(g) ***Exchanges and transfers of Registered Covered Bonds generally***

Holders of Registered Covered Bonds in definitive form may exchange such Covered Bonds for interests in a Registered Global Covered Bond of the same type at any time.

(h) ***Definitions***

In the Conditions, the following expressions shall have the following meanings:

"**CGCB**" means a Temporary Global Covered Bond or a Permanent Global Covered Bond, in either case in respect of which the applicable Final Terms specify that it is not a new global covered bond;

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

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

"**NGCB**" means a Temporary Global Covered Bond or a Permanent Global Covered Bond, in either case in respect of which the applicable Final Terms specify that it is a new global covered bond;

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

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

"**Regulation S Global Covered Bond**" means a Registered Global Covered Bond representing Covered Bonds sold outside the United States in reliance on Regulation S;

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

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

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

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

(a) ***Status of the Covered Bonds***

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

(b) ***Status of the Covered Bond Guarantee***

The payment of Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for Payment has been unconditionally and irrevocably guaranteed by the LLP (the "**Covered Bond Guarantee**") in the Trust Deed. However, the LLP shall have no obligation under the Covered Bond Guarantee to pay any Guaranteed Amounts until the occurrence of an Issuer Event of Default, service by the Bond Trustee on the Issuer of an Issuer Acceleration Notice and service by the Bond Trustee on the LLP of a Notice to Pay or, if earlier, following the occurrence of an LLP Event of Default and service by the Bond Trustee of an LLP Acceleration Notice. The obligations of the LLP under the Covered Bond Guarantee are direct (following an Issuer Event of Default, service of an Issuer Acceleration Notice and service of a Notice to Pay or an LLP Event of Default and service of an LLP Acceleration Notice), 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) discharge *pro tanto* the obligations of the Issuer in respect of such

payment under the Covered Bonds and Coupons except where such payment has been declared void, voidable or otherwise recoverable in whole or in part and recovered from the Bond Trustee or the Covered Bondholders.

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

(a) ***Interest on Fixed Rate Covered Bonds***

Each Fixed Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) its date of issue (the "**Interest Commencement Date**") at the rate(s) per annum equal to the Rate(s) of Interest payable, subject as provided in these Conditions, in arrear on the Interest Payment Date(s) in each year up to (and including) the Final Maturity Date. If a Notice to Pay is served on the LLP, the LLP shall pay Guaranteed Amounts in equivalent amounts to those described above under the Covered Bond Guarantee in respect of the Covered Bonds on the Original Due for Payment Dates or, if applicable, the Extended Due for Payment Date.

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the fixed coupon amount specified in the Final Terms (the "**Fixed Coupon Amount**"). Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the broken amount specified in the relevant Final Terms (the "**Broken Amount**") so specified.

As used in the Conditions, "**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Covered Bonds in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

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

(ii) in the case of Fixed Rate Covered Bonds in definitive form, the Specified Denomination;

and in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 4(a):

(i) if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms:

(A) in the case of Covered Bonds where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the

Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(B) in the case of Covered Bonds where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) if "**30/360**" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

"**Determination Period**" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

"**Original Due for Payment Date**" means, in respect of the payment of Guaranteed Amounts, prior to the occurrence of an LLP Event of Default and following the delivery of a Notice to Pay on the LLP, the date on which the Scheduled Payment Date in respect of such Guaranteed Amounts is reached, or, if later, the day which is two Business Days following service of a Notice to Pay on the LLP in respect of such Guaranteed Amounts or if the applicable Final Terms specified that an Extended Due for Payment Date is applicable to the relevant Series of Covered Bonds, the Interest Payment Date that would have applied if the Final Maturity Date of such Series of Covered Bonds had been the Extended Due for Payment Date.

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

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

(b) ***Interest on Floating Rate Covered Bonds***

(i) *Interest Payment Dates*

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

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

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

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

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

(1) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)II below, the "**Floating Rate Convention**", such Interest Payment Date: (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of II below shall apply *mutatis mutandis*; or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

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

(3) the "**Modified Following Business Day Convention**", such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the "**Preceding Business Day Convention**", such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, "**Business Day**" means a day which is:

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; and

II. in the case of any sum payable, either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre) and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively or (2) in relation to any Covered Bonds denominated or payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") is open.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Covered Bonds will be determined in the manner specified in the applicable Final Terms.

(A) *ISDA Determination for Floating Rate Covered Bonds*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Principal Paying Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Covered Bonds (the "**ISDA Definitions**") and under which:

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

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

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

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

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

(B) *Screen Rate Determination for Floating Rate Covered Bonds*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(1) the offered quotation (if there is only one quotation on the Relevant Screen Page); or

(2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 10:00 a.m. (London time, in the case of SONIA or as at 11:00 a.m. Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

SONIA

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

Compounded Daily SONIA means, with respect to an Interest Accrual Period:

(A) where "Index Determination" is specified as Not Applicable in the relevant Final Terms, the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest Accrual Period (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) as calculated by the Principal Paying Agent (or other party responsible for calculating the Rate of Interest as set out in the relevant Final Terms) as at the relevant Interest Determination Date in accordance with the following formula (and the resulting percentage will be rounded if necessary to the nearest fourth decimal place, with 0.00005% being rounded upwards):

$$\left[\prod_{i-1}^{d_0}\left(1+\frac{SONIA_{i-pLBD}\,\mathrm{x}\,n_i}{365}\right)-1\right]\mathrm{x}\,\frac{365}{d}$$

or

(B) where "Index Determination" is specified as Applicable in the relevant Final Terms, the rate calculated by the Principal Paying Agent (or other party responsible for calculating the Rate of Interest as set out in the relevant Final Terms) as at the relevant Interest Determination Date in accordance with the following formula (and the resulting percentage will be rounded if necessary to the nearest fourth decimal place, with 0.00005% being rounded upwards):

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

provided, however, that if the Principal Paying Agent (or other party responsible for calculating the Rate of Interest as set out in the relevant Final Terms) is unable for any reason to determine either or both of $Index_{END}$ and $Index_{START}$ in relation to any Interest Accrual Period, then Compounded Daily SONIA shall be calculated for such Interest Accrual Period as if "Index Determination" had been specified as being Not Applicable in the relevant Final Terms (and paragraph (A) of this definition shall be applied accordingly),

where:

d is (i) where "Lag" or "Lock-Out" is specified in the relevant Final Terms as the Observation Method, the number of calendar days in the relevant Interest Accrual Period and (ii) where "Shift" is specified in the relevant Final Terms as the Observation Method, the number of calendar days in the relevant Observation Period;

d_0 is (i) where "Lag" or "Lock-Out" is specified in the relevant Final Terms as the Observation Method, the number of London Business Days in the relevant Interest Accrual Period and (ii) where "Shift" is specified in the relevant Final Terms as the Observation Method, for any Observation Period, the number of London Business Days in the relevant Observation Period;

i is a series of whole numbers from one to d_0, each representing the relevant London Business Day in chronological order from, and including, the first London Business Day (i) where "Lag" or "Lock-Out" is specified in the relevant Final Terms as the Observation Method, in the relevant Interest Accrual Period, and (ii) where "Shift" is specified in the relevant Final Terms as the Observation Method, in the relevant Observation Period;

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

$Index_{START}$ means, in relation to any Interest Accrual Period, the Index Value on the day which is "p" London Business Day prior to the first day of such Interest Accrual Period (and in respect of the first Interest Accrual Period, the Issue Date);

Index Value means, where "SONIA" is specified as the Reference Rate in the relevant Final Terms, in relation to any London Business Day, the value of the SONIA Compounded Index as published by authorised redistributors on the Relevant Screen Page on the immediately following London Business Day

provided, however, that in the event that the value originally published is subsequently corrected and such corrected value is published by authorised re-distributors or the Bank of England, as the administrator of SONIA (or any successor administrator of SONIA)) on the original date of publication, then such corrected value, instead of the value that was originally published, shall be deemed the Index Value in relation to such London Business Day;

LBD means a London Business Day;

Lock-Out Period means the period from, and including, the Interest Determination Date to, but excluding, the corresponding Interest Payment Date;

$\mathbf{n_i}$ for any London Business Day, means the number of calendar days from (and including) such London Business Day "i" up to (but excluding) the following London Business Day;

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

p means, (i) where "Lag" is specified as the Observation Method in the applicable Final Terms, the number of Business Days included in the SONIA Lag Period specified in the applicable Final Terms (or, if no such number is so specified, five London Business Days), and (ii) where "Shift" or "Lock-out" is specified as the Observation Method in the applicable Final Terms, for any Interest Accrual Period, zero;

Reference Day means each London Business Day in the relevant Interest Accrual Period, other than any London Business Day in the Lock-Out Period;

SONIA Compounded Index means the index known as the "SONIA Compounded Index" administered by the Bank of England (or any successor administrator thereof);

$\mathbf{SONIA_i}$ means, (i) where "Shift" is specified in the relevant Final Terms as the Observation Method, and in respect of a London Business Day "i", the SONIA reference rate in respect of that day, and (ii) where "Lock-Out" is specified in the relevant Final Terms as the Observation Method, (x) in respect of any London Business Day "i" that is a Reference Day, the SONIA reference rate in respect of such Reference Day, and (y) in respect of any London Business Day "i" that is not a Reference Day (being a London Business Day in the Lock-Out Period), the SONIA reference rate in respect of the last Reference Day of the relevant Interest Accrual Period (such last Reference Day falling no fewer than five London Business Days prior to the final day of the relevant Interest Accrual Period);

$\mathbf{SONIA_{i\text{-}pLBD}}$ means where "Lag" is specified in the relevant Final Terms as the Observation Method, in respect of any London Business Day falling in the relevant Interest Accrual Period the SONIA reference rate for the London Business Day falling "p" London Business Days prior to the relevant London

Business Day "i"; and where "Shift" or "Lock-Out" is specified in the relevant Final Terms as the Observation Method, $SONIA_i$; and

the **SONIA reference rate**, in respect of any London Business Day, is a reference rate equal to the daily Sterling Overnight Index Average (**SONIA**) rate for such London Business Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page (or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors) on the London Business Day immediately following such London Business Day).

As used herein, an **Interest Accrual Period** means (i) each Interest Period and (ii) any other period (if any) in respect of which interest is to be calculated, being the period from (and including) the first day of such period to (but excluding) the day on which the relevant payment of interest falls due (which, if the relevant Series of Covered Bonds becomes due and payable following an Issuer Event of Default or an LLP Event of Default, shall be the date on which such Covered Bonds become due and payable).

Fallback provisions

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

Notwithstanding the paragraph above, in the event the Bank of England publishes guidance as to (i) how the SONIA reference rate is to be determined or (ii) any rate that is to replace the SONIA reference rate, the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) shall, subject to receiving written instructions from the Issuer and to the extent that it is reasonably practicable, follow such guidance in order to determine $SONIA_i$ for the purpose of the relevant Series of Covered Bonds for so long as the SONIA reference rate is not available or has not been published by the authorised distributors.

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms), the Rate of Interest shall be:

(i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant

Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period); or

(ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Covered Bonds for the first Interest Period had the Covered Bonds been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Period).

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

The Agency Agreement contains provisions for determining the Rate of Interest pursuant to this sub-paragraph (B) in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

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

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

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

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

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

The Principal Paying Agent will calculate the amount of interest payable on the Floating Rate Covered Bonds in respect of each Specified Denomination (each an "**Interest Amount**") for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to the Principal Amount Outstanding,

multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

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

(A) if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms:

(1) in the case of Covered Bonds where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(2) 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; and

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

(v) Notification of Rate of Interest and Interest Amounts

The Principal Paying Agent (in the case of Floating Rate Covered Bonds) will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Bond Trustee and to any stock exchange or other relevant competent authority or quotation system on which the relevant Floating Rate Covered Bonds are for the time being listed, quoted and/or traded or by which they have been admitted to listing and to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth Business Day (as defined in Condition 4(b)(i)) thereafter by the Principal Paying Agent. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment or alternative arrangements will be promptly notified to the Bond Trustee and each stock exchange or other relevant authority on which the relevant Floating Rate Covered Bonds are for the time being listed or by which they have been admitted to listing and to the Covered Bondholders in accordance with Condition 13.

(vi) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), whether by the Principal Paying Agent or the Bond Trustee, shall (in the absence of wilful default, fraud or manifest error) be binding on the Issuer, the LLP, the Principal Paying Agent, the other Paying Agents, the Bond Trustee and all the Covered Bondholders and Couponholders and (in the absence of wilful default or fraud) no liability to the Issuer, the LLP, the Covered Bondholders or the Couponholders shall attach to the Principal Paying Agent or 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.

(c) ***Accrual of interest***

Interest (if any) will cease to accrue on each Covered Bond (or in the case of the redemption of part only of a Covered Bond, that part only of such Covered Bond) on the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused in which event, interest will continue to accrue as provided in the Trust Deed.

5. Payments

(a) ***Method of payment***

Subject as provided below:

(i) payments in a Specified Currency other than euro will be made by credit or electronic transfer to an account in the relevant Specified Currency (which, in the case of a payment in Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively); and

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

In the case of Bearer Covered Bonds, payments in U.S. Dollars will be made by transfer to a U.S. Dollar account maintained by the payee with a bank outside of the United States (which expression, as used in this Condition 5, means the United States of America, including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction), or by cheque drawn on a United States bank. In no event will payment in respect of Bearer Covered Bonds be made by a cheque mailed to an address in the United States. All payments of interest in respect of Bearer Covered Bonds will be made to accounts located outside the United States except as may be permitted by United States tax law in effect at the time of such payment without detriment to the Issuer.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment but without prejudice to the provisions of Condition 7, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant

to Sections 1471 through 1474 of the Code, any regulations thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto. References to Specified Currency will include any successor currency under applicable law. Any such amounts withheld or deducted will be treated as paid for all purposes under the Covered Bonds, and no additional amounts will be paid on the Covered Bonds with respect to any such withholding or deduction.

(b) ***Presentation of Bearer Definitive Covered Bonds and Coupons***

Payments of principal and interest (if any) will (subject as provided below) be made against presentation and surrender of Bearer Definitive Covered Bonds or Coupons, as the case may be, at any specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia)).

Fixed Rate Covered Bonds in definitive bearer form (other than any Long Maturity Covered Bonds) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall include Coupons falling to be issued on exchange of matured Talons), failing which an amount equal to the face value of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 12 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, six years from the date on which such Coupon would otherwise have become due.

Upon amounts in respect of any Fixed Rate Covered Bond in definitive bearer form becoming due and repayable by the Issuer (in the absence of a Notice to Pay) or LLP under the Covered Bond Guarantee prior to its Final Maturity Date (or, as the case may be, Extended Due for Payment Date), all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the due date for redemption of any Floating Rate Covered Bond or Long Maturity Covered Bond in definitive bearer form, all unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Covered Bond**" is a Fixed Rate Covered Bond (other than a Fixed Rate Covered Bond which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Covered Bond shall cease to be a Long Maturity Covered Bond on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the Principal Amount Outstanding of such Covered Bond. If the date for redemption of any Bearer Definitive Covered Bond is not an Interest Payment Date, interest (if any) accrued in respect of such Covered Bond from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Bearer Definitive Covered Bond.

(c) ***Payments in respect of Bearer Global Covered Bonds***

Payments of principal and interest (if any) in respect of Covered Bonds represented by any Bearer Global Covered Bond will (subject as provided below) be made in the manner specified above in relation to Bearer Definitive Covered Bonds and otherwise in the manner specified in the relevant Global Covered Bond (against presentation or surrender, as the case may be, of

such Global Covered Bond if the Bearer Global Covered Bond is not intended to be issued in NGCB form at the specified office of any Paying Agent outside the United States). On the occasion of each payment, (i) in the case of any Bearer Global Covered Bond which is not issued in NGCB form, a record of such payment made on such Bearer Global Covered Bond, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Covered Bond by the Paying Agent and such record shall be prima facie evidence that the payment in question has been made, and (ii) in the case of any Global Covered Bond which is issued in NGCB form, the Paying Agent shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

(d) ***Payments in respect of Registered Covered Bonds***

Payments of principal in respect of each Registered Covered Bond (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Covered Bond at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by electronic transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Covered Bond appearing in the register of holders of the Registered Covered Bonds maintained by the Registrar (the "**Register**") at the close of business on the third Business Day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a "**Designated Account**" or (ii) the principal amount of the Covered Bonds held by a holder is less than U.S.$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a "**Designated Bank**" and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

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

Holders of Registered Covered Bonds will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Covered Bond as a result

of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Covered Bonds.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Covered Bond in respect of Covered Bonds denominated in a Specified Currency other than U.S. dollars shall be paid by electronic transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer, the LLP, the Bond Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) ***General provisions applicable to payments***

The holder of a Global Covered Bond (or, as provided in the Trust Deed, the Bond Trustee) shall be the only person entitled to receive payments in respect of Covered Bonds represented by such Global Covered Bond and the Issuer or, as the case may be, the LLP will be discharged by payment to, or to the order of, the holder of such Global Covered Bond (or the Bond Trustee, as the case may be) in respect of each amount so paid. Each of the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Covered Bonds represented by such Global Covered Bond must look solely to DTC, Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or the LLP to, or to the order of, the holder of such Global Covered Bond (or the Bond Trustee, as the case may be). No person other than the holder of the relevant Global Covered Bond (or, as provided in the Trust Deed, the Bond Trustee) shall have any claim against the Issuer or the LLP in respect of any payments due on that Global Covered Bond.

Notwithstanding the foregoing provisions of this Condition, payments of principal and/or interest in U.S. Dollars in respect of the Bearer Covered Bonds will only be made at the specified office of a Paying Agent in the United States if:

(i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. Dollars at such specified offices outside the United States of the full amount of interest on the Bearer Covered Bonds in the manner provided above when due;

(ii) payment of the full amount of such principal and interest at such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. Dollars; and

(iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the LLP, adverse tax consequences to the Issuer or the LLP.

(f) ***Payment Day***

If the date for payment of any amount in respect of any Covered Bond or Coupon is not a Payment Day (as defined below), the holder thereof shall not be entitled to payment of the relevant amount due until the next following Payment Day and shall not be entitled to any interest or other sum in respect of any such delay. In this Condition (unless otherwise specified in the applicable Final Terms), "**Payment Day**" means any day which (subject to Condition 8) is:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(A) the relevant place of presentation;

(B) London; and

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

(ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively), or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open; and

(iii) in the case of any payment in respect of a Registered Global Covered Bond denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Covered Bond) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

(g) ***Interpretation of principal and interest***

Any reference in these Conditions to principal in respect of the Covered Bonds shall be deemed to include, as applicable:

(i) any additional amounts which may be payable with respect to principal under Condition 7 or under any undertakings or covenants given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;

(ii) the Final Redemption Amount of the Covered Bonds;

(iii) the Early Redemption Amount of the Covered Bonds;

(iv) the Optional Redemption Amount(s) (if any) of the Covered Bonds;

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

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

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

Any reference in these Conditions to interest in respect of the Covered Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 or under any undertakings given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

(h) ***Definitions***

In these Conditions, the following expressions have the following meanings:

"**Calculation Amount**" has the meaning given in the applicable Final Terms.

"**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, Floating Rate Covered Bonds, as determined in, or as determined in the manner specified in, the applicable Final Terms.

"**Treaty**" means the Treaty establishing the European Community, as amended.

6. Redemption and Purchase

(a) ***Final redemption***

Unless previously redeemed or purchased and cancelled as specified below, each Covered Bond will be redeemed by the Issuer at its Final Redemption Amount in the relevant Specified Currency on the Final Maturity Date specified in the applicable Final Terms.

Without prejudice to Condition 9, if an Extended Due for Payment Date is specified as applicable in the Final Terms for a Series of Covered Bonds and the Issuer has failed to pay the Final Redemption Amount on the Final Maturity Date specified in the Final Terms (or after expiry of the grace period set out in Condition 9(a)(i)) and following the service of a Notice to Pay on the LLP by no later than the date falling one Business Day prior to the Extension Determination Date the LLP has insufficient monies available to apply under the Guarantee Priority of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of the relevant Series of Covered Bonds on the date falling on the earlier of (a) the date which falls two Business Days after service of such Notice to Pay on the LLP or, if later, the Final Maturity Date (or, in each case, after the expiry of the grace period set out in Condition 9(a)(i)) under the terms of the Covered Bond Guarantee or (b) the Extension Determination Date, then (subject as provided below) payment of the unpaid amount by the LLP under the Covered Bond Guarantee shall be deferred until the Extended Due for Payment Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the earlier of (a) and (b) above may be paid by the LLP on any Interest Payment Date thereafter up to (and including) the relevant Extended Due for Payment Date. The Issuer shall confirm to the Principal Paying Agent as soon as reasonably practicable and in any event at least four Business Days prior to the Final Maturity Date of a Series of Covered Bonds whether (i) payment will be made in full of the Final Redemption Amount in respect of a Series of Covered Bonds on that Final Maturity Date or (ii) payment will not be made in full

of the Final Redemption Amount in respect of a Series of Covered Bonds on that Final Maturity Date. Any failure by the Issuer to notify the Principal Paying Agent shall not affect the validity or effectiveness of the extension.

The LLP shall notify the relevant Covered Bondholders (in accordance with Condition 13), the Rating Agencies, the Bond Trustee, the Security Trustee, the Principal Paying Agent and the Registrar (in the case of Registered Covered Bonds) as soon as reasonably practicable and in any event at least one Business Day prior to the dates specified in (i) and (ii) of the preceding paragraph of any inability of the LLP to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of a Series of Covered Bonds pursuant to the Covered Bond Guarantee. Any failure by the LLP to notify such parties shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party.

In the circumstances outlined above, the LLP shall on the earlier of (a) the date falling two Business Days after the service of a Notice to Pay or if later the Final Maturity Date (or, in each case, after the expiry of the grace period set out in Condition 9(b)(i) and (b) the Extension Determination Date, under the Covered Bond Guarantee, apply the monies (if any) available (after paying or providing for payment of higher ranking or *pari passu* amounts in accordance with the Guarantee Priority of Payments) pro rata in part payment of an amount equal to the Final Redemption Amount of each Covered Bond of the relevant Series of Covered Bonds and shall pay Guaranteed Amounts constituting the Scheduled Interest in respect of each such Covered Bond on such date. The obligation of the LLP to pay any amounts in respect of the balance of the Final Redemption Amount not so paid shall be deferred as described above. Such failure to pay by the LLP shall not constitute an LLP Event of Default.

Any discharge of the obligations of the Issuer as the result of the payment of Excess Proceeds to the Bond Trustee shall be disregarded for the purposes of determining the amounts to be paid by the LLP under the Covered Bond Guarantee in connection with this Condition 6(a).

For the purposes of these Conditions:

"**Extended Due for Payment Date**" means, in relation to any Series of Covered Bonds, the date, if any, specified as such in the applicable Final Terms to which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Final Maturity Date will be deferred in the event that the Final Redemption Amount is not paid in full on the Extension Determination Date; and

"**Extension Determination Date**" means, in respect of a Series of Covered Bonds, the date falling two Business Days after the expiry of seven days from (and including) the Final Maturity Date of such Series of Covered Bonds.

"**Rating Agency**" means any one of Moody's Investors Service Limited, Fitch Ratings Ltd. and any other credit rating agency that may be appointed by the Issuer from time to time or their successors, to the extent they provide ratings in respect of the Covered Bonds (together, the "**Rating Agencies**").

(b) ***Redemption for taxation reasons***

The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Covered Bond is not a Floating Rate Covered Bond) or on any Interest Payment Date (if this Covered Bond is a Floating Rate Covered Bond), on giving not less than 30 nor more than 60 days' notice to the Bond Trustee and, in accordance with Condition 13, the Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Bond

Trustee immediately before the giving of such notice that on the occasion of the next date for payment of interest, the Issuer is or will be required to pay additional amounts as provided in Condition 7. Covered Bonds redeemed pursuant to this Condition 6(b) will be redeemed at their Early Redemption Amount referred to in Condition 6(e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) ***Redemption at the option of the Issuer (Issuer Call)***

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given not less than 30 nor more than 60 days' notice to the Bond Trustee, the Principal Paying Agent, (in the case of the redemption of Registered Covered Bonds) the Registrar and, in accordance with Condition 13, the Covered Bondholders (which notice shall be irrevocable) redeem all or some only (as specified in the applicable Final Terms) of the Covered Bonds then outstanding on any Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date(s). Upon expiry of such notice, the Issuer shall be bound to redeem the Covered Bonds accordingly. In the event of a redemption of some only of the Covered Bonds, such redemption must be for an amount being the Minimum Redemption Amount or a Higher Redemption Amount. In the case of a partial redemption of Covered Bonds, the Covered Bonds to be redeemed (the "**Redeemed Covered Bonds**") will be selected individually by lot, in the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, and in accordance with the rules of DTC, Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of DTC, Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Covered Bonds represented by a Global Covered Bond, in each case, not more than 60 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, a list of the serial numbers of such Redeemed Covered Bonds will be published in accordance with Condition 13 not less than 30 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Covered Bonds represented by Definitive Covered Bonds shall bear the same proportion to the aggregate nominal amount of all Redeemed Covered Bonds as the aggregate nominal amount of Definitive Covered Bonds outstanding bears to the aggregate nominal amount of the Covered Bonds outstanding, in each case on the Selection Dates, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Covered Bonds represented by a Global Covered Bond shall be equal to the balance of the Redeemed Covered Bonds. No exchange of the relevant Global Covered Bond will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6(c) and notice to that effect shall be given by the Issuer to the Covered Bondholders in accordance with Condition 13 at least 30 days prior to the Selection Date.

(d) ***Redemption due to illegality***

The Covered Bonds of all Series may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bond Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 13, all the Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Bond Trustee immediately before the giving of such notice that it has, or will, before the next Interest Payment Date of any Covered Bond of any Series, become unlawful for the Issuer to make, fund or allow to remain outstanding any Term Advance made by it to the LLP from the Covered Bonds pursuant to the Intercompany Loan Agreement, as a result of any change in, or amendment to,

the applicable laws or regulations or any change in the application or official interpretation of such laws or regulations, which change or amendment has become or will become effective before the next such Interest Payment Date.

Covered Bonds redeemed pursuant to this Condition 6(d) will be redeemed at their Early Redemption Amount referred to in Condition 6(e) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(e) ***Early Redemption Amounts***

For the purpose of Conditions 6(b) above and 6(h) below and Condition 9, each Covered Bond will be redeemed at its Early Redemption Amount calculated as follows:

(i) in the case of a Covered Bond with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(ii) in the case of a Covered Bond (other than a Zero Coupon Covered Bond) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Covered Bond is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or

(iii) in the case of a Zero Coupon Covered Bond, at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

Early Redemption Amount = RP x (1 + AY)y

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) 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 and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days 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 and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days 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 Note becomes due and repayable and the denominator will be 365).

(f) ***Purchases***

The Issuer or any of its subsidiaries or the LLP may at any time purchase or otherwise acquire Covered Bonds (provided that, in the case of Bearer Definitive Covered Bonds, all unmatured Coupons and Talons appertaining thereto are attached thereto or surrendered therewith) at any price and in any manner. If purchases are made by tender, tenders must be available to all the Covered Bondholders alike. Such Covered Bonds may be held, reissued, resold or, at the option of the Issuer or the relevant subsidiary, surrendered to any Paying Agent and/or the Registrar for cancellation (except that any Covered Bonds purchased or otherwise acquired by the LLP must immediately be surrendered to any Paying Agent and/or the Registrar for cancellation).

(g) ***Cancellation***

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

(h) ***Late payment on Zero Coupon Covered Bonds***

If the amount payable in respect of any Zero Coupon Covered Bond upon redemption of such Zero Coupon Covered Bond pursuant to Conditions 6(a), (b) or (c) above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Covered Bond shall be the amount calculated as provided in Condition 6(e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Covered Bond becomes due and payable were replaced by references to the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero Coupon Covered Bond have been paid; and

(ii) the date on which the full amount of the monies payable in respect of such Zero Coupon Covered Bonds has been received by the Principal Paying Agent or the Bond Trustee or the Registrar and notice to that effect has been given to the Covered Bondholders either in accordance with Condition 13 or individually.

(i) ***Certification on redemption under Conditions 6(b) and 6(d)***

Prior to the publication of any notice of redemption pursuant to Conditions 6(b) and 6(d), the Issuer shall deliver to the Bond Trustee a certificate signed by two Authorised Signatories (as defined in the Master Definitions and Construction Agreement) of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and the Bond Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on all holders of the Covered Bonds and Couponholders, provided that the Bond Trustee may additionally require the provision of an opinion of independent legal advisers of recognised standing satisfactory to the Bond Trustee opining on the relevant change in tax or other law.

7. Taxation

All payments of principal and interest (if any) in respect of the Covered Bonds and Coupons by or on behalf of the Issuer or the LLP, as the case may be, will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom or any political sub-division thereof or by any authority therein or thereof having power to tax unless such withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In the event of a withholding or deduction being made by the Issuer in respect of a payment made by it, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Covered Bondholders or Couponholders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Covered Bonds or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Covered Bond or Coupon:

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

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

(c) presented for payment more than 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 (assuming that day to have been a Payment Day (as defined in Condition 5(f)); or

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

As used herein:

"**Relevant Date**" means the date on which such payment in respect of the Covered Bond or Coupon first becomes due and payable, except that, if the full amount of the monies payable on such date has not been duly received by the Bond Trustee, the Registrar or the Principal Paying Agent on or prior to such date, it means the date on which such monies have been so received, notice to that effect having been given to the Covered Bondholders in accordance with Condition 13.

Should any payments made by the LLP under the Covered Bond Guarantee be made subject to any withholding or deduction for or on account of taxes or duties of whatever nature imposed or levied by or on account of the United Kingdom or any political sub-division thereof or by any authority therein or thereof having power to tax, the LLP will not be obliged to pay any additional amounts as a consequence.

Notwithstanding any other provision of these Conditions, in no event will the Issuer or LLP be required to pay any additional amounts in respect of the Covered Bonds for, or on account of, any withholding or deduction required 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, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

8. Prescription

The Covered Bonds (whether in bearer or registered form) and Coupons will become void unless presented for payment within 12 years (in the case of principal) and six years (in the case of interest) in each case from the Relevant Date (as defined in Condition 7) therefor, subject in each case to the provisions of Condition 5.

There shall not be included in any Coupon sheet issued on exchange of a Talon, any Coupon the claim for payment in respect of which would be void pursuant to this Condition 8 or Condition 5 or any Talon which would be void pursuant to Condition 5.

9. Events of Default and Enforcement

(a) ***Issuer Events of Default***

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds (which for this purpose or the purpose of any Extraordinary Resolution referred to in this Condition 9(a) means the Covered Bonds of this Series together with the Covered Bonds of any other Series constituted by the Trust Deed) then outstanding as if they were a single Series (with the Principal Amount Outstanding of Covered Bonds not denominated in Sterling converted into Sterling at the relevant Covered Bond Swap Rate) or if so directed by an Extraordinary Resolution of all the Covered Bondholders shall, (but in the case of the happening of any of the events mentioned in sub-paragraphs (ii), (iii) and (vi) below, only if the Bond Trustee shall have concluded in its absolute discretion in writing to the Issuer and the LLP that such event is, in its opinion, materially prejudicial to the interests of the Covered Bondholders of any Series, provided that a breach of any obligation of the Issuer to provide notices, reports or other information to the FCA under the RCB Regulations and/or the RCB Sourcebook shall not, in itself, be considered materially prejudicial to the interests of the Covered Bondholders by the Bond Trustee) (subject in each case to the Bond Trustee being indemnified and/or secured and/or pre-funded to its satisfaction), give notice (an "**Issuer Acceleration Notice**") in writing to the Issuer that as against the Issuer (but not, for the avoidance of doubt, against the LLP under the Covered Bond Guarantee) each Covered Bond of each Series is, and each such Covered Bond shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an "**Issuer Event of Default**") shall occur and be continuing:

(i) the Issuer fails to pay any principal or interest in respect of the Covered Bonds within 14 days of the due date; or

(ii) if the Issuer fails to perform or observe any obligations under the Covered Bonds or Coupons of any Series, the Trust Deed or any other Transaction Document to which the Issuer is a party (other than the Programme Agreement and the Subscription Agreement) but excluding any obligation of the Issuer to comply with the Asset Coverage Test or any representation or warranty given by the Issuer in respect of the Asset Coverage Test, and such failure continues for the period of 30 days (or such longer period as the Bond Trustee may permit) next following the service by the Bond Trustee on the Issuer of notice requiring the same to be remedied (except in circumstances where the Bond Trustee considers such failure to be incapable of remedy

in which case no period of continuation will apply and no notice by the Bond Trustee will be required); or

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

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

(v) if:

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

(B) any Indebtedness for Moneys Borrowed of the Issuer or any Material Subsidiary having an outstanding aggregate principal amount of at least £10,000,000 (or its equivalent in any other currency or currencies) becomes due and payable prior to its stated maturity by reason of default; or

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

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

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

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

(vii) if an Asset Coverage Test Breach Notice has been served and not revoked (in accordance with the terms of the Transaction Documents) on or before the third Calculation Date after service of such Asset Coverage Test Breach Notice.

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

"**Material Subsidiary**" means a Subsidiary of the Issuer whose:

(a) total assets (attributable to the Issuer) are equal to 10 per cent. or more of the consolidated total assets of the Issuer and its Subsidiaries; or

(b) gross income (attributable to the Issuer) is equal to 10 per cent. or more of the Consolidated Revenue (as defined in the Master Definitions and Construction Agreement),

all as more particularly described in the Trust Deed. A certificate addressed to the Bond Trustee by two Directors or Authorised Signatories of the Issuer that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary may be relied upon by the Bond Trustee without further enquiry or evidence and without liability and shall, in the absence of manifest error, be conclusive and binding on all parties.

Upon the Covered Bonds becoming immediately due and repayable against the Issuer pursuant to this Condition 9(a), the Bond Trustee shall forthwith serve a notice to pay (the "**Notice to Pay**") on the LLP pursuant to the Covered Bond Guarantee and the LLP shall be required to make payments of Guaranteed Amounts when the same shall become Due for Payment in accordance with the terms of the Covered Bond Guarantee.

Following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice, the Bond Trustee may or shall take such proceedings against the Issuer in accordance with the first paragraph of Condition 9(c).

The Trust Deed provides that all monies received by the Bond Trustee from the Issuer or any receiver, liquidator, administrator or other similar official appointed in relation to the Issuer following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice and a Notice to Pay (the "**Excess Proceeds**"), shall be paid by the Bond Trustee on behalf of the Covered Bondholders of the relevant Series to the LLP for its own account, as soon as practicable, and shall be held by the LLP in the LLP Accounts and the Excess Proceeds shall thereafter form part of the Security and shall be used by the LLP in the same manner as all other monies from time to time standing to the credit of the LLP Accounts pursuant to the Deed of Charge and the LLP Deed. Any Excess Proceeds received by the Bond Trustee shall discharge *pro tanto* the obligations of the Issuer in respect of the payment of the amount of such Excess Proceeds under the Covered Bonds and Coupons. However, the obligations of the LLP under the Covered Bond Guarantee are (following service of a Notice to Pay) unconditional and irrevocable and the receipt by the Bond Trustee of any Excess Proceeds and payments to the LLP of such Excess Proceeds shall not reduce or discharge any of such obligations.

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

(b) ***LLP Events of Default***

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds (which for this purpose and the purpose of any Extraordinary Resolution referred to in this Condition 9(b) means the Covered Bonds of this Series together with the Covered Bonds of any other Series constituted by the Trust Deed) then outstanding as if they were a single Series (with the nominal amount of Covered Bonds not denominated in Sterling converted into Sterling at the relevant Covered Bond Swap Rate) or if so directed by an Extraordinary Resolution of all the Covered Bondholders shall (subject in each case to its being indemnified and/or secured and/or pre-funded to its satisfaction), but in the case of the happening of the default described in sub-paragraph (b), only if the Bond Trustee shall have concluded in its absolute discretion in writing to the Issuer and the LLP that such event is, in its opinion, materially prejudicial to the interests of the Covered Bondholder of any Series, provided that a breach of any obligation of the LLP to provide notices, reports or other information to the FCA under the RCB Regulations and/or the RCB Sourcebook shall not, in itself, be considered materially prejudicial to the interests of the Covered Bondholders by the Bond Trustee, give notice (the "**LLP Acceleration Notice**") in writing to the Issuer and to the LLP, that (x) each Covered Bond of each Series is, and each Covered Bond of each Series shall as against the Issuer (if not already due and repayable against it following an Issuer Event of Default), thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest and (y) all amounts payable by the LLP under the Covered Bond Guarantee shall thereupon immediately become due and payable at the Guaranteed Amount corresponding to the Early Redemption Amount for each Covered Bond of each Series together with accrued interest, in each case as provided in the Trust Deed and thereafter the Security shall become enforceable if any of the following events (each an "**LLP Event of Default**") shall occur and be continuing:

(a) default is made by the LLP for a period of seven (7) days or more in the payment of any Guaranteed Amounts when Due for Payment in respect of the Covered Bonds of any Series except in the case of the payments of a Guaranteed Amount when Due for Payment under Condition 6(a) where the LLP shall be required to make payments of Guaranteed Amounts which are Due for Payment on the dates specified therein; or

(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 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 after written notice thereof has been given by the Bond Trustee to the LLP requiring the same to be remedied; or

(c) 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) the LLP shall stop payment or shall be unable, or shall admit inability, to pay its debts generally as they fall due or shall be adjudicated or found bankrupt or insolvent; or

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

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

(h) the Covered Bond Guarantee is not, or is claimed by the LLP not to be, in full force and effect.

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

(c) ***Enforcement***

Save in relation to the Covered Bond Guarantee, the Bond Trustee may at any time, at its discretion and without notice, take such proceedings and/or other steps as it may think fit against, or in relation to the Issuer and the Guarantor to enforce the provisions of the Conditions or any other Transaction Document.

The Bond Trustee may at any time, after the service of a Notice to Pay (following the occurrence of an Issuer Event of Default and the service of an Issuer Acceleration Notice) or, if earlier, following the occurrence of an LLP Event of Default and the service of an LLP Acceleration Notice, at its discretion and without further notice, take such proceedings as it may think fit against or in relation to the Guarantor to enforce the provisions of the Covered Bond Guarantee.

The Bond Trustee shall not be bound to take any such enforcement proceedings, steps or actions in relation to the Trust Deed, the Covered Bonds, the Coupons or any other Transaction Document as referred to above or give any notice pursuant to Conditions 9(a) or 9(b) unless (a) directed to do so by an Extraordinary Resolution (with the Covered Bonds of all Series taken together as a single Series as provided in Clause 2.7 of the Trust Deed and, if applicable, converted into Sterling at the Relevant Covered Bond Swap Rate) or (b) requested to do so in writing by the holders of not less than 25 per cent. of the Principal Amount Outstanding of the

Covered Bonds then outstanding (with the Covered Bonds of all Series taken together as a single Series as aforesaid and converted into Sterling in accordance with Condition 9(a)) and in either case then only if it shall be indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

Subject as provided above, the Bond Trustee shall not be bound to take any other action or step under the Conditions or any other Transaction Document unless (a) directed to do so by an Extraordinary Resolution of the Covered Bondholders of the relevant one or more Series (with the Covered Bonds of each such Series (if more than one) taken together as a single Series) or (b) requested to do so in writing by the holders of not less than 25 per cent. of the Principal Amount Outstanding of the Covered Bonds of the relevant one or more Series (with the Covered Bonds of each Series (if more than one) taken together as a single Series and converted into Sterling in accordance with Condition 9(a)) and in either case then only if it shall be indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

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 as a class and shall not have regard to the interests of any other Secured Creditors.

Only the Bond Trustee may enforce the provisions of the Conditions. No Covered Bondholder or Couponholder or other Secured Creditor shall be entitled to proceed directly or take any other steps, including by exercising any right of set-off, against the Issuer or the Guarantor to enforce the performance of any of the provisions of the Conditions or to directly enforce the provisions of the Deed of Charge or any other Transaction Document unless the Bond Trustee or the Security Trustee (pursuant to the Deed of Charge) having become bound as aforesaid to take proceedings fails to do so within a reasonable time and such failure is continuing, provided that the Bond Trustee has confirmed in writing to the Issuer that it does not intend to so proceed (in which case each of such Covered Bondholder or Couponholder shall be entitled to take any such steps and proceedings as it shall deem necessary other than the presentation of a petition for the winding-up of, or for an administration order in respect of, the Issuer or the Guarantor).

10. Replacement of Covered Bonds, Coupons and Talons

Should any Covered Bond, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent in London (in the case of Bearer Covered Bonds or Coupons) or the Registrar (in the case of Registered Covered Bonds), or any other place approved by the Bond Trustee of which notice shall have been published in accordance with Condition 13 upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Covered Bonds, Coupons or Talons must be surrendered before replacements will be issued.

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

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

In the event of the appointed office of any such bank being unable or unwilling to continue to act as the Principal Paying Agent, or failing duly to determine the Rate of Interest, if applicable, or to calculate the Interest Amounts for any Interest Period, the Issuer shall appoint the London

office of such other bank as may be approved by the Bond Trustee to act as such in its place. The Principal Paying Agent may not resign its duties or be removed from office without a successor having been appointed as aforesaid.

The Issuer is entitled, with the prior written approval of the Bond Trustee, to vary or terminate the appointment of any Paying Agent or the Registrar and/or appoint additional or other Paying Agents or the Registrar and/or approve any change in the specified office through which any Paying Agent or the Registrar acts, provided that:

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

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

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

(d) so long as any of the Registered Global 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.

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

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the LLP and, in certain circumstances specified therein, of the Bond Trustee and do not assume any obligation to, or relationship of agency or trust with, any Covered Bondholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

12. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Bearer Covered Bond to which it appertains) a further Talon, subject to the provisions of Condition 8.

13. Notices

All notices regarding the Bearer Covered Bonds will be valid if published in the Financial Times or any other daily newspaper in London approved by the Bond Trustee or, if this is not possible, in one other English language daily newspaper approved by the Bond Trustee with general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other

relevant authority on which the Bearer Covered Bonds are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers or where published in such newspapers on different dates, the last date of such first publication.

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

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

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

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

The Trust Deed contains provisions for convening meetings (including by way of conference call, which extends to the use of a videoconference platform) of the Covered Bondholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Conditions or the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the LLP or the Bond Trustee at their discretion or shall be convened by the Bond Trustee (subject to its being indemnified and/or secured and/or pre-funded to its satisfaction) at the request in writing of Covered Bondholders holding not less than 25 per cent. in Principal Amount Outstanding of the Covered Bonds for the time being remaining 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 the Covered Bondholders whatever the nominal amount of the Covered Bonds of such Series so held or represented, except that at any meeting the business of which includes the modification of any Series Reserved Matter, the quorum shall be one or more persons holding or representing not less than two-thirds of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any

adjourned such meeting one or more persons holding or representing not less than one-third of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Covered Bondholders of a Series shall, subject as provided below, be binding on all the Covered Bondholders of such Series, whether or not they are present at the meeting, and on all Couponholders in respect of such Series of Covered Bonds.

Pursuant to the Trust Deed, the Bond Trustee may convene a single meeting of the holders of Covered Bonds of more than one Series if in the opinion of the Bond Trustee there is no conflict between such Covered Bondholders, in which event the provisions of this paragraph shall apply thereto *mutatis mutandis* and as if references to the Principal Amount Outstanding of a single Series of Covered Bonds is to the aggregate Principal Amount Outstanding of all the relevant Series of Covered Bonds.

Notwithstanding the provisions of the immediately preceding paragraph, any Extraordinary Resolution to direct the Bond Trustee to accelerate the Covered Bonds or take any enforcement action pursuant to Condition 9(c) or to direct the Bond Trustee to direct the Security Trustee to take any enforcement action (each a "**Programme Resolution**") shall only be capable of being passed at a single meeting of the Covered Bondholders of all Series then outstanding. Any such meeting to consider a Programme Resolution may be convened by the Bond Trustee (subject to its being indemnified and/or secured and/or pre-funded to its satisfaction) or the LLP and shall be convened by the Issuer at the request in writing of Covered Bondholders holding not less than 25 per cent. in Principal Amount Outstanding of the Covered Bonds for the time being remaining 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 any Series so held or represented. A Programme Resolution passed at any meeting of the Covered Bondholders of all Series shall be binding on all the Covered Bondholders of all Series, whether or not they are present at the meeting, and on all related Couponholders in respect of such Series of Covered Bonds.

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

The Bond Trustee, the LLP and the Issuer may (other than in respect of a Series Reserved Matter), without the consent or sanction of any of the Covered Bondholders of any Series and/or the related Couponholders and without the consent of the other Secured Creditors (other than any Secured Creditor party to a relevant Transaction Document to be amended) at any time and from time to time:

(a) concur with the Issuer and the Guarantor and any other person; and

(b) direct the Security Trustee to concur with the Issuer and the Guarantor and any other person,

in making any modification:

(i) to the trusts presents, to the Covered Bonds of one or more Series, the related Coupons and/or any Transaction Document provided that 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; or

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

The Bond Trustee shall (other than in respect of a Series Reserved Matter), without the consent of the Covered Bondholders of any Series and/or the related Couponholders and without the consent of the other Secured Creditors (other than any Secured Creditor party to a relevant Transaction Document to be amended) at any time and from time to time:

(a) concur with the Issuer and the LLP or any other person; and

(b) direct the Security Trustee to concur with the Issuer and the LLP or any other person,

with regards to:

(i) any modifications of the terms and conditions applying to Covered Bonds of any one or more Series (including these Terms and Conditions) and/or Coupons or any Transaction Document as requested by the Issuer and/or the LLP in order to enable the Issuer and/or the LLP to comply with any requirements which apply to it under EU EMIR and/or UK EMIR in accordance with the terms of the Trust Deed, subject to receipt by the Bond Trustee and the Security Trustee of a certificate of two Directors or Authorised Signatories of the Issuer or the LLP certifying to the Bond Trustee and the Security Trustee that the requested amendments are to be made solely for the purpose of enabling the Issuer or the LLP to satisfy the relevant requirements of EU EMIR and/or UK EMIR and have been drafted solely, to such effect; or

(ii) any modification for the purpose of allowing the Issuer to maintain compliance with the RCB Regulations in respect of the Programme and the Covered Bonds provided that two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and to the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or

(iii) the partial termination of any Covered Bond Swap following the redemption in part or cancellation in part of the related Series of Covered Bonds (for the avoidance of doubt, if there is more than one Covered Bond Swap in place in relation to such Series of Covered Bonds, each such Covered Bond Swap may be partially terminated in any amount as determined by the LLP) provided that two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and the Security Trustee that following such partial termination (or partial terminations, as the case may be) the LLP remains adequately hedged in relation to such Series of Covered Bonds and provided further that two Directors or Authorised Signatories of the Issuer and the LLP have certified to the Bond Trustee and the Security Trustee that such partial termination (or partial terminations, as the case may be) will not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Series of Covered Bonds by any Rating Agency or (y) any Rating Agency placing any Covered Bonds on rating watch negative (or equivalent); or

(iv) any modifications to an Interest Rate Swap Agreement or a Covered Bond Swap Agreement requested by the LLP or the relevant Interest Rate Swap Provider or

Covered Bond Swap Provider, as applicable, for the sole purpose of complying with, or implementing or reflecting updated criteria of one or more Rating Agencies which may be published after the Programme Date (the "**New Rating Criteria**"), provided (i) that any conditions precedent to making of such amendments as set out in the relevant Interest Rate Swap Agreement or Covered Bond Swap Agreement have been satisfied immediately prior to the date on which it is proposed that the amendments are effected and (ii) two Directors or Authorised Signatories of the Issuer and the LLP certify in writing to the Bond Trustee and the Security Trustee that such modification is necessary to comply with or to reflect and/or implement the New Rating Criteria. For the avoidance of doubt, such modifications may include, without limitation, modifications which would allow any Interest Rate Swap Provider or Covered Bond Swap Provider not to post collateral in circumstances where it previously would have been obliged to do so, subject to satisfaction of the foregoing conditions; or

(v) any modifications to the Transaction Documents and/or the Conditions (other than those referred to in Condition 14) that are requested by the Issuer and the LLP to comply with, implement or reflect any New Rating Criteria which may be published after the Programme Date and which two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and the Security Trustee in writing that such modification is necessary to comply with or to reflect and/or implement such New Rating Criteria and are required to avoid a downgrade, withdrawal or suspension of the then current ratings assigned by the relevant Rating Agency to any Series of Covered Bonds and the relevant modifications have been drafted solely to such effect; or

(vi) any modification for the purpose of allowing one or more additional rating agencies to be appointed in respect to one or all Series of Covered Bonds provided that two Directors or Authorised Signatories of the Issuer and the LLP certify in writing to the Bond Trustee and the Security Trustee that (1) the additions do not dilute any of the current rating criteria published by any existing Rating Agency, (2) any existing Rating Agency has been informed of the proposed modification and the Rating Agency has not indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Series of Covered Bonds by such Rating Agency or (y) such Rating Agency placing any Covered Bonds on rating watch negative (or equivalent), and (3) that the Issuer pays all costs and expenses (including legal fees) incurred by the Issuer, the LLP and the Bond Trustee and the Security Trustee in connection with such modification; or

(vii) the termination of the appointment of any Rating Agency in respect of the Programme and any Covered Bonds then outstanding provided that there shall be at all times at least one rating agency established in the European Union or the United Kingdom and, in either case, registered under the EU CRA Regulation or the UK CRA Regulation, as applicable, providing a rating in respect of the Programme and any Covered Bonds then outstanding; or

(viii) any modification for the purpose of enabling the Covered Bonds to be (or to remain) listed on the London Stock Exchange, provided that two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or

(ix) any modification for the purpose of enabling the Issuer or any of the other transaction parties to comply with FATCA (or any voluntary agreement entered into with a taxing authority in relation thereto), provided that two Directors or Authorised Signatories of

the Issuer and the LLP or the relevant transaction party, as applicable, certify to the Bond Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or

(x) any modification for the purpose of allowing any additional Account Banks to be appointed and/or additional LLP Accounts to be opened provided that (i) in respect of any additional Transaction Accounts, such additional Account Bank has the Account Bank Rating; and (ii) two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or

(xi) the termination of the appointment of an Account Bank provided that at all times there is at least one Account Bank appointed that has the Account Bank Ratings; or

(xii) any modification for the purpose of appointing a replacement counterparty in respect of any of the Transaction Documents, provided that two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect and any Rating Agency has been informed of the proposed modification and such Rating Agency has not indicated that such modification would result in (i) a downgrade, withdrawal or suspension of the then current ratings assigned to any Series of Covered Bonds by such Rating Agency or (ii) such Rating Agency placing any Covered Bonds on rating watch negative (or equivalent); or

(xiii) any modification for the purpose of allowing any Back-Up Servicer or Back-Up Cash Manager to be appointed, provided that two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or

(xiv) the accession of any New Seller to the Programme provided that two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and the Security Trustee in writing that the relevant conditions precedent in the Transaction Documents are satisfied at the time of the intended accession; or

(xv) any modification (other than in respect of a Series Reserved Matter, provided that a Base Rate Modification (as defined below) will not constitute a Series Reserved Matter) to the Conditions and/or any Transaction Document (including, for the avoidance of doubt but without limitation, the Covered Bond Swap in relation to the relevant Series of Covered Bonds and subject to the consent only of the Secured Creditors (i) party to the relevant Transaction Document being amended or (ii) whose ranking in any Priorities of Payments is affected) that the Issuer considers necessary for the purpose of changing the base rate in respect of the Covered Bonds from EURIBOR, SONIA or another benchmark rate (each, a "**Reference Rate**") to an alternative base rate (any such rate, an "**Alternative Base Rate**") and make such other amendments as are necessary or advisable in the reasonable judgment of the Issuer to facilitate such change (a "**Base Rate Modification**"), provided that:

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

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

(1) a material disruption to the relevant Reference Rate, an adverse change in the methodology of calculating the relevant Reference Rate or the relevant Reference Rate ceasing to exist or be published; or

(2) a public statement by the administrator of the relevant Reference Rate that it will cease publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator for the Reference Rate has been appointed that will continue publication of the relevant Reference Rate) and such cessation is reasonably expected by the Issuer to occur prior to the Final Maturity Date or the Extended Due for Payment Date, as applicable; or

(3) a public statement by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will be permanently or indefinitely discontinued or will be changed in an adverse manner and such cessation is reasonably expected by the Issuer to occur prior to the Final Maturity Date or the Extended Due for Payment Date, as applicable; or

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

(5) the reasonable expectation of the Issuer that any of the events specified in sub-paragraphs (1), (2), (3) or (4) will occur or exist within six months of the proposed effective date of such Base Rate Modification,

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

(II) such Alternative Base Rate is:

(1) a base rate published, endorsed, approved or recognised by the Bank of England, any regulator in the United States, the United Kingdom or the European Union or any stock exchange on which the Covered Bonds are listed or any relevant committee (or other body established, sponsored or approved by any of the foregoing); or

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

(3) a base rate utilised in a publicly-listed new issue of floating rate covered bonds where the issuer (or in the case of asset

backed securities the originator of the relevant assets) is the Issuer or an Affiliate of the Issuer;

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

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

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

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

(II) the Issuer certifies in writing to the Bond Trustee that it has notified such Rating Agency of the Base Rate Modification and, in its opinion, formed on the basis of due consideration and consultation with such Rating Agency (including, as applicable, upon receipt of oral confirmation from an appropriately authorised person at such Rating Agency), such Base Rate Modification would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the Covered Bonds of any Series by such Rating Agency or (y) such Rating Agency placing the Covered Bonds of any Series on rating watch negative (or equivalent);

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

(F) the Issuer has provided at least 30 days' notice to the Covered Bondholders of the relevant Series of Covered Bonds of the Base Rate Modification in accordance with Condition 13 (Notices) and by publication on Bloomberg on the "Company News" screen relating to the Covered Bonds (in each case specifying the date and time by which Covered Bondholders must respond), and Covered Bondholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds then outstanding have not contacted the Issuer or the Principal Paying Agent in accordance with the then current practice of any applicable Clearing System through which such Covered Bonds may be held by the time specified in such notice that such Covered Bondholders do not consent to the Base Rate Modification.

If Covered Bondholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds then outstanding have notified the Issuer or the Principal Paying Agent in accordance with the then current practice of any applicable Clearing System through which the Covered Bonds may be held by the time specified in such

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

(xvi) When implementing any modification pursuant to paragraph (xv) above:

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

(B) neither the Bond Trustee nor the Security Trustee shall be obliged to agree to any modification which, in the sole opinion of the Bond Trustee and/or the Security Trustee would have the effect of (i) exposing the Bond Trustee and/or the Security Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights, powers, authorisations, discretions, indemnification or protections, of the Bond Trustee and/or the Security Trustee in the Transaction Documents and/or these Conditions,

provided that, in implementing any other modification than that which is contemplated by the provisions of paragraph (xv) above, (1) 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/or the Security Trustee, as applicable, would have the effect of (a) exposing the Bond Trustee and/or the Security Trustee, as applicable, to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (b) increasing the obligations or duties, or decreasing the rights or protections, of the Bond Trustee and/or the Security Trustee, as applicable, in the Transaction Documents and/or the Conditions (2) at least 14 days' prior written notice of any such proposed modification has been given to the Bond Trustee and the Security Trustee and (3) the consent of each Secured Creditor (other than the Bond Trustee, the Security Trustee and the Covered Bondholders) which is a party to the relevant Transaction Documents has been obtained.

Such modifications (1) shall be binding on the Covered Bondholders and/or the related Couponholders, and (2) shall be notified by the Issuer or the Guarantor (as the case may be) to the Covered Bondholders in accordance with Condition 13 (Notices) and other Secured Creditors in accordance with Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution) as soon as practicable thereafter.

The Security Trustee shall from time to time and at any time without any consent or sanction of the Secured Creditors (other than any Secured Creditor who is a party to the relevant document) concur with any person in making or sanctioning any modification to the Covered Bonds of any one or more Series and/or Coupons or any of the Transaction Documents only if so directed by the Instructing Party.

The Bond Trustee may (other than in respect of a Series Reserved Matter), without the consent of the Covered Bondholders of any Series and/or the related Couponholders, and without prejudice to its rights in respect of any subsequent breach, Issuer Event of Default, Potential Issuer Event of Default, LLP Event of Default or Potential LLP Event of Default from time to time and at any time but only if in so far as in its opinion the interests of the Covered Bondholders of any Series shall not be materially prejudiced thereby:

(a) waive or authorise of any breach or proposed breach by the Issuer or the Guarantor of any of the provisions of the Covered Bonds of any Series or the waiver or authorise any breach or proposed breach of any of the covenants or provisions of any of the Transaction Documents to which it is a party, or determine that any Issuer Event of Default, Potential Issuer Event of Default, LLP Event of Default or Potential LLP Event of Default shall not be treated as such; and

(b) direct the Security Trustee to waive or authorise of any breach or proposed breach by the Issuer or the Guarantor of any of the provisions of the Covered Bonds of any Series, or the waiver or authorise any breach or proposed breach of any of the covenants or provisions of any of the Transaction Documents to which it is a party, or determine that any Issuer Event of Default, Potential Issuer Event of Default, LLP Event of Default or Potential LLP Event of Default shall not be treated as such.

In respect of any proposed modification, waiver, authorisation or determination, prior to the Bond Trustee and/or the Security Trustee agreeing to any such modification, waiver, authorisation or determination pursuant to this Condition 14, any two Directors or Authorised Signatories of the Issuer must send written confirmation to the Bond Trustee that such modification, waiver, authorisation or determination, as applicable, would not result in a breach of the RCB Regulations or the RCB Sourcebook or result in the Issuer, the Programme and/or any Covered Bonds issued under the Programme ceasing to be registered under the RCB Regulations and that either:

(A) such modification, waiver, authorisation or determination would not require the FCA to be notified in accordance with Regulation 20 of the RCB Regulations; or

(B) if such modification, waiver, authorisation or determination would require the FCA to be notified in accordance with Regulation 20 of the RCB Regulations, the Issuer has provided all information required to be provided to the FCA and the FCA has given its consent to such proposed modification, waiver, authorisation or determination,

Any such modification, waiver, authorisation or determination may be made on such terms and subject to such conditions (if any) as the Bond Trustee may determine including, but not limited to, the Bond Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all liabilities to which it may thereby render itself liable or which it may incur by so doing, and shall be binding on all the Covered Bondholders of all Series of Covered Bonds for the time being outstanding, the related Couponholders and the other Secured Creditors, and unless the Security Trustee and the Bond Trustee otherwise agree, any such modification shall be notified by the Issuer to the Covered Bondholders of all Series of Covered Bonds for the time being outstanding and the other Secured Creditors in accordance with Condition 13 (Notices) and other Secured Creditors in accordance with Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution) 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 shall have regard to the general interests of the Covered Bondholders of each Series as a class (but shall not have regard to any interests arising from circumstances particular to individual Covered Bondholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Covered Bondholders, the related Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Bond Trustee shall not be entitled to require, nor shall any Covered Bondholder or Couponholder be entitled to claim, from the Issuer, the LLP, the Bond Trustee, the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Covered Bondholder and/or Couponholders, except to the extent already provided for in Condition 7 and/or in any undertaking or covenant given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

Substitution

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

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

(c) If the Issuer shall amalgamate with one or more other building societies pursuant to Section 93 of the Building Societies Act or transfer all of its engagements to another building society pursuant to Section 94 of the Building Societies Act or transfer the whole of its business to a successor in accordance with Sections 97 to 102 of the Building Societies Act or transfer the whole of its business to a subsidiary of a mutual society pursuant to any order made in the future by HM Treasury under section 3 of the Funding and Mutual Societies Transfers Act, the successor will, pursuant to such provisions and provided that the Issuer has obtained a Rating Agency Confirmation is satisfied in respect of such amalgamation or transfer, automatically be substituted in

place of the Issuer as principal debtor under the Trust Deed without any prior approval thereof being required from the Covered Bondholders, the Couponholders or the Bond Trustee (but without prejudice to the provisions of paragraphs (a) and (b) above).

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

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

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

(ii) any successor to the Issuer, including any Successor in Business or any Subsidiary of the Issuer or of such Successor in Business, is included in the register of issuers pursuant to the RCB Regulations and that all other provisions of the RCB Regulations (including Regulation 20 of the RCB Regulations) are satisfied prior to the substitution of the Issuer.

For the purposes of this Condition 14:

"**Potential Issuer Event of Default**" means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute an Issuer Event of Default;

"**Potential LLP Event of Default**" means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute an LLP Event of Default;

"**Successor in Business**" means:

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

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

(c) a company or other entity (not being a successor within the meaning of Section 97 of the Building Societies Act or a subsidiary of a mutual society to which the Issuer has transferred the whole of its business pursuant to any order made in the future by HM

Treasury under section 3 of the Funding and Mutual Societies Transfers Act) to which the Issuer validly and effectually, in accordance with all enactments, orders and regulations in force for the time being and from time to time, as part of a transfer of the whole or substantially the whole of its business, undertaking or assets, transfers the whole or substantially the whole of its business, undertaking or assets for the purpose of such other company or entity assuming and conducting the business of the Issuer in its place and which company or other entity undertakes to fulfil the obligations of the Issuer under these presents; or

(d) any other entity (not being a successor within the meaning of Section 93 of the Building Societies Act, a society to which the engagements of the Issuer are transferred under Section 94 of the Building Societies Act or a successor within the meaning of Section 97 of the Building Societies Act or a subsidiary of a mutual society to which the Issuer has transferred the whole of its business pursuant to any order made in the future by HM Treasury under section 3 of the Funding and Mutual Societies Transfers Act) which in acquiring in any other manner all or a substantial part of the undertaking, property and/or assets of the Issuer or in carrying on as a successor to the Society the whole or a substantial part of the business carried on by the Issuer prior thereto undertakes to fulfil the obligations of the Issuer under these presents,

where, in each of the cases in paragraphs (a) to (d) above the terms of the proposed transaction have been previously approved by the Bond Trustee or by an Extraordinary Resolution of the Covered Bondholders; and

"**Series Reserved Matter**" in relation to Covered Bonds (other than a Base Rate Modification pursuant to Condition 14) of a Series means: (i) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds; (ii) alteration of the currency in which payments under the Covered Bonds and Coupons are to be made; (iii) alteration of the majority required to pass an Extraordinary Resolution; (iv) any amendment to the Covered Bond Guarantee or the Deed of Charge (except in a manner determined by the Bond Trustee not to be materially prejudicial to the interests the Covered Bondholders of any Series); (v) except in accordance with Condition 14, the sanctioning of any such scheme or proposal for the exchange or sale of the Covered Bonds for or the conversion of the Covered Bonds into, or the cancellation of the Covered Bonds in consideration of, shares, stock, Covered Bonds, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, bonds, Covered Bonds, debentures, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash and for the appointment of some person with power on behalf of the Covered Bondholders to execute an instrument of transfer of the Registered Covered Bonds held by them in favour of the persons with or to whom the Covered Bonds are to be exchanged or sold respectively; and (vi) alteration of the proviso to paragraph 5 or paragraph 6 of Schedule 4 to the Trust Deed.

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

Unless in relation to a proposed modification under Clause 21.2 of the Trust Deed, if, in connection with the exercise of its powers, trusts, authorities or discretions, the Bond Trustee is of the opinion that the interest of the holders of the Covered Bonds of any one or more Series would be materially prejudiced thereby, the Bond Trustee shall not exercise such power, trust,

authority or discretion without the approval of such 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 the Covered Bonds of the relevant Series then outstanding or as otherwise required under the Transaction Documents.

The Trust Deed and the Deed of Charge contain provisions for the indemnification of the Bond Trustee and the Security Trustee and for their relief from responsibility, including provisions relieving them from taking any action unless indemnified and/or secured 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, among other things: (i) to enter into business transactions with the Issuer, the LLP and/or any of their respective Subsidiaries and affiliates and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the LLP and/or any of their respective Subsidiaries and affiliates; (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Covered Bondholders or Couponholders or the other Secured Creditors, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

Neither the Bond Trustee nor the Security Trustee will be responsible for any loss, damage, demand, cost, expense or liability, which may be suffered as a result of any Loans or Related Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Bond Trustee and/or the Security Trustee. Neither the Bond Trustee nor the Security Trustee will be responsible for: (i) supervising the performance by the Issuer or any other party to the Transaction Documents of their respective obligations under the Transaction Documents or under the Covered Bonds, Coupons or any other agreement or document relating to the Covered Bonds and the Bond Trustee, and the Security Trustee will be entitled to assume, until they each have written notice to the contrary, that all such persons are properly performing their duties; (ii) considering the basis on which approvals or consents are granted by the Issuer or any other party to the Transaction Documents under the Transaction Documents; (iii) monitoring the Portfolio, including, without limitation, whether the Portfolio is in compliance with the Asset Coverage Test or the Amortisation Test; or (iv) monitoring whether Loans and Related Security satisfy the Eligibility Criteria. Neither the Bond Trustee nor the Security Trustee will be liable to any Covered Bondholder or other Secured Creditor for any failure to make or to cause to be made on their behalf the searches, investigations and enquiries which would normally be made by a prudent chargee in relation to the Security and have no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Transaction Documents.

16. Limited Recourse

The Covered Bondholders agree with the LLP and the Security Trustee that, notwithstanding any other provision of any Transaction Document, all obligations of the LLP to the Covered Bondholders in respect of the Secured Obligations owing to the Covered Bondholders are limited in recourse to the Charged Property and, upon the Security Trustee giving written notice to the Covered Bondholders that:

(a) it has determined in its sole opinion that there is no reasonable likelihood of there being any further realisations in respect of the Charged Property (whether arising from enforcement of the Security or otherwise) which would be available to pay amounts outstanding under the Transaction Documents; and

(b) all amounts available to be applied to pay amounts owing under the Transaction Documents have been so applied in accordance with the Transaction Documents,

the Covered Bondholders shall have no further claim against the LLP in respect of any amounts owing to them which remain unpaid and such unpaid amounts shall be deemed to be discharged in full.

17. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Covered Bondholder or the Couponholders to create and issue further bonds having terms and conditions the same as the Covered Bonds of any Series or the same in all respects save for the amount and date of the first payment of interest thereon, issue date and/or purchase price and so that the same shall be consolidated and form a single Series with the outstanding Covered Bonds of such Series.

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

18. Non-Responsive Rating Agency

(a) In respect of each Rating Agency, if receipt of a Rating Agency Confirmation or other response by a Rating Agency is a condition to any action, step or matter under any Transaction Document and a written request for such Rating Agency Confirmation or other response by a Rating Agency is delivered to that Rating Agency by or on behalf of the Issuer (copied to the Bond Trustee and the Security Trustee, as applicable) and:

(i) (A) that Rating Agency indicates that it does not consider such Rating Agency Confirmation or other response necessary in the circumstances or otherwise declines to review the matter for which the Rating Agency Confirmation or other response is sought (including as a result of the policy or practice of that Rating Agency), or (B) within 30 days of delivery of such request, that Rating Agency has not responded to the request for the Rating Agency Confirmation or other response; and

(ii) the Issuer has otherwise received no indication from that Rating Agency that its then current ratings of the Covered Bonds would be reduced, qualified, withdrawn or put on negative watch as a result of such action, step or matter,

then (1) there shall be no requirement for the Rating Agency Confirmation or other response from the Rating Agency if the Issuer provides to the Bond Trustee and the Security Trustee a certificate signed by two Directors or two Authorised Signatories of the Issuer (which certificate the Bond Trustee and the Security Trustee may rely upon absolutely) certifying and confirming that each of the events in paragraphs (i)(A) or (B) and (ii) above has occurred; and (2) none of the Issuer, the LLP, the Security Trustee nor the Bond Trustee shall be liable for any loss that Covered Bondholders may suffer as a result.

19. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of this Covered Bond under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. Governing Law

The Trust Deed, the Agency Agreement, the Corporate Services Agreement, the Covered Bonds, the Coupons and the other Transaction Documents (other than each declaration of trust in relation to the sale of Scottish Loans and their Related Security to the LLP (each a "**Scottish Declaration of Trust**") and certain documents to be granted pursuant to the Deed of Charge) and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law unless specifically stated to the contrary. Each Scottish Declaration of Trust and certain supplemental security documents to be granted pursuant to the Deed of Charge will be governed by, and construed in accordance with, Scots law.

USE OF PROCEEDS

The gross proceeds from each issue of Covered Bonds will be used by the Issuer to make available Term Advances to the LLP pursuant to the terms of the Intercompany Loan Agreement, which in turn shall be used by the LLP (if not denominated in Sterling, after swapping the same into Sterling under the relevant Covered Bond Swap Agreement):

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

(b) to acquire Substitution Assets up to the prescribed limit,

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

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

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

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

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

(v) to make a deposit of all or part of the proceeds in a Transaction Account (including, without limitation, to fund the Reserve Fund in the Transaction Accounts (other than the Skipton Transaction Account unless the Skipton Account Bank has the Account Bank Ratings) to an amount not exceeding the Reserve Fund Required Amount).

THE ISSUER

SKIPTON BUILDING SOCIETY

Introduction to the Society

Skipton Building Society was established originally in 1853. It was incorporated in England under the Building Societies Act 1874 as the Skipton and District Permanent Benefit Building Society, and adopted its present name in 1929. The principal office of the Society is The Bailey, Skipton, North Yorkshire BD23 1DN, and its telephone number is +44 (0)1756 705 000.

The Society distributes products through multiple channels including 82 branches, a central mortgage service centre, a digital application, by telephone and the internet. During 2023 the Society employed an average of 1,939 full- and part-time staff at its principal office, 481 staff at its branches and 15,757 staff within its subsidiaries.

As at 30 June 2024 the Society, together with its subsidiaries (the "**Skipton Group**"), had total assets of £38.7 billion, making it the fourth largest building society in the United Kingdom.

Constitution

The Society is incorporated under the Act for an unlimited duration. The Society is a building society authorised by the PRA and regulated by the FCA and PRA under registration number 153706 for accepting deposits, advising on and arranging mortgages, investments and insurance.

The Society, as a building society, is a mutual organisation and, unlike a company incorporated under the Companies Act 2006, does not have equity shareholders in the usual sense. A share in the Society is not the same as a share in a company and voting power is not weighted according to the number or value of shares held. No individual member is entitled to more than one vote on any resolution proposed at a General Meeting. Holders of investment shares may withdraw funds from their share accounts subject to the Rules of the Society and the terms upon which their shares are issued. Depositors with, and lenders to, the Society are not members and accordingly have no voting rights.

Principal business areas and subsidiaries

General

The principal purpose of the Society, as stated in Clause 3 of its Memorandum, is that of making loans which are secured on residential property and funded substantially by its members. The Society's business model is split between the Home Financing business, which is designed to provide finance in order to access the housing market and 'Help More People Have a Home'; and the Money business which helps members' 'Money Work Harder' and combines a savings and financial advice offering with online, branch and contact centre capabilities. The Society has a long term strategy of investing in related businesses where appropriate opportunities are identified. The Society holds a significant presence in the estate agency sector through the Connells group, which includes property sales, surveys and valuations, conveyancing, lettings, asset management and mortgage and insurance broking. The Society's mortgage lending is supplemented by Skipton International Limited, a subsidiary providing mortgages in Guernsey, Jersey and the UK, alongside the taking of offshore deposits. Other investments include Skipton Business Finance ("**SBF**" (a provider of debt factoring and invoice discounting to small and medium-sized enterprises)) and Jade Software Corporation (a software solutions provider based in New Zealand which specialises in delivering digital business solutions and assists in the development of the Society's core technology).

Subsidiaries

The principal trading subsidiaries of the Society as at 31 December 2023 are detailed in the Annual Report and Accounts as at 31 December 2023, incorporated by reference into this Prospectus.

Mortgage lending

The Society competes in the UK residential mortgage market through its Home Financing business with a broad range of products targeted at different customer segments. The competitive nature of the UK mortgage market means that innovation is a key marketing competence. The Society continually reviews its product offerings and aims to deliver innovative and keenly priced mortgages.

The Society's key operational expertise lies in timely mortgage processing and arrears management and it continues to take all appropriate action to minimise losses on non-performing accounts and actively monitors the prudence of its lending policies, taking account of economic and other market conditions.

Savings

The Society continues to obtain the majority of its funding through retail member deposits. The Society aims to offer members a varied and innovative mix of savings products through its Money business which offer good value to the customer and combines the savings and financial advice offerings with online, branch and contact centre capabilities.

	Society position as at		
	30 June 2024 *(£m)*	*31 December 2023* *(£m)*	*31 December 2022* *(£m)*
Share balances	27,534	25,950	22,350

Offshore deposits are also accepted via SIL.

Estate agency

The Skipton Group offers estate agency services through the Connells group of companies which includes 81 brands over 1,200 branches nationwide. Connells group combines residential sales and lettings with a range of consumer and corporate services including land and new homes, mortgage services, conveyancing, auctions, surveying and valuations, commercial property services through Lambert Smith Hampton, Energy Performance Certificate (EPC) provision and asset management.

Other

The Skipton Group also includes a small number of other entities, including SBF and Jade Software Corporation.

Management

Board of Directors

The affairs of the Society are conducted and managed by a Board of Directors (the "**Group Board**") who are responsible for the Society's strategy and policy and are elected and serve in accordance with the Society's Rules and Memorandum. The Group Board is responsible to the members for the proper conduct of the affairs of the Society and in turn appoints and monitors executives who are responsible for the daily management of the Society.

The business address of the Society's Directors is at The Bailey, Skipton, North Yorkshire BD23 1DN. There are no potential conflicts between the duties to the Society of the Directors and their private interests and/or other duties. The members of the Group Board, their roles within the Society and their principal business occupation(s), as at the date of this Prospectus, are as follows:

Director	*Responsibility*	*Date of Appointment*
G V Burr	Chair	27/04/2022
M J Lund	Deputy Chair	25/04/2016
S A Haire	Group Chief Executive	31/12/2022
A P Bottomley*	Chief Executive Officer, Money	01/01/2016
I A Cummings	Non-Executive Director	01/07/2022
S J Davis	Non-Executive Director	28/03/2023
D A Hall	Non-Executive Director	27/03/2017
H L Jackson	Non-Executive Director	24/10/2018
P W Moore	Non-Executive Director	01/02/2021
P S Chambers	Group Chief Financial Officer	27/03/2024
H I Gunawickrema	Non-Executive Director	01/11/2024

* In September 2024 the Society announced that Andrew Bottomley will be retiring in 2025.

Executive Committee

Whilst the Group Board is responsible for strategy and policy, implementation of that policy and daily management of the Society's own business is delegated to the following senior executives who, as at the date of this Prospectus, form the Group Executive Committee:

Name	*Title*
S A Haire	Group Chief Executive
P S Chambers	Group Chief Financial Officer
A P Bottomley*	Chief Executive Officer, Money
C Harrison	Chief Executive Officer, Home Financing
R P Canenti	Group Chief People Officer
S Hattersley	Group Chief of Staff
N Mortimer	Group Chief Marketing Officer

S J O'Regan	Group Chief Risk Officer
D R Travis	Group Secretary & General Counsel
J M Wood	Group Chief Information Officer

* In September 2024 the Society announced that Andrew Bottomley will be retiring in 2025.

The business address of the members of the Group Executive Committee is at The Bailey, Skipton, North Yorkshire BD23 1DN. There are no potential conflicts between the duties to the Society of the members of the Group Executive Committee and their private interests and/or other duties.

Financial Position

Capital Base

The Skipton Group has a strong capital base and this is demonstrated by the following key ratios which are comfortably in excess of the minimum levels set by the regulator:

	Group Ratio at		
	30 June 2024	*31 December 2023*	*31 December 2022*
	(per cent.)	*(per cent.)*	*(per cent.)*
Common Equity Tier 1 ratio	26.1	26.0	25.8
Tier 1 ratio	26.1	26.0	25.8
Total Capital ratio	26.6	26.5	26.3
Leverage ratio	6.6	6.7	6.8

The Society's Permanent Interest Bearing Shares ("**PIBS**") of £40 million are eligible for regulatory capital and are now classified as Tier 2 capital following the transitional period ending in 2022, in accordance with CRD IV.

As at 31 December 2023 and 2022 the consolidated capital ratios of the Group (including the subscribed capital detailed above) were as follows:

	Group Position as at	
	31 December 2023	*31 December 2022*
	(per cent.)	(per cent.)
Gross capital ratio	9.46	8.42
Free capital ratio	7.98	6.74

The Skipton Group remains strongly capitalised and continues to manage capital to maintain a buffer over minimum regulatory ratios.

Gross capital represents the general reserve together with the fair value reserve, cash flow hedging reserve, cost of hedging reserve, translation reserve, subordinated liabilities, subscribed capital and non-controlling interests, as shown within the Group Statement of Financial Position.

Free capital represents gross capital, less property, plant and equipment, right-of-use assets, investment property and intangible assets as shown within the Group Statement of Financial Position.

Funding

The Society, through its Money business, continues to manage the mix of retail and wholesale funding in the best interests of its members and remains primarily funded by retail savings. Optimising the Group's mix of retail and wholesale funding is essential to the Society achieving both its retail savings and lending growth objectives.

Skipton Group

	Group Position as at		
	30 June 2024 (£m)	*31 December 2023* (£m)	*31 December 2022* (£m)
Share accounts	27,534	25,950	22,350
Amounts owed to credit institutions	2,006	2,093	2,963
Amounts owed to customers	2,740	2,809	2,339
Debt securities	2,513	2,415	2,592
Total	**34,793**	**33,267**	**30,244**

Note: The above balances include accrued interest and accounting adjustments.

As at 30 June 2024, wholesale funding balances (excluding offshore deposits in SIL) amounted to £4.9bn (30 June 2023: £6.0bn; 31 December 2023: £4.9bn). The Skipton Group's wholesale funding ratio at 30 June 2024 decreased to 16.0 per cent. (30 June 2023: 21.3 per cent.; 31 December 2023: 16.8 per cent.).

Liquidity

Building societies are required to hold a significant proportion of their assets in a readily realisable form. The types of investment in which building societies can hold regulatory liquidity are prescribed by regulations made by the PRA. The Society complies with these regulations. The following table shows the Skipton Group's liquid assets and includes assets constituting regulatory liquidity:

	Group Position as at		
	30 June 2024	*31 December 2023*	*31 December 2022*
Liquid assets (£bn)	7.1	7.1	6.8
Liquidity ratio (per cent.)	20.4	21.3	22.5

Risk Appetite

As a mutual organisation the Group Board is charged with the protection of members' deposits and bases its risk appetite on avoiding strategies or business practices which would threaten members' interests.

The Group Board's risk appetite, inter alia, specifically addresses the maintenance of stakeholders' confidence, credit, liquidity, funding and interest rate risk appetites, capital adequacy, fair treatment of customers, the culture of the business and the operational control framework and is supported by a comprehensive range of metrics used to assess business performance and risk exposure against its risk appetite.

Group Risk Management Framework

Through the Board Risk Committee's approved risk management framework and governance structure, the Group has a formal mechanism for identifying and managing risks throughout the business. This framework is designed to deliver the corporate plan in line with the Group Board's overall risk appetite and is based upon the best practice 'three lines of defence' model which operates as follows:

- First line of defence, being line management within the business who, through the implementation of the organisation's risk framework, identifies, assesses and manages risk.

- Second line of defence, being the Group Risk function, which includes specific teams dedicated to Operational risk, Compliance/Conduct risk, Financial Crime risk, Credit risk, Prudential & Financial risk (including financial risk arising from climate change) and Market, Interest rate & Liquidity risk. These teams challenge, monitor, guide and support the business in managing its risk exposure. The risk framework includes the three sub-committees of the Board Risk Committee which are responsible for recommending and monitoring the Group's adherence to policy. The Board Risk Committee Chair is responsible for maintaining the independence of the second line of defence to ensure there are no obstacles to its independent challenge of first line management.

- Third line of defence, provided by Group Internal Audit, is designed to provide independent assurance to the Group Board (through the Board Audit Committee) of the adequacy and effectiveness of control systems operating within the first and second lines in identifying and managing risk.

Future Outlook

The UK economic environment has remained broadly unchanged in 2024. The risk of continued high interest rates may impact the rates borrowers pay, impacting some members' affordability and ability to repay their mortgages.

Geopolitical risks remain high, combined with policy uncertainty associated with global elections. This could increase global economic uncertainty leading to financial market volatility. The Group Board understands and promotes the need to maintain a forward-looking focus and run appropriately severe scenarios to test the Skipton Group's resilience to these and possibly other unforeseen risk events and is confident that it is well placed to react accordingly.

The Society believes that its strong financial position, diversified business model and compelling customer proposition mean it is well placed to continue to deliver for its members during these uncertain times**.**

THE LLP

Introduction

The LLP was incorporated in England and Wales on 30 May 2008 as a limited liability partnership (partnership number OC337698) with limited liability under the LLPA 2000 with Skipton and the Liquidation Member as its Members. The principal place of business of the LLP is at The Bailey, Skipton, North Yorkshire BD23 1DN (telephone number: +44 (0) 1756 705 000). The LLP has no subsidiaries.

Principal Activities

The principal objects of the LLP are set out in the LLP Deed and include, among other things, the ability to carry on the business of acquiring the Loans and their Related Security pursuant to the terms of the Mortgage Sale Agreement with a view to profit and to do all such things as are incidental or conducive to the carrying on of that business and to borrow money.

The LLP has not engaged since its incorporation, and will not engage whilst the Covered Bonds or any Term Advance remains outstanding, in any material activities other than activities incidental to its incorporation under the LLPA 2000, activities contemplated under the Original Transaction Documents and the Transaction Documents to which it is or will be a party, filing a notification under the Data Protection Act 1998 and other matters which are incidental or ancillary to the foregoing.

Members

The members of the LLP as at the date of this Prospectus are and their principal offices are:

Name	*Principal Office*
Skipton Building Society	The Bailey, Skipton, North Yorkshire BD23 1DN
Liquidation Member	1 Bartholomew Lane, London, EC2N 2AX

The LLP has no employees.

Directors of the Members

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

Name	*Business Address*	*Business Occupation*
CSC Directors (No. 3) Limited	1 Bartholomew Lane, London, EC2N 2AX	Corporate Director
CSC Directors (No. 4) Limited	1 Bartholomew Lane, London, EC2N 2AX	Corporate Director
Anthony Chapman	The Bailey, Skipton, North Yorkshire BD23 1DN	Building Society Treasurer
Helena Whitaker	1 Bartholomew Lane, London, EC2N 2AX	Director

The following table sets out the directors of both CSC Directors (No. 3) Limited and CSC Directors (No. 4) Limited and their respective business addresses and occupations.

Name	*Business Address*	*Business Occupation*
Helena Whitaker	1 Bartholomew Lane, London, EC2N 2AX	Director
Ian Hancock	1 Bartholomew Lane, London, EC2N 2AX	Director
Wenda Adriaanse	1 Bartholomew Lane, London, EC2N 2AX	Director
Alasdair Watson	1 Bartholomew Lane, London, EC2N 2AX	Director
Raheel Khan	1 Bartholomew Lane, London, EC2N 2AX	Director
Jackie Sarpong	1 Bartholomew Lane, London, EC2N 2AX	Director
Oskari Tammenmaa	1 Bartholomew Lane, London, EC2N 2AX	Director
Robert Pitcher	1 Bartholomew Lane, London, EC2N 2AX	Director
John Paul Nowacki	1 Bartholomew Lane, London, EC2N 2AX	Director
Debra Amy Parsall	1 Bartholomew Lane, London, EC2N 2AX	Director
Aline Sternberg	1 Bartholomew Lane, London, EC2N 2AX	Director

The directors of Skipton are set out under "*The Issuer – Board of Directors*" above.

LLP Management Board

The LLP Management Board acts on behalf of the LLP to which (other than any decision to approve the audited accounts of the LLP or to make a resolution for the voluntary winding-up of the LLP, which require a unanimous decision of the Members) the Members delegate all matters. Any decision by the LLP Management Board relating to the admission of a New Member, any change in the LLP's business, any change to the LLP's name, and any amendment to the LLP Deed, will be made, whilst any Covered Bonds are outstanding, with the consent of the Security Trustee.

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

SUMMARY OF THE PRINCIPAL DOCUMENTS

Trust Deed

The Trust Deed is the principal agreement governing the Covered Bonds. The Trust Deed contains provisions relating to, among other things:

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

Covered Bond Guarantee

Under the terms of the Covered Bond Guarantee, if the Issuer defaults in the payment on the due date of any monies due and payable under or pursuant to the Trust Deed or the Covered Bonds or any Coupons, or if any other Issuer Event of Default occurs (other than by reason of non-payment) or if an LLP Event of Default occurs, the LLP has agreed (subject as described below) to pay or procure to be paid (following service of an Issuer Acceleration Notice and Notice to Pay or, if applicable, an LLP Acceleration Notice) unconditionally and irrevocably to or to the order of the Bond Trustee (for the benefit of itself and the Covered Bondholders), an amount equal to that portion of the Guaranteed Amounts which shall become Due for Payment but would otherwise be unpaid, as of any Original Due for Payment Date or, if applicable, Extended Due for Payment Date, by the Issuer (or an amount which would have become Due for Payment but for any variation, discharge or release of the Guaranteed Amounts). Under the Covered Bond Guarantee, the Guaranteed Amounts will become due and payable on any earlier date on which an LLP Acceleration Notice is served.

Following the occurrence of an Issuer Event of Default and after the Covered Bonds have been declared due and payable by the Bond Trustee as against the Issuer, following service of an Issuer Acceleration Notice, the Bond Trustee will serve a Notice to Pay on the LLP. Payment by the LLP of the Guaranteed Amounts pursuant to the Covered Bond Guarantee will be made on the later of: (i) the day that is two Business Days following service of a Notice to Pay on the LLP; or (ii) the day on which the Guaranteed Amounts are otherwise Due for Payment.

All payments of Guaranteed Amounts by or on behalf of the LLP will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature, unless the withholding or deduction of such taxes, assessments or other governmental charges is required by law or regulation or administrative practice of any jurisdiction. If any such withholding or deduction is required, the LLP will pay the Guaranteed Amounts net of such withholding or deduction and shall account to the appropriate tax authority for the amount required to be withheld or deducted. The LLP will not be obliged to pay any additional amount to the Bond Trustee or any holder of Covered Bonds in respect of the amount of such withholding or deduction.

- Under the terms of the Covered Bond Guarantee, the LLP agrees that its obligations under the Covered Bond Guarantee shall be as principal debtor and not merely as surety

and shall be absolute and unconditional, irrespective of, and unaffected by, any invalidity, irregularity, illegality or unenforceability of, or defect in, any provisions of the Trust Deed or the Covered Bonds or Coupons or the absence of any action to enforce the same or the waiver, modification or consent by the Bond Trustee or any of the Covered Bondholders or Couponholders in respect of any provisions of the same or the obtaining of any judgment or decree against the Issuer or any action to enforce the same or any other circumstances which might otherwise constitute a legal or equitable discharge or defence of a guarantor.

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

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

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

The Trust Deed and any non-contractual obligations entered into in connection with it, are governed by, and shall be construed in accordance with, English law.

Intercompany Loan Agreement

On each Issue Date, the Issuer will use the proceeds of the Covered Bonds issued under the Programme to lend on that date an amount equal to the Principal Amount Outstanding on the Issue Date of the issue of the related Covered Bonds to the LLP by way of a Term Advance pursuant to the Intercompany Loan Agreement. Each Term Advance will be made in the Specified Currency of the relevant Series or Tranche, as applicable, of the Covered Bonds, as set out in the applicable Final Terms, and will be swapped into Sterling pursuant to the relevant Covered Bond Swap Agreement.

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

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

(b) to acquire Substitution Assets up to the prescribed limit,

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

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

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

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

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

(v) to make a deposit in a Transaction Account (including, without limitation, to fund the Reserve Fund in the Transaction Accounts (other than the Skipton Transaction Account unless the Skipton Account Bank has the Account Bank Ratings) to an amount not exceeding the Reserve Fund Required Amount).

Each Term Advance will bear interest at a rate of interest equal to the rate of interest payable on the corresponding Series or Tranche, as applicable, of Covered Bonds.

The Issuer will not be relying on repayment of any Term Advance in order to meet its repayment obligations under the Covered Bonds. The LLP will pay amounts due in respect of Term Advances(s) in accordance with the relevant Priorities of Payments. Prior to the service of an Asset Coverage Test Breach Notice (which has not been revoked) or a Notice to Pay on the LLP, amounts due in respect of each Term Advance will be paid by the LLP to, or as directed by, the Issuer on each Interest Payment Date, subject to paying all higher ranking amounts in the Pre-Acceleration Revenue Priority of Payments or, as applicable, the Pre-Acceleration Principal Priority of Payments. The Issuer may use the proceeds of the Term Advances to pay amounts due on the Covered Bonds. However, any failure by the LLP to pay any amounts due on the Term Advances will not affect the liability of the Issuer to pay the relevant amount due on the Covered Bonds. For so long as an Asset Coverage Test Breach Notice is outstanding and has not been revoked, the LLP may not borrow any new Term Advances (and the Issuer may not make any new Term Advances) under the Intercompany Loan Agreement.

The amounts owed by the LLP to the Issuer under the Term Advances will be reduced by: (i) any amounts paid by the LLP under the terms of the Covered Bond Guarantee to repay the Covered Bonds (the proceeds of which were originally applied to make such Term Advances); and (ii) the Principal Amount Outstanding of any Covered Bonds (the proceeds of which were originally applied to make such Term Advances) purchased by the LLP and cancelled in accordance with Condition 6(g).

The Intercompany Loan Agreement will be governed by English law.

Mortgage Sale Agreement

The Seller

Loans and their Related Security will be sold to the LLP from time to time pursuant to the terms of the Mortgage Sale Agreement between Skipton (in its capacity as Seller), the LLP and the Security Trustee.

Sale by the Seller of Loans and Related Security

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

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

(a) First, in relation to the issue of Covered Bonds from time to time in accordance with the Programme, the Issuer will make Term Advances to the LLP, the proceeds of which may be applied in whole or in part by the LLP to acquire Loans and their Related Security from the Seller. In exchange for the sale of the Loans and their Related Security to the LLP, the Seller will receive an amount equal to the Current Balance of those Loans sold by it as at the Transfer Date, which will be satisfied by a combination of:

(i) a cash payment to be made by the LLP from the proceeds of the relevant Term Advance and/or from Available Principal Receipts; and/or

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

(iii) Deferred Consideration.

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

(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 in consideration of the Seller being treated as having made a Capital Contribution (in an amount equal to the Current Balance of the New Loans) sold by the Seller as at the relevant Transfer Date and in consideration of the right to receive the Deferred Consideration.

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

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

Eligibility Criteria

The sale of Loans and their Related Security to the LLP will be subject to various conditions (the "**Eligibility Criteria**") being satisfied on the relevant Transfer Date or in respect of Product Switches or Further Advances, on the last day of the Calculation Period in which such Product Switch or Further Advance is made, including:

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

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

(c) the weighted average yield on the Loans in the Portfolio (including the New Loans) is at least 0.30 per cent. greater than the SONIA Spot Rate published for the final London Business Day in the previous Calculation Period after taking into account (i) the average yield on the Loans and (ii) the margins on the Interest Rate Swaps and any additional interest rate swaps entered into by the LLP and (iii) the average yield on any Substitution Assets held by the LLP;

(d) no Loan has a Current Balance of more than £1,000,000;

(e) no Loan which is proposed as a New Loan to be sold on any Transfer Date relates to a Property which is not a residential property;

(f) if the sale of loans which are proposed will be New Loans on the relevant Transfer Date includes the sale of New Loan Types to the LLP, the Rating Condition has been satisfied;

(g) the percentage of Loans in the Portfolio by aggregate Current Balance that are buy-to-let loans (including the Loans which are proposed to be New Loans) will not exceed 15 per cent.; and

(h) the percentage of Loans in the Portfolio by aggregate Current Balance that are help-to-buy loans (including the Loans which are proposed to be New Loans) will not exceed 10 per cent.,

PROVIDED THAT, if the Transfer Date is an Issue Date, of the conditions set out in (a) to (h) above, only conditions (a), (c), (d), (e), (g) and (h) are required to be satisfied to effect an assignment and transfer of the Loans which is proposed will be New Loans.

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

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

Transfer of Title to the Loans to the LLP

English Loans will be sold by the Seller to the LLP by way of equitable assignment. Scottish Loans will be sold by the Seller to the LLP on the Initial Transfer Date by way of a Scottish Declaration of Trust and further Scottish Loans may be sold by the Seller to the LLP after the Initial Transfer Date by way of further Scottish Declarations of Trust, under which the beneficial interest in and title to such Scottish Loans will be transferred to the LLP. In relation to Scottish Loans, references in this document to a sale of Loans or to Loans having been sold are to be read as references to the entering into of such Scottish Declarations of Trust. Such beneficial interest (as opposed to the legal title) cannot be registered or recorded in the Registers of Scotland. As a result, legal title to all of the Loans and their Related Security will remain with the Seller until legal assignments or assignations (as appropriate) are delivered by the Seller to the LLP and notice of the sale is given by the Seller to the Borrowers.

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

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

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

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

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

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

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

Except where lodged with the relevant registry in relation to any registration or recording which may be pending at the Land Registry or the Registers of Scotland, and save in relation to Loans which are Dematerialised Loans, the Title Information Documents 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. The Seller or the Servicer, as the case may be, will undertake that, save in relation to Loans which are Dematerialised Loans, all the Title Information Documents and Customer Files relating to the Loans in the Portfolio which are at any time in their possession or under their control or held to their order will be held to the order of the Security Trustee or as the Security Trustee may direct.

Representations and warranties

None of the LLP, the Security Trustee or the Bond Trustee has made or has caused to be made on its behalf any enquiries, searches or investigations in respect of the Loans and their Related Security to be sold to the LLP. Instead, each is relying entirely on the Representations and Warranties by the Seller contained in the Mortgage Sale Agreement. The parties to the Mortgage Sale Agreement may, with the prior written consent of the Security Trustee (which shall be given if the Rating Condition has been satisfied in respect of the proposed amendment), amend the Representations and Warranties in the Mortgage Sale Agreement. The Representations and Warranties include, but are not limited to, the following and are given (a) on the relevant Transfer Date in respect of the Loans and Related Security to be sold to the LLP only on that date and (b) on the last day of the Calculation Period in which any Further Advance or Product Switch (as the case may be) in respect of the Loan to which the Further Advance or Product Switch relates only:

The Loans

(a) each Loan was originated or purchased by the Seller in the ordinary course of business and was denominated in pounds Sterling upon origination or purchase, and in respect of Loans purchased by the Seller only: (i) the Rating Condition is satisfied in respect of the purchase of such Loans by the Seller; and (ii) the amount of Loans purchased by the Seller is less than 20 per cent. of the aggregate Current Balance of all of the Loans in the Portfolio following such sale;

(b) each Loan was made not earlier than June 2001;

(c) at least two monthly payments due in respect of each Loan have been paid by the relevant Borrower;

(d) no Loan has a Current Balance of more than £1,000,000;

(e) each Loan has a remaining term of less than 40 years as at the relevant Transfer Date;

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

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

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

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

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

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

(l) to the best of the Seller's knowledge, no Borrower has filed for bankruptcy, been sequestrated, entered into an individual voluntary arrangement, or debt arrangement scheme (in terms of the Debt Arrangement and Attachment (Scotland) Act 2002 and the Debt Arrangement Scheme (Scotland) Regulations 2011, both as amended), or had a county court judgment, Scottish court decree for payment or bankruptcy order entered or made against them within six years prior to the making of each advance under a Loan.

The Mortgages

(m) the whole of the Current Balance on each Loan is secured by a Mortgage over residential property;

(n) subject in certain appropriate cases to the completion of an application for registration or recording at the Land Registry or the Registers of Scotland, each Mortgage constitutes a valid and subsisting first charge by way of legal mortgage or (in Scotland) a valid and subsisting first ranking standard security over the relevant Property;

The Properties

(o) all of the Properties are located in England, Wales or Scotland;

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

Valuers' and Solicitors' Reports

(q) not more than six months (or a longer period as may be acceptable to a Reasonable, Prudent Mortgage Lender) prior to the granting of each Mortgage, the Seller received a Valuation Report on the relevant Property (or another form of report concerning the valuation of the relevant Property as would be acceptable to a Reasonable, Prudent Mortgage Lender), the contents of which were such as would be acceptable to a Reasonable, Prudent Mortgage Lender;

(r) other than in relation to a remortgage, prior to the inception of each Mortgage, the Seller:

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

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

Insurance Policies

(s) each Property was at the time of inception of the Mortgage insured under:

(i) a Buildings Insurance Policy arranged by the Borrower in accordance with the Mortgage Conditions; or

(ii) with respect to leasehold or long lease Properties, a Buildings Insurance Policy arranged by the relevant landlord,

and in all cases: (A) against risks usually covered by a comprehensive building insurance policy; and (B) the Seller has received no notice from the Borrower that any Property has ceased to be insured; and

The Seller's Title

(t) immediately prior to the purchase of any Loan and the Related Security by the LLP, and subject to registration or recording at the Land Registry or the Registers of Scotland, the Seller has good title to, and is the absolute unencumbered legal and beneficial owner of, all property, interests, rights and benefits in relation to the Loans and Related Security agreed to be sold and/or assigned by the Seller to the LLP pursuant to the Mortgage Sale Agreement free and clear of all security interests, claims and equities (including, without limitation, rights of set-off or counterclaim and overriding interests within the meaning of either Section 3(xvi) of the Land Registration Act 1925 in the case of any property, interests or rights governed by English law, or "encumbrances" within the meaning of the terms of the Land Registration etc. (Scotland) Act 2012, in the case of any property, interests or rights governed by Scots law) subject in each case only to the Mortgage Sale Agreement and the Borrower's equity or right of redemption and the Seller is not in breach of any covenant or warranty implied by reason of its selling the relevant Portfolio with full title guarantee (or, in the case of Scottish Loans and their Related Security comprised in the relevant Portfolio, with absolute warrandice).

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

Repurchase of Loans

The Seller has agreed in the Mortgage Sale Agreement to repurchase any of the Loans together with their Related Security sold by it to the Issuer in the circumstances described below.

If any of the Representations and Warranties given by the Seller are materially breached in respect of any Loan and/or its Related Security (save for any breach which is of a formal or technical nature) or any representation or warranty proves to be materially untrue (save for any untruth which is of a formal or technical nature) as at the relevant Transfer Date or last day of the Calculation Period in which a Product Switch or a Further Advance is made (in the case of such Further Advance or Product Switch) and this (where capable of remedy) has not been remedied within 30 Business Days of receipt by the Seller of notice from the LLP in relation thereto, the Seller will, upon receipt of a Repurchase Notice, purchase any such Loan and its Related Security (and any other Loans secured or intended to be secured by that Related Security or any part of it), from the Issuer no later than 30 days after the date on which such Repurchase Notice was given. Consideration for such repurchase shall be an amount equal to the aggregate of the Current Balance of the relevant Loan or Loans as at the last day of the Calculation Period prior to the completion date for such repurchase (together with Accrued Interest (if any) as at the date of such repurchase) which shall be payable by the Seller to a Transaction Account (or to any account as the LLP shall direct) on a date falling no later than (i) 30 days after receipt by the Seller of such Loan Repurchase Notice or (ii) where the Seller is required to repurchase a Loan in respect of which it intends to make an offer to a Borrower for a Product Switch or Further Advance which would result in the LLP being required to be regulated by the FCA, the repurchase must occur prior to the

Servicer causing the LLP to be required to be regulated by the FCA in relation to the relevant application or offer. Completion of such repurchase shall take place upon receipt by the LLP of such consideration.

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

(a) a Further Advance is made in respect of a Loan and on the last day of the Calculation Period in which the Further Advance is made, the Further Advance (i) results in certain Eligibility Criteria being breached or (ii) the relevant Loan does not materially comply with the Representations and Warranties; or

(b) a Product Switch occurs and on the last day of the Calculation Period in which the Product Switch is made, the Product Switch (i) results in certain Eligibility Criteria being breached or (ii) the relevant Loan does not materially comply with the Representations and Warranties; or

(c) a proposed Product Switch or Further Advance would result in the LLP being required to be regulated by the FCA by reason of it entering into a Regulated Mortgage Contract. In these circumstances, the Servicer will notify the LLP of the application as soon as it becomes aware that the application may result in the LLP, for the purposes of the FSMA, entering into or arranging a Regulated Mortgage Contract.

Defaulted Loans

If a Seller receives a Defaulted Loans Notice from the Cash Manager identifying any Defaulted Loan, then that Defaulted Loan will be attributed a reduced weighting in the calculation of the Asset Coverage Test and the Amortisation Test as at the relevant Calculation Date. In addition, the Seller may, at its option, repurchase a Defaulted Loan and its Related Security from the LLP for an amount equal to the aggregate of the Current Balance of the relevant Defaulted Loan or Defaulted Loans as at the last day of the Calculation Period prior the completion date for such repurchase (together with Accrued Interest (if any) as at the date of such repurchase).

General ability to repurchase

Prior to the occurrence of an Issuer Event of Default, the Seller may from time to time offer to repurchase a Loan and its Related Security from the LLP for a purchase price of not less than the aggregate Current Balance of the relevant Loan or Loans as at the last day of the Calculation Period prior to the completion date for such repurchase (together with any Accrued Interest (if any) as at the date of such repurchase). The LLP may accept such offer at its discretion.

Right of Pre-emption

Under the terms of the Mortgage Sale Agreement, the Seller has a right of pre-emption in respect of any sale, in whole or in part, of Selected Loans and their Related Security.

The LLP will serve on the Seller a Selected Loan Offer Notice offering to sell those Selected Loans and their Related Security for an offer price equal to the greater of the then Current Balance of the Selected Loans and the Adjusted Required Redemption Amount, subject to the offer being accepted by the Seller within ten Business Days. If an Issuer Event of Default has occurred but no liquidator or administrator has been appointed to the Seller, the Seller's right to accept the offer (and therefore its right of pre-emption) will be conditional upon the delivery by the Seller of a solvency certificate to the LLP and the Security Trustee. If the Seller rejects the LLP's offer or fails to accept it in accordance with the foregoing, the LLP will offer to sell the Selected Loans and their Related Security to other Purchasers (as described under "*LLP Deed – 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 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 upon receipt by the LLP of the consideration for such repurchase (provided that such date is not later than the earlier to occur of the date which is: (a) ten Business Days after returning the Selected Loan Repurchase Notice to the LLP; and (b) the Final Maturity Date of the Earliest Maturing Covered Bonds).

For the purposes hereof:

"**Adjusted Required Redemption Amount**" means, the Sterling Equivalent of the Required Redemption Amount, plus the Sterling Equivalent of any swap termination amounts payable by the LLP or minus the Sterling Equivalent of any swap termination amounts payable to the LLP under the Covered Bond Swap Agreements in respect of the relevant Series of Covered Bonds less (where applicable) amounts standing to the credit of the LLP Accounts and the Sterling Equivalent of the principal balance of any Authorised Investments and Substitution Assets (excluding all amounts to be applied on the next following LLP Payment Date to repay higher ranking amounts in the Guarantee Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds) plus the Sterling Equivalent of any swap termination amounts payable by the LLP or minus the Sterling Equivalent any swap termination amounts payable to the LLP under the Interest Rate Swap Agreements.

"**Required Redemption Amount**" means, in respect of a Series of Covered Bonds, the amount calculated as follows:

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

Further Advances, Product Switches

The Seller is solely responsible for funding all Further Advances in respect of Loans sold by the Seller to the LLP, if any. The amount of the Seller's Capital Contribution will increase by the amount of the funded Further Advances. No variations may be made to the Loans and no Further Advances or Product Switches may be made in relation to the Loans, where this would result in the LLP arranging, advising on, 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.

New Sellers

In the future, any New Seller that wishes to sell loans and their Related Security to the LLP will accede to, among other things, the Mortgage Sale Agreement. The sale of New Loans and their Related Security by New Sellers to the LLP will be subject to certain conditions, including the following:

- each New Seller accedes to the terms of the LLP Deed as Member (with such subsequent amendments as may be agreed by the parties thereto) so that it has, in relation to those New Loans and their Related Security to be sold by the relevant New Seller, substantially the same rights and obligations as the Seller had in relation to those Loans and their Related Security comprised in the Initial Portfolio under the LLP Deed;

- each New Seller accedes to the terms of the Mortgage Sale Agreement (with such subsequent amendments and additional documents as may be agreed by the parties thereto) or enters into a new mortgage sale agreement with the LLP and the Security Trustee, in each case so that it has, in relation to those New Loans and their Related Security to be sold by the relevant New Seller, substantially the same rights and obligations as the Seller had in relation to those Loans and their Related Security comprised in the Initial Portfolio under the Mortgage Sale Agreement (and Transaction Documents entered into pursuant thereto);

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

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

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

- the Issuer or the LLP certifies in writing to the Security Trustee that (i) the accession of such New Seller will not prejudice the Asset Coverage Test and (ii) that the Rating Condition has been satisfied.

If the above conditions are met, the consent of the Covered Bondholders will not be obtained to the accession of a New Seller to the Programme.

Governing law

The Mortgage Sale Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law (other than certain aspects relating to Scottish Loans and their Related Security, which are governed by Scots law).

Servicing Agreement

Pursuant to the terms of the Servicing Agreement entered into on the Programme Date between the LLP, Skipton (in its capacity as Seller, Servicer and Cash Manager), the Back-Up Servicer Facilitator and the Security Trustee, the Servicer has agreed to service on behalf of the LLP the Loans and their Related Security sold by the Seller to the LLP.

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

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

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

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

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

The Servicer's actions in servicing the Loans in accordance with the Seller's procedures will be binding on the LLP and the Secured Creditors.

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

Undertakings of the Servicer

Pursuant to the terms of the Servicing Agreement, the Servicer will undertake in relation to those Loans and their Related Security that it is servicing, among other things, to:

- keep records and accounts on behalf of the LLP in relation to the Loans;
- keep the Customer Files and Title Information Documents in its possession or under its control in safe custody and maintain records necessary to enforce each Mortgage and to provide the LLP and the Security Trustee with access to the Title Information Documents (other than Title Information Documents in relation to Loans which are Dematerialised Loans) and other records relating to the administration of the Loans and their Related Security;
- maintain a register in respect of the Portfolio;
- make available upon request to the LLP and the Security Trustee a report on a monthly basis containing information about the Loans and their Related Security comprised in the Portfolio;
- provide 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;
- assist the Cash Manager in the preparation of a monthly asset coverage report in accordance with the Cash Management Agreement; and
- subject to the provisions of the Servicing Agreement, take all reasonable steps to recover all sums due to the LLP including without limitation by the institution of proceedings and/or the enforcement of any Loan sold by the Seller to the LLP comprised in the Portfolio or its Related Security, using the discretion of a Reasonable, Prudent Mortgage Lender in applying the enforcement procedures forming part of the Seller's policy.

Setting of the Administered Rates and other discretionary rates and margins

The Servicer has undertaken in the Servicing Agreement to determine and set in relation to all the Loans in the Portfolio the Administered Rates and any other discretionary rates and margins. Both the LLP's and the Servicer's ability to set the Administered Rates are subject to the Mortgage Conditions applicable to the Loans (which, in the case of the SVR Loans, include a cap on the BTL SVR and Owner Occupied SVR of 3.00 per cent. above Base Rate, provided exceptional circumstances do not apply).

The Servicer shall also determine on each Calculation Date, having regard to:

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

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

(c) the other resources available to the LLP including the Interest Rate Swap Agreement, the relevant Covered Bond Swap Agreements and the Reserve Fund,

whether the LLP would receive an amount of income during the Relevant LLP Payment Period which, when aggregated with the funds otherwise available to it, is less than the amount which is the aggregate of (1) the amount of interest which would be payable (or provisioned to be paid) under the Intercompany Loan or, if a Notice to Pay has been served, the Covered Bond Guarantee on each LLP Payment Date falling at the end of the Relevant LLP Payment Period and relevant amounts payable (or provisioned to be paid) to the Covered Bond Swap Providers under the Covered Bond Swap Agreements in respect of all Covered Bonds on each LLP Payment Date of each Series of Covered Bonds falling at the end of the Relevant LLP Payment Period and (2) the other senior expenses payable by the LLP ranking in priority thereto in accordance with the relevant Priority of Payments applicable prior to an LLP Event of Default and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security (the "**Interest Rate Shortfall Test**").

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

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

(a) the Administered Rates and any other discretionary rate or margin, in respect of the Loans which the Servicer proposes to set under the Servicing Agreement for the Relevant LLP Payment Period; and

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

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

If the Servicer determines that the Yield Shortfall Test will not be met, it will give written notice to the LLP and the Security Trustee, within one Business Day, of the amount of the shortfall and the Administered Rates and the other discretionary rates or margins which would, in the Servicer's opinion, need to be set in order for no shortfall to arise, and the Yield Shortfall Test to be met, having regard to

the date(s) on which the change to the Administered Rates and the other discretionary rates or margins would take effect and at all times acting in accordance with the standards of a Reasonable, Prudent Mortgage Lender. If the LLP or the Security Trustee notifies the Servicer that, having regard to the obligations of the LLP, the Administered Rates and/or the other discretionary rates or margins should be increased, the Servicer or replacement Servicer, as the case may be, will take all steps which are necessary to increase the Administered Rates and/or any other discretionary rates or margins including publishing any notice which is required in accordance with the Mortgage Conditions. However, the Servicer will not be permitted, due to the terms of the Mortgage Conditions applicable to SVR Loans, to increase the BTL SVR and Owner Occupied SVR in respect of SVR Loans above the cap of 3.00 per cent. above Base Rate, unless exceptional circumstances apply.

The LLP and the Security Trustee may terminate the authority of the Servicer to determine and set the Administered Rates and any other variable rates or margins on or after the occurrence of a Servicer Event of Default as defined under "*Removal or resignation of the Servicer*", in which case the LLP shall appoint a replacement Servicer to set the Administered Rates and the other discretionary rates or margins.

Compensation

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

Removal or resignation of the Servicer

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:

- default is made by the Servicer in the payment on the due date of any payment due and payable by it under the Servicing Agreement and such default continues unremedied for a period of seven Business Days after the earlier of the Servicer becoming aware of the default and receipt by the Servicer of written notice from the Security Trustee or the LLP requiring the same be remedied;

- default is made by the Servicer in the performance or observance of any of its other covenants and obligations under the Servicing Agreement, and: (i) the Bond Trustee, having received express written notice from the Servicer or the LLP of such default, notifies the Security Trustee in writing that in the Bond Trustee's sole opinion such default is materially prejudicial to the interests of the Covered Bondholders (which determination shall be conclusive and binding on all other Secured Creditors); or (ii) if there are no Covered Bonds then outstanding, all the other Secured Creditors confirm in writing to the Security Trustee that such default is materially prejudicial to their interests, and in each such case, such default continues unremedied for a period of 20 Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the LLP or the Security Trustee requiring the same to be remedied, PROVIDED THAT where the relevant default and receipt of notice of such default occurs as a result of a default by any person to whom the Servicer has subcontracted or delegated part of its obligations hereunder, such default shall not constitute a Servicer Termination Event if, within such period of 20 Business Days, the Servicer terminates the relevant sub-contracting or delegation arrangements and takes such steps as the Security Trustee or the LLP may in its absolute discretion specify to remedy such default or to indemnify the Security Trustee and/or the LLP against the consequences of such default;

- an Insolvency Event occurs in relation to the Servicer; or
- the LLP resolves, after due consideration and acting reasonably, that the appointment of the Servicer should be terminated,

then the LLP may (subject to the prior written consent of the Security Trustee) at once or at any time thereafter while such default continues (or, in the case of the fourth bullet above, upon such decision) by notice in writing to the Servicer (with a copy to the Security Trustee) terminate its appointment as Servicer under the Servicing Agreement with effect from a date (not earlier than the date of the notice) specified in the notice.

Subject to the fulfilment of a number of conditions, the Servicer may voluntarily resign by giving not less than 12 months' notice to the Security Trustee, the LLP and the Back-Up Servicer Facilitator. The resignation of the Servicer is conditional on, among other things, (a) the LLP and the Security Trustee consenting in writing to such termination, (b) a substitute servicer with experience of servicing mortgages of residential property in the United Kingdom is appointed, and (c) the resignation having no adverse effect on the then current ratings of the Covered Bonds unless the Covered Bondholders agree otherwise by Extraordinary Resolution.

The Servicing Agreement will terminate at such time as the LLP has no further interest in any of the Loans or their Related Security sold to the LLP and serviced under the Servicing Agreement that have been comprised in the Portfolio.

If the appointment of the Servicer is terminated, the Servicer must forthwith deliver (and in the meantime hold on trust for, and to the order of, the Security Trustee) to the LLP or as it shall direct the title information documents and customer files, all books of account, papers, records, registers, correspondence and documents in its possession or under its control relating to the affairs of or belonging to the LLP and the Loans.

Back-up Servicer Facilitator

For so long as Skipton is acting as Servicer, upon the Servicer ceasing to be assigned both a long-term counterparty risk assessment by Moody's of at least Baa3(cr) and a long-term issuer default rating by Fitch of at least BBB-, the LLP with the assistance of the Back-Up Servicer Facilitator will require the Servicer to use best efforts to appoint a back-up servicer (the "**Back-Up Servicer**") acceptable to the Security Trustee who would be willing to replace the Servicer on terms substantially similar to those set out in the Servicing Agreement, provided that where the LLP and, prior to the occurrence of a Servicer Termination Event, the Servicer, determines that it is not practicable, taking into account the then prevailing market conditions, to agree terms substantially similar to those set out in the Servicing Agreement with such Back-Up Servicer, the LLP and, prior to the occurrence of a Servicer Termination Event, the Servicer, shall have certified in writing to the Security Trustee and the Bond Trustee that, to the extent the terms are not substantially similar as aforementioned, such terms are fair and commercial terms taking into account the then prevailing current market conditions, which certificate may be relied upon by the Security Trustee and the Bond Trustee without liability and without further enquiry and shall be conclusive and binding on all parties and the Secured Creditors.

If the Servicer does not appoint a Back-Up Servicer within 60 days of being required to do so by the LLP, the Servicer shall immediately upon notice from the LLP appoint as Back-Up Servicer such person as may be specified by the LLP (provided such person is acceptable to the Security Trustee).

Governing law

The Servicing Agreement and any non-contractual obligation arising out of or in connection with it are governed by English law (any terms of the Servicing Agreement which are particular to the laws of Scotland shall be construed in accordance with Scots law).

Asset Monitor Agreement

Under the terms of the Asset Monitor Agreement entered into on the Programme Date between the Asset Monitor, the LLP, the Cash Manager and the Security Trustee, the Asset Monitor has agreed, subject to due receipt of the information to be provided by the Cash Manager to the Asset Monitor, to report on the arithmetic accuracy of the calculations performed by the Cash Manager on the Calculation Date immediately prior to each anniversary of the Programme Date with a view to confirmation of compliance by the LLP with the Asset Coverage Test or the Amortisation Test, as applicable, on that Calculation Date.

If an Asset Coverage Test Breach Notice has been served and has not been revoked or, for so long as Skipton is acting as Cash Manager, upon the Cash Manager ceasing to be assigned both a long-term counterparty risk assessment by Moody's of at least Baa3(cr) and a long-term issuer default rating by Fitch of at least BBB-, the Asset Monitor will, subject to receipt of the relevant information from the Cash Manager, be required to report on such arithmetic accuracy following each Calculation Date and, following a determination by the Asset Monitor of any errors in the calculations performed by the Cash Manager such that the Asset Coverage Test has been failed on the applicable Calculation Date (where the Cash Manager had recorded it as being satisfied) or the Adjusted Aggregate Loan Amount or the Amortisation Test Aggregate Loan Amount is mis-stated by an amount exceeding one per cent. of the Adjusted Aggregate Loan Amount or the Amortisation Test Aggregate Loan Amount, as applicable (as at the date of the relevant Asset Coverage Test or the relevant Amortisation Test), the Asset Monitor will be required to conduct such tests following each Calculation Date for a period of six months thereafter.

The Asset Monitor is entitled, in the absence of manifest error, to assume that all information provided to it by the Cash Manager for the purpose of reporting on the arithmetic accuracy is true and correct and not misleading, and is not required to report as such or otherwise take steps to verify the accuracy of any such information. The Asset Monitor Report will be delivered to the Cash Manager, the LLP, the Issuer, the Bond Trustee and the Security Trustee.

The LLP may, at any time, only with the prior written consent of the Security Trustee, terminate the appointment of the Asset Monitor by giving at least 60 days' written notice to the Asset Monitor, provided that such termination may not be effected unless and until a replacement has been appointed by the LLP (such replacement to be approved by the Security Trustee unless the replacement is an accountancy firm of international standing) which agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in the Asset Monitor Agreement.

The Asset Monitor may, at any time, resign from its appointment upon providing the LLP, the Issuer and the Security Trustee (copied to the Rating Agencies) with at least 60 days' written notice. Upon receiving notice of resignation, the LLP shall immediately use its best 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 international standing to carry out the relevant tests on a one-off basis, provided that such appointment is approved by the Security Trustee.

The Asset Monitor has also been appointed as the "Asset Pool Monitor" (as defined in the RCB Regulations) for the purposes of the RCB Regulations, as to which see further "*Description of the UK Regulated Covered Bond Regime*".

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

The Asset Monitor Agreement and any non-contractual obligation arising out of or in connection with it are 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 the LLP Deed.

Members

As at the Programme Date, each of Skipton 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. Skipton and the Liquidation Member are designated members (each a "**Designated Member**", and together with any other designated members from time to time, the "**Designated Members**") of the LLP. The Designated Members shall have such duties as are specified in the LLPA 2000 or otherwise at law and in the LLP Deed. The LLP Deed requires that there will at all times be at least two Designated Members of the LLP.

For so long as Covered Bonds are outstanding, if an administrator or a liquidator is appointed to Skipton, the Liquidation Member may, by written notice to the LLP, appoint another Member as a Designated Member or may, at its sole discretion (acting on behalf of itself and the other Members), admit a New Member to the LLP (in each case with the prior written consent of the Security Trustee).

No New Member may be otherwise appointed without the consent of the Security Trustee and the Rating Condition being satisfied.

Capital Contributions

From time to time Skipton (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 Skipton shall be calculated in Sterling on each Calculation Date as the difference between (a) the Current Balance of the Portfolio as at the last day of the immediately preceding Calculation Period plus Principal Receipts standing to the credit of the LLP Accounts plus the principal amount of Substitution Assets and Authorised Investments as at the last day of the immediately preceding Calculation Period and (b) the Sterling Equivalent of the aggregate Principal Amount Outstanding under the Covered Bonds as at the last day of the preceding Calculation Period.

If at any time, Skipton is acting as the Cash Manager and a Cash Manager Relevant Event occurs and is continuing Skipton will:

(a) within three London Business Days of such downgrade notify the LLP, the Bond Trustee, the Security Trustee, the Account Bank or the Skipton Account Bank, as applicable, and each Covered Bond Swap Provider of such event;

(b) within ten London Business Days of such downgrade make a Cash Capital Contribution to the LLP in an aggregate amount equal to:

(i) (in the case of each Term Advance where a Covered Bond Swap is not in place other than an Accumulation Series of Covered Bonds) the Required Coupon Amount payable on the immediately succeeding Term Advance Interest Payment Date for each such Term Advance; and/or

(ii) (in the case of a Term Advance where a Covered Bond Swap is in place) the Required Coupon Amount payable on the immediately succeeding Party B payment date (as defined in each relevant Covered Bond Swap Agreement) (other than those amounts due in respect of an Interim Exchange Date or Final Exchange Date (each as defined in the relevant Covered Bond Swap Agreement)) relating to each Term Advance; and/or

(iii) (in the case of a Term Advance relating to an Accumulation Series of Covered Bonds) the Required Coupon Amount payable on the immediately succeeding LLP Payment Date for each such Term Advance; and

(c) thereafter, make a Cash Capital Contribution to the LLP not less than one London Business Day after:

(i) each Term Advance Interest Payment Date, in an amount equal to the aggregate of the Required Coupon Amount due on the next following Term Advance Interest Payment Date in respect of each Term Advance without a Covered Bond Swap in place other than an Accumulation Series of Covered Bonds; and/or

(ii) each date on which the LLP is due to make a payment under a Covered Bond Swap, in an amount equal to the aggregate of the Required Coupon Amount due on such date in respect of each Term Advance with a Covered Bond Swap in place; and/or

(iii) each LLP Payment Date, in an amount equal to the aggregate of the Required Coupon Amount due on the next following LLP Payment Date in respect of each Term Advance relating to an Accumulation Series of Covered Bonds.

Any such Cash Capital Contribution representing Required Coupon Amounts will be treated as a revenue item but will not form part of Available Revenue Receipts.

The LLP will transfer an amount equal to the Cash Capital Contribution it receives from the Seller within one London Business Day of receipt of such amount into a Transaction Account and make a credit to the Coupon Payment Ledger. On the date of the transfer the LLP will, on the direction of the Issuer, deliver an irrevocable payment instruction (specifying the ISIN Code and/or CUSIP as applicable or the relevant Series of Covered Bonds) to an Account Bank to pay such amounts to the Principal Paying Agent or the relevant Covered Bond Swap Provider, as applicable, on the dates referred to above.

The Liquidation Member will not make any Capital Contributions to the LLP.

Capital Contributions or returns on Capital Contributions shall be paid to Members only after the LLP has paid or, as applicable, provided for all higher ranking amounts in the relevant Priority of Payments.

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 Sterling Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds as calculated on the relevant Calculation Date, then the LLP (or the Cash Manager on its behalf) will immediately 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 "*Summary of the Principal Documents – Mortgage Sale Agreement – Sale by the Seller of 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 LLP (or the Cash Manager on its behalf) shall immediately notify in writing the Members, the Bond Trustee and the Security Trustee of such breach and the Bond Trustee will (subject to the Bond Trustee having express notice in writing of such breach) serve an Asset Coverage Test Breach Notice on the LLP and the LLP shall send notice of the same to the FCA pursuant to the RCB Regulations. The Bond Trustee (subject to the Bond Trustee having express notice in writing of such subsequent satisfaction of the Asset Coverage Test (and, for such purpose, the LLP (or the Cash Manager on its behalf) shall notify in writing the Bond Trustee upon becoming aware of such subsequent satisfaction)) 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 it has express notice in writing of the same) and neither a Notice to Pay nor an LLP Acceleration Notice has been served.

Following service of an Asset Coverage Test Breach Notice (which has not been revoked):

(a) the LLP will be required to sell Selected Loans (as described further under "*LLP Deed – Sale of Selected Loans and their Related Security following the occurrence of an Issuer Event of Default*");

(b) prior to the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice or, if earlier, the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice, the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments will be modified as more particularly described in "*Allocation and distribution of Available Revenue Receipts and Available Principal Receipts following service of an Asset Coverage Test Breach Notice*" below; and

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

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

For the purposes hereof:

"**Adjusted Aggregate Loan Amount**" means the amount calculated on each Calculation Date for the last day of the immediately preceding Calculation Period as follows:

$$A + B + C + D - (W + X + Y + Z)$$

where,

A = the lower of (i) and (ii), where:

(i) = the sum of the "**Adjusted Current Balance**" of each Loan in the Portfolio, which shall be the lower of (1) the Current Balance of the relevant Loan on the last day of the immediately preceding Calculation Period, and (2) the Indexed Valuation relating to that Loan multiplied by M (where for all Loans that are less than three months in arrears or not in arrears, M = 0.75, for all Loans that are three months or more in arrears and have a Current Balance to Indexed Valuation ratio of less than or equal to 75 per cent., M = 0.40 and for all Loans that are three months or more in arrears and have a Current Balance to Indexed Valuation ratio of more than 75 per cent., M = 0.25),

minus

the aggregate sum of the following deemed reductions to the aggregate Adjusted Current Balance of the Loans in the Portfolio if any of the following occurred:

(a) 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 Current Balance of the Loans in the Portfolio (as calculated as at the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the Adjusted Current Balance of the relevant Loan or Loans (as calculated as at the last day of the immediately preceding Calculation Period) of the relevant Borrower; and/or

(b) the Seller, in any preceding Calculation Period, was in breach of any other material warranty under the Mortgage Sale Agreement and/or the Servicer was, in any preceding Calculation Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate Adjusted Current Balance of the Loans in the Portfolio (as calculated as at the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the resulting financial loss incurred by the LLP in the immediately preceding Calculation Period (such financial loss to be calculated by the Cash Manager without double counting and to be reduced by any amount paid (in cash or in kind) to the LLP by the Seller to indemnify the LLP for such financial loss);

AND

(ii) = the aggregate "**Arrears Adjusted Current Balance**" of the Loans in the Portfolio which in relation to each Loan shall be the lower of (1) the Current Balance of the relevant Loan as calculated on the last day of the immediately preceding Calculation Period, and (2) the Indexed Valuation relating to that Loan multiplied by N (where for all Loans that are less than three months in arrears or not in arrears, N = 1, for all Loans that are three months or more in arrears and have a Current Balance to Indexed Valuation ratio of less than or equal to 75 per cent., N = 0.40 and for all Loans that are

three months or more in arrears and have a Current Balance to Indexed Valuation ratio of more than 75 per cent., N = 0.25);

minus

the aggregate sum of the following deemed reductions to the aggregate Arrears Adjusted Current Balance of the Loans in the Portfolio if any of the following occurred:

(a) 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 Current Balance of the Loans in the Portfolio (as calculated as at the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the Arrears Adjusted Current Balance of the relevant Loan or Loans (as calculated as at the last day of the immediately preceding Calculation Period) of the relevant Borrower; and/or

(b) 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 Current Balance of the Loans in the Portfolio (as calculated as at the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the resulting financial loss incurred by the LLP in the immediately preceding Calculation Period (such financial loss to be calculated by the Cash Manager without double counting and to be reduced by any amount paid (in cash or in kind) to the LLP by the Seller to indemnify the LLP for such financial loss),

the result of the calculation in this paragraph (ii) above being multiplied by the Asset Percentage (as defined below);

B = the aggregate amount of any Principal Receipts on the Loans in the Portfolio up to the end of the immediately preceding Calculation Period (as recorded in the Principal Ledger) which have not been applied as at the relevant Calculation Date to acquire further Loans and their Related Security or otherwise applied in accordance with the LLP Deed and/or the other Transaction Documents;

C = the aggregate amount of any Cash Capital Contributions made by the Members (as recorded in the Capital Account Ledger of each Member) or proceeds of Term Advances which have not been applied as at the relevant Calculation Date to acquire further Loans and their Related Security or otherwise applied in accordance with the LLP Deed and/or the other Transaction Documents;

D = the aggregate outstanding principal balance of any Substitution Assets;

W = either:

(i) for so long as the Skipton Account Bank has the Account Bank Ratings, zero; or

(ii) any cash standing to the credit of the Skipton Transaction Account as at the end of the immediately preceding Calculation Period;

X = an amount equal to the Supplemental Liquidity Reserve Maximum Amount;

Y = either:

(i) for so long as the Issuer's long-term counterparty risk assessment by Moody's is at least A3(cr) and the Issuer's long-term default rating by Fitch is at least A or the Issuer's short term default rating by Fitch is at least F1, zero; or

(ii) either:

(x) where the Seller monitors deposit account balances on a monthly basis, the sum of the Deposit Set-off Balance for each Loan (as at the close of business on the last Business Day of the immediately preceding Calculation Period, where the "**Deposit Set-off Balance**" equals,

(1) in respect of each Loan where the aggregate amount of the relevant Borrowers' deposit account balances exceeds the FSCS Limit, but the Current Balance of the relevant Loan does not exceed the FSCS Limit, the lower of:

(A) the Current Balance of the relevant Loan; and

(B) the aggregate amount of deposit account balances of the relevant Borrower minus the FSCS Limit, each as calculated on the relevant Calculation Date and notified to the Rating Agencies; or

(2) in respect of each Loan where the aggregate amount of the relevant Borrowers' deposit account balances exceeds the FSCS Limit and the Current Balance of the relevant Loan also exceeds the FSCS Limit, the lower of:

(A) the Current Balance of the relevant Loan; and

(B) the aggregate amount of deposit account balances, or

(3) in respect of each Loan where the aggregate amount of the relevant Borrower's deposit account balances is below the FSCS Limit, nil; or

(y) if the aggregate amount of deposit account balances of such Borrower is not available, or is not monitored on a monthly basis, the Deposit Set-off Balance for that Loan shall be 2% of the Current Balance of that Loan on the relevant Calculation Date;

Z = the weighted average remaining maturity of all Covered Bonds then outstanding multiplied by the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds ***multiplied by*** the Negative Carry Factor where the "**Negative**

Carry Factor" is (i) 0.5 per cent. if the weighted average margin of the interest rate payable on the Covered Bonds is less than or equal to 0.1 per cent. per annum or (ii) 0.5 per cent. plus that margin minus 0.1 per cent., if that margin is greater than 0.1 per cent. per annum (provided that if the weighted average remaining maturity is less than one, the weighted average remaining maturity shall be deemed, for the purposes of this calculation, to be one).

"**FSCS Limit**" means the current applicable limit established by the Financial Services Compensation Scheme.

"**Asset Percentage**" means:

(i) 92.5 per cent.; or

(ii) such lesser percentage figure as determined from time to time in accordance with the terms of the LLP Deed, being the asset percentage that is necessary to ensure the Covered Bonds maintain the then current rating assigned to them by Fitch; or

(iii) such lesser percentage figure as determined from time to time in accordance with the terms of the LLP Deed being the figure as selected by the LLP (or the Cash Manager acting on its behalf) and notified to Moody's and the Security Trustee on such Calculation Date or, where the LLP (or the Cash Manager acting on its behalf) has not notified Moody's and the Security Trustee of the minimum percentage figure on the relevant Calculation Date, on the last date of such notification, being the difference between 100 per cent. and the amount of credit enhancement required to support the then current ratings of the Covered Bonds under Moody's expected loss methodology PROVIDED THAT in the event that any of the Covered Bonds are not then currently rated Aaa, for as long as any Covered Bonds remain outstanding whose ratings have been downgraded at any point since their relevant original Issue Date and until they have been subsequently upgraded to at least the rating as at their original Issue Date, the Asset Percentage may not be greater than the higher of (a) the Asset Percentage specified in the most recently delivered Asset Percentage notification form prior to the first such downgrade, or (b) the lowest value for (X) in respect of each downgrade where (X) in respect of each downgrade is equal to the respective Attributed Moody's Asset Percentage specified in the relevant Investor Reports most recently delivered prior to such downgrade,

where "**Attributed Moody's Asset Percentage**" means the percentage figure as set out in each Investor Report notwithstanding the percentage figure that may be selected by the LLP or the Cash Manager on its behalf from time to time and notified to the Security Trustee and Moody's, is the percentage as at each Calculation Date, being the difference between 100 per cent. and the amount of credit enhancement required to support the then current ratings of the Covered Bonds under Moody's expected loss methodology.

Save where otherwise agreed with the Rating Agencies, the Asset Percentage will be adjusted in accordance with various Rating Agency methodologies to ensure that sufficient credit enhancement will be maintained. Notwithstanding the above, the Asset Percentage may not, at any time, exceed 92.5 per cent. unless otherwise agreed with the Rating Agencies.

In addition, the LLP or the Cash Manager acting on its behalf may, from time to time, send notification to the Rating Agencies and the Security Trustee of the percentage figure selected by it.

"**Supplemental Liquidity Reserve Maximum Amount**" means:

(a) an amount equal to 0.00 per cent. of the Sterling Equivalent of the Principal Amount Outstanding of the Covered Bonds as calculated on the Calculation Date immediately following the Notice to Pay (such amount subject to adjustment by the Cash Manager in accordance with the terms of the Cash Management Agreement provided that such amount will not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Series of Covered Bonds by the Rating Agency or (y) any Rating Agency placing any Covered Bonds on rating watch negative (or equivalent);

less

(b) an amount equal to the aggregate of any Supplemental Liquidity Reserve Drawings.

"**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 Supplemental Liquidity Selected Loans sold with the aim to fund or replenish such Supplemental Liquidity Reserve Ledger up to the Supplemental Liquidity Reserve Maximum Amount.

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 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.

Following service of Notice to Pay on the LLP, if on any Calculation Date the Amortisation Test Aggregate Loan Amount is less than the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date, then the Amortisation Test will be deemed to be breached and an LLP Event of Default will occur. The LLP or the Cash Manager, as the case may be, will immediately notify the Members, the Security Trustee and (whilst Covered Bonds are outstanding) the Bond Trustee of any breach of the Amortisation Test and the Bond Trustee shall be entitled to serve an LLP Acceleration Notice in accordance with the Conditions.

The "**Amortisation Test Aggregate Loan Amount**" will be calculated on each Calculation Date as follows:

$$A + B + C - Y - Z$$

where:

A = the aggregate "**Amortisation Test Current Balance**" of each Loan, which shall be the lower of (1) the Current Balance of the relevant Loan on the last day of the immediately preceding Calculation Period multiplied by M and (2) 100 per cent. of the Indexed Valuation multiplied by M.

Where for all the Loans that are less than three months in arrears or not in arrears M = 1 or for all the Loans that are three months or more in arrears M = 0.7;

B = the sum of the amount of any cash standing to the credit of the LLP Accounts (excluding the Skipton Transaction Account and any Swap Collateral Accounts) and the principal amount of any Authorised Investments (excluding any Revenue Receipts received in the immediately preceding Calculation Period);

C = the aggregate outstanding principal balance of any Substitution Assets;

Y = an amount equal to the Supplemental Liquidity Reserve Maximum Amount; and

Z = the weighted average remaining maturity of all Covered Bonds then outstanding ***multiplied by*** the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds ***multiplied by*** the Negative Carry Factor.

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

After service of an Asset Coverage Test Breach Notice (which has not been revoked) or the service of a Notice to Pay and prior to service of an LLP Acceleration Notice, the LLP will be obliged to sell Selected Loans and their Related Security in the Portfolio in accordance with the LLP Deed (as described below), subject to the rights of pre-emption enjoyed by the Seller to buy the Selected Loans and their Related Security pursuant to the Mortgage Sale Agreement and subject to any Cash Capital Contribution made by the Members. The proceeds from any such sale or refinancing will be credited to the Transaction Accounts and applied as set out in the Priorities of Payments (see "*Allocation and distribution of Available Revenue Receipts and Available Principal Receipts following service of an Asset Coverage Test Breach Notice*" below).

Sale of Selected Loans and their Related Security following service of a Notice to Pay

After a Notice to Pay has been served on the LLP but prior to service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, the LLP will be obliged to sell Selected Loans and their Related Security in the Portfolio in accordance with the LLP Deed (as described below), subject to the rights of pre-emption enjoyed by the Seller to buy the Selected Loans and their Related Security pursuant to the Mortgage Sale Agreement. The proceeds from any such sale or refinancing will be credited to the Transaction Accounts and applied as set out in the Guarantee Priority of Payments.

Method of sale of Selected Loans

If the LLP is required to sell Selected Loans and their Related Security to Purchasers following either the service of an Asset Coverage Test Breach Notice (if not revoked) or a Notice to Pay, the LLP will be required to ensure that before offering Selected Loans for sale:

(a) the Selected Loans have been selected from the Portfolio on a random basis as described in the LLP Deed; and

(b) the Selected Loans have an aggregate Current Balance in an amount (the "**Required Current Balance Amount**") which is as close as possible to the amount calculated as follows:

(1) following the Service of an Asset Coverage Test Breach Notice (but prior to service of a Notice to Pay), such amount that would ensure that, if the Selected Loans were sold at their Current 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

(2) following service of a Notice to Pay:

Current Balance of all the Loans in the Portfolio less the Supplemental Liquidity Reserve Maximum Amount

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N x the Sterling Equivalent of the Required Redemption Amount in respect of each Series of Covered Bonds then outstanding less any amounts standing to the credit of the Transaction Accounts available to redeem the Earliest Maturing Covered Bonds and the principal amount of any Authorised Investments

where "N" is an amount equal to the Sterling Equivalent of the Required Redemption Amount of the Earliest Maturing Covered Bonds less amounts standing to the credit of the Transaction Accounts and the principal amount of any Authorised Investments.

The LLP will offer the Selected Loans and their Related Security for sale to Purchasers for the best price reasonably available but in any event:

(i) following the service of an Asset Coverage Test Breach Notice (but prior to the service of a Notice to Pay), for an amount not less than the Current Balance of the Selected Loans; and

(ii) following service of a Notice to Pay, for an amount not less than the Adjusted Required Redemption Amount.

Following the service of a Notice to Pay, if the Selected Loans, Supplemental Liquidity Selected Loans and their Related Security have not been sold (in whole or in part) in an amount equal to the Adjusted Required Redemption Amount by the date which is six months prior to, as applicable, the Extended Due for Payment Date in respect of the Earliest Maturing Covered Bonds (after taking into account all payments, provisions and credits to be made in priority thereto), then the LLP will offer the Selected Loans for sale for the best price reasonably available notwithstanding that such amount may be less than the Adjusted Required Redemption Amount.

Following the service of a Notice to Pay, in addition to offering Selected Loans for sale to Purchasers in respect of the Earliest Maturing Covered Bonds, the LLP (subject to the rights of pre-emption enjoyed by the Seller pursuant to the Mortgage Sale Agreement) is permitted to offer for sale a portfolio of Selected Loans, in accordance with the provisions summarised above, in respect of other Series of Covered Bonds.

The LLP is also permitted to offer for sale to Purchasers a Partial Portfolio. Except in circumstances where the portfolio of Selected Loans is being sold within six months of, as applicable, the Final Maturity Date or the Extended Due for Payment Date in respect of the Series of Covered Bonds to be repaid from such proceeds, the sale price of the Partial Portfolio (as a proportion of the Adjusted Required Redemption Amount) shall be at least equal to the proportion that the Partial Portfolio bears to the relevant portfolio of Selected Loans.

The LLP will through a tender process appoint a portfolio manager of recognised standing approved by the Security Trustee (the "**Portfolio Manager**") on a basis intended to incentivise the portfolio manager to achieve the best price for the sale of the Selected Loans (on terms that are commercially available in the market) to advise it in relation to the sale of the Selected Loans in accordance with the provisions of the LLP Deed to Purchasers (except where the Seller is buying the Selected Loans in accordance with their right of pre-emption in the Mortgage Sale Agreement). The terms of the agreement giving effect to the appointment of the Portfolio Manager shall be approved by the Security Trustee.

In respect of any sale or refinancing of Selected Loans and their Related Security following service of an Asset Coverage Test Breach Notice (if not revoked) or a Notice to Pay, the LLP will instruct the

Portfolio Manager to use all reasonable endeavours to procure that Selected Loans are sold as quickly as reasonably practicable (in accordance with the recommendations of the portfolio manager) taking into account the market conditions at that time and the scheduled repayment dates of the Covered Bonds and the terms of the LLP Deed.

The terms of any sale and purchase agreement with respect to the sale of Selected 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 the service of a Notice to Pay, if Purchasers accept the offer or offers from the LLP so that some or all of the Selected Loans shall be sold prior to the next following Final Maturity Date or the next following Extended Due for Payment Date in respect of the Earliest Maturing Covered Bonds, then the LLP will, subject to the foregoing paragraph, enter into a sale and purchase agreement with the relevant Purchasers which will require among other things a cash payment from the relevant Purchasers. Any such sale will not include any Representations and Warranties from the LLP in respect of the Loans and the Related Security unless expressly agreed by the Security Trustee or otherwise agreed upon with the Seller.

Sale of Supplemental Liquidity Selected Loans and their Related Security to cure an Adjusted Required Redemption Amount Shortfall

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, to the extent that there would be a shortfall between the proposed purchase price for the Selected Loans and their Related Security and the Adjusted Required Redemption Amount (an "**Adjusted Required Redemption Amount Shortfall**"), the LLP is permitted (but not required) to sell Supplemental Liquidity Selected Loans to cure such Adjusted Required Redemption Amount Shortfall, provided that the aggregate Current Balance of Supplemental Liquidity Selected Loans so sold shall not exceed the Supplemental Liquidity Reserve Maximum Amount. The proceeds of the sale of Supplemental Liquidity Selected Loans shall be credited to the Supplemental Liquidity Reserve Ledger and may be used for the payment of principal due and payable on the Extended Due for Payment Date of the Earliest Maturing Covered Bonds or on any Covered Bonds to which an Extended Due for Payment Date applies.

Method of sale of Supplemental Liquidity Selected Loans

If the LLP opts to sell Supplemental Liquidity Selected Loans and their Related Security to Purchasers following the service of a Notice to Pay, the LLP will be required to ensure that before offering Supplemental Liquidity Selected Loans for sale the Supplemental Liquidity Selected Loans have been selected from the Portfolio on a random basis as described in the LLP Deed and such Supplemental Liquidity Selected Loans are sold for the best price reasonably available.

Covenants of the LLP and the Members

Each of the Members covenants that, subject to the terms of the Transaction Documents, it will not sell, transfer, convey, create or permit to arise any security interest on, declare a trust over, create any beneficial interest in or otherwise dispose of its interest in the LLP without the prior written consent of the LLP and, whilst the Covered Bonds are outstanding, the Security Trustee. Whilst any amounts are outstanding in respect of the Covered Bonds, each of the Members undertakes not to terminate or purport to terminate the LLP or institute any winding-up, administration, insolvency or similar proceedings against the LLP.

The LLP covenants that it will not, save with the prior written consent of the LLP Management Committee (and, for so long as any Covered Bonds are outstanding, the consent of the Security Trustee) or as envisaged by the Transaction Documents:

(a) create or permit to subsist any security interest over the whole or any part of its assets or undertakings, present or future (unless arising by operation of law);

(b) transfer, sell, lend, part with or otherwise dispose of, deal with or grant any option or present or future right to acquire any of its assets or undertakings or any interest therein or thereto;

(c) have an interest in a bank account other than as set out in the Transaction Documents;

(d) incur any indebtedness or give any guarantee or indemnity in respect of any such indebtedness;

(e) consolidate or merge with or transfer its properties or assets substantially as an entirety to any other person;

(f) have any employees, premises or subsidiaries;

(g) acquire assets other than pursuant to the Mortgage Sale Agreement, the Cash Management Agreement and the LLP Deed;

(h) engage in any activities or derive income from any activities within the United States or hold any property if doing so would cause it to be engaged or deemed to be engaged in a trade or business within the United States;

(i) enter into any contracts, agreements or other undertakings;

(j) compromise, compound or release any debt due to it;

(k) commence, defend, settle or compromise any litigation or other claims relating to it or any of its assets; or

(l) be a member of any VAT Group.

The LLP and each of the Members further covenants that it will:

(i) ensure that the Asset Pool will only comprise those assets set out in items (a) to (h) of Regulation 3(1) (*Asset Pool*) of the RCB Regulations;

(ii) ensure that the Loans and the Related Security, the Substitution Assets and the Authorised Investments contained in the Asset Pool comply with the definition of "eligible property" in Regulation 2 (*Eligible Property*) of the RCB Regulations;

(iii) keep a record of those assets that form part of the Asset Pool (which, for the avoidance of doubt, shall not include any Swap Collateral) as prescribed by Regulation 3(2) of the RCB Regulations; and

(iv) at all times comply with its obligations under the RCB Regulations and/or the RCB Sourcebook.

Limit on Investing in Substitution Assets

Prior to the service of an Asset Coverage Test Breach Notice (if not revoked) or a Notice to Pay on the LLP, the LLP will be permitted to invest Available Revenue Receipts, Available Principal Receipts and the proceeds of Term Advances standing to the credit of the LLP Accounts in Substitution Assets, provided that the aggregate amount so invested in Substitution Assets does not exceed 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. Depositing such amounts in any LLP Account will not constitute an investment in Substitution Assets for these purposes.

Following service of an Asset Coverage Test Breach Notice (if not revoked) or a Notice to Pay on the LLP, all Substitution Assets must be sold by the LLP (or the Cash Manager on its behalf) as quickly as reasonably practicable and the proceeds credited to a Transaction Account and the LLP will be permitted to invest all available monies in Authorised Investments, provided that such investments are made in accordance with the terms of the Cash Management Agreement.

There is no limit on the amounts that the LLP shall be entitled to invest in Authorised Investments.

Other Provisions

The allocation and distribution of Revenue Receipts, Principal Receipts and all other amounts received by the LLP is described under "*Cashflows*" below.

The LLP Management Committee, comprised as at the date of this Prospectus of directors, officers and/or employees of Skipton, will act on behalf of the LLP to which (other than any decision to approve the audited accounts of the LLP or to make a resolution for the voluntary winding-up of the LLP, which require a unanimous decision of the Members) the Members delegate all matters. Any decision by the LLP Management Committee relating to the admission of a New Member, any change in the LLP's business, any change to the LLP's name and any amendment to the LLP Deed, will be made, whilst any Covered Bonds are outstanding, with the consent of the Security Trustee.

For so long as any Covered Bonds are outstanding, each Member has agreed that it will not 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 among other things not to demand or receive payment of any amounts payable by the LLP (or the Cash Manager on its behalf) or the Security Trustee unless all amounts then due and payable by the LLP to all other creditors ranking higher in the relevant Priorities of Payments have been paid in full.

Each Member will be responsible for the payment of its own tax liabilities and will be required to indemnify the LLP and the other Members from any liabilities which they incur as a result of the relevant Member's non-payment.

Following the appointment of a liquidator to any Member (other than the Liquidation Member), any decisions of the LLP that are reserved to the Members in the LLP Deed shall be made by the Liquidation Member only.

The LLP Deed and any non-contractual obligations arising out of or in connection with it are governed by English law.

Cash Management Agreement

The Cash Manager will provide certain cash management services to the LLP pursuant to the terms of the Cash Management Agreement entered into on the Programme Date between the LLP, Skipton 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 in accordance with Regulation 3(2) of the RCB Regulations;

(c) distributing the Revenue Receipts and the Principal Receipts in accordance with the Priorities of Payment described under "*Cashflows*" below;

(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*" below;

(e) determining whether the Amortisation Test is satisfied on each Calculation Date following an Issuer Event of Default in accordance with the LLP Deed, as more fully described under "*Credit Structure – Amortisation Test*" below;

(f) 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;

(g) preparation of Investor Reports for the Covered Bondholders, the Rating Agencies and the Bond Trustee;

(h) making the necessary notifications and procuring the necessary payments with respect to any Cash Capital Contributions which are to be credited to the Coupon Payment Ledger; and

(i) opening additional cash and/or securities accounts on behalf of the LLP in accordance with the terms of the Transaction Documents.

In relation to each Series of Covered Bonds that (a) does not have monthly Interest Payment Dates and (b) does not have a Covered Bond Swap in place, the Cash Manager shall maintain the Interest Accumulation Ledger, to which the LLP Monthly Interest Amount will be credited on each LLP Payment Date. Amounts standing to the credit of the Interest Accumulation Ledger which have accumulated in respect of a Series of Covered Bonds will be applied (i) prior to the service of a Notice to Pay, on the immediately following Term Advance Interest Payment Date or where the Term Advance Interest Payment Date is also a LLP Payment Date, on such LLP Payment Date in making interest payments, in accordance with the terms of the Intercompany Loan Agreement and the Cash Management Agreement or (ii) following the service of a Notice to Pay, on the immediately following Interest Payment Date, or where the Interest Payment Date is also an LLP Payment Date on that Interest Payment Date (together with any applicable Available Revenue Receipts) in making payments in respect of interest due on the Covered Bonds.

If any of the ratings of the Skipton Account Bank fall below the Account Bank Ratings (or such other ratings that may be agreed between the parties to the Cash Management Agreement and the relevant Rating Agency from time to time), the Cash Manager shall recalculate the Skipton Permitted Cash Amount and procure that any amount already standing to the credit of the Skipton Transaction Account in excess of the recalculated Skipton Permitted Cash Amount (including, for the avoidance of doubt, any amounts standing to the credit of the Reserve Fund, the Coupon Payment Ledger, the Interest Accumulation Ledger or the Supplemental Liquidity Reserve Ledger held in the Skipton Transaction Account) shall be transferred to the Citi Transaction Account or a Third Party Transaction Account within 14 days of such downgrade.

In certain circumstances the LLP and the Security Trustee will each have the right to terminate the appointment of the Cash Manager in which event the LLP will appoint a substitute (the identity of which

will be subject to the Security Trustee's written approval). Any substitute cash manager will have substantially the same rights and obligations as the Cash Manager (although the fee payable to the substitute cash manager may be higher).

Back-up Cash Manager

For so long as Skipton is acting as Cash Manager, upon the Cash Manager ceasing to be assigned both a long-term counterparty risk assessment by Moody's of at least Baa3(cr) and a long-term issuer default rating by Fitch of at least BBB- (a "**Back-Up Cash Manager Event**"), Skipton will use best efforts to appoint a back-up cash manager (the "**Back-Up Cash Manager**") acceptable to the Security Trustee who would be willing to replace the Cash Manager on terms substantially similar to those set out in the Cash Management Agreement, provided that where the LLP and, prior to the occurrence of a Cash Manager Termination Event, the Cash Manager, determines that it is not practicable, taking into account the then prevailing market conditions, to agree terms substantially similar to those set out in the Cash Management Agreement with such Back-Up Cash Manager, the LLP and, prior to the occurrence of a Cash Manager Termination Event, the Cash Manager, shall have certified in writing to the Security Trustee and the Bond Trustee that, to the extent the terms are not substantially similar as aforementioned, such terms are fair and commercial terms taking into account the then prevailing current market conditions, which certificate may be relied upon by the Security Trustee and the Bond Trustee without liability and without further enquiry and shall be conclusive and binding on all parties and the Secured Creditors.

If the Cash Manager does not appoint a Back-Up Cash Manager within 60 days of being required to do so by the LLP, the Cash Manager shall immediately upon notice from the LLP appoint as Back-Up Cash Manager such person as may be specified by the LLP (provided such person is acceptable to the Security Trustee).

Governing law

The Cash Management Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

Interest Rate Swap Agreement

The LLP will enter into one or more Interest Rate Swaps with one or more Interest Rate Swap Providers, to provide a hedge against the possible variance between, among other things, the rates of interest payable on some or all of the Loans in the Portfolio (which may, for instance, include fixed rates of interest, variable rates of interest or rates of interest which track the Base Rate) and a compounded daily SONIA rate.

The LLP and the Initial Interest Rate Swap Provider will enter into the Initial Interest Rate Swap Agreement on or about the Initial Transfer Date and will enter into Initial Interest Rate Swaps which will have notional amounts that cover the (i) fixed rate assets, and (ii) Bank of England base rate linked assets.

On each LLP Payment Date in respect of the Initial Interest Rate Swaps (subject to the amounts being paid net of one another), the LLP will pay an amount equal to the product of:

(a) the balance of the Performing Loans in the Portfolio which are hedged by an Initial Interest Rate Swap for the related Calculation Period; and

(b) the weighted average interest rate in respect of the Performing Loans which are hedged by an Initial Interest Rate Swap for the related Calculation Period, on the basis of the relevant day count fraction,

and the Initial Interest Rate Swap Provider will pay an amount equal to the product of:

(i) the balance of the Performing Loans in the Portfolio which are hedged by an Initial Interest Rate Swap for the related Calculation Period; and

(ii) a compounded daily SONIA rate (as set out in the Initial Interest Rate Swap Agreement) plus a spread on the basis of the relevant day count fraction.

In the event that the relevant ratings of the Interest Rate Swap Provider, or any guarantor, as applicable, is or are, as applicable, downgraded by a Rating Agency below the ratings specified in the relevant Interest Rate Swap Agreement for the Interest Rate Swap Provider, the Interest Rate Swap Provider will, in accordance with the relevant Interest Rate Swap Agreement, be required to take certain remedial measures which may include providing collateral for its obligations, arranging for its obligations to be transferred to an entity with ratings specified in the relevant Interest Rate Swap Agreement, procuring another entity with rating(s) specified in the relevant Interest Rate Swap Agreement to become co-obligor in respect of its obligations, or taking such other action as may be specified in current published rating agency criteria published by or as otherwise agreed upon with the Rating Agencies as being sufficient to maintain the relevant current ratings of the Covered Bonds. A failure to take such steps will allow the LLP to terminate the relevant Interest Rate Swap.

If the Administered Rate Swap Provider has used commercially reasonable efforts to transfer the swap to another counterparty with the required ratings, it may take such other action as would satisfy all regulatory requirements if (i) each of the Rating Agencies has confirmed that the ratings of the Covered Bonds would not be adversely affected or withdrawn as a consequence, and (ii) all necessary regulatory approvals and consents have been received. "Commercially reasonable efforts" for these purposes must include requesting an offered quotation for such transfer from the principal London office of three major banks, notwithstanding the fact that any such bank may not provide such offered quotation, or it may not be commercially reasonable to accept such quotation.

An 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 that Interest Rate Swap Agreement, if there is a failure by the other party to pay any amounts due under that Interest Rate Swap Agreement;
- upon the occurrence of the insolvency of the relevant Interest Rate Swap Provider, or any guarantor and certain insolvency-related events in respect of the LLP, or the merger of that Interest Rate Swap Provider without an assumption of the obligations under the relevant Interest Rate Swap Agreement;
- at the option of the relevant Interest Rate Swap Provider if it becomes obliged to receive payments net of any withholding or is obliged to gross-up any payments it makes under the relevant Interest Rate Swap Agreement;
- upon a change in law which results in the illegality of the obligations to be performed by either party under the relevant Interest Rate Swap Agreement;
- if an amendment is made to or there is a waiver under the Transaction Documents is amended without the relevant Interest Rate Swap Provider's consent and such amendment or waiver materially and adversely affects the relevant Interest Rate Swap Provider; or
- upon service by the Bond Trustee of an LLP Acceleration Notice on the LLP.

Upon the termination of an Interest Rate Swap Agreement pursuant to an Interest Rate Swap Early Termination Event, the LLP or the Interest Rate Swap Provider may be liable to make a termination payment to the other in accordance with the provisions of the Interest Rate Swap Agreement.

Any Swap Collateral Excluded Amounts and amounts payable in respect of Tax Credits will be paid to the Interest Rate Swap Provider directly and not via the Priorities of Payments.

If withholding taxes are imposed on payments made by the relevant Interest Rate Swap Provider under an Interest Rate Swap Agreement, the relevant Interest Rate Swap Provider shall always be obliged to gross-up these payments. If withholding taxes are imposed on payments made by the LLP to the relevant Interest Rate Swap Provider under the Interest Rate Swap Agreement, the LLP shall not be obliged to gross-up those payments.

If the LLP is required to sell Selected Loans or Supplemental Liquidity Selected Loans in the Portfolio in order to provide liquidity following service of an Asset Coverage Test Breach Notice or a Notice to Pay on the LLP, then, the LLP may specify either that:

(a) the relevant Interest Rate Swap in respect of such Loans will partially terminate and any breakage costs payable by or to the LLP in connection with such termination will be taken into account in calculating the Adjusted Required Redemption Amount for the sale of the Selected Loans; or

(b) with the consent of the Interest Rate Swap Provider, such Interest Rate Swap will be partially novated to the purchaser of such Loans, and such purchaser will thereby become party to a separate interest rate swap transaction with the relevant Interest Rate Swap Provider.

If the LLP receives any Tax Credits in respect of a Swap prior to 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. Prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice, any Swap Collateral Excluded Amounts in respect of a Swap will be returned to the relevant Swap Provider subject to the terms of the relevant Swap Agreement.

Each Interest Rate Swap Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

Administered Rate Interest Rate Swap

For so long as any Covered Bonds are outstanding and 20 per cent. or more of the Loans in the Portfolio are subject to an Administered Rate, following the occurrence of an Administered Rate Swap Initiation Event, the LLP shall, as soon as reasonably practicable following the occurrence of the Administered Rate Swap Initiation Event, enter into an Administered Rate Interest Rate Swap with the Administered Rate Swap Provider.

If, following the date on which the LLP has entered into an Administered Rate Interest Rate Swap, less than 20 per cent. of the Loans in the Portfolio are subject to an Administered Rate, the notional amount of that Administered Rate Interest Rate Swap will be reduced to zero.

Covered Bond Swap Agreements

The LLP will enter into one or more Covered Bond Swaps with one or more Covered Bond Swap Providers. Each Covered Bond Swap will provide a hedge against certain interest rate and currency risks in respect of amounts received by the LLP under the Loans and the relevant Interest Rate Swap and amounts payable by the LLP under the Intercompany Loan Agreement (prior to the service of a

Notice to Pay on the LLP) and under the Covered Bond Guarantee in respect of Covered Bonds (after the service of a Notice to Pay on the LLP).

Where required to hedge such risks, there will be one (or more) Covered Bond Swap Agreement(s) and Covered Bond Swap(s) in relation to each Series or Tranche, as applicable, of Covered Bonds. Under the Covered Bond Swaps on the relevant Issue Date, the LLP will pay to the Covered Bond Swap Provider the amount received by the LLP under the applicable Term Advance (being an amount equal to the gross proceeds of the issue of such Series or Tranche, as applicable, of Covered Bonds) and in return the Covered Bond Swap Provider will pay an amount equal to the Sterling Equivalent of the applicable Term Advance. Thereafter, the Covered Bond Swap Provider will pay to the LLP on each Interest Payment Date amounts equivalent to the amounts that would be payable by the LLP under either the applicable Term Advance in accordance with the terms of the Intercompany Loan Agreement or the Covered Bond Guarantee in respect of interest and principal payable under the relevant Series or Tranche of Covered Bonds. In return, the LLP will pay to the Covered Bond Swap Provider on each LLP Payment Date an amount in Sterling calculated by reference to a compounded daily SONIA rate for the relevant Interest Period plus a spread and the Sterling Equivalent of any principal due in respect of the relevant Term Advance in accordance with the Intercompany Loan Agreement or the Covered Bond Guarantee.

If prior to the Final Maturity Date in respect of the relevant Series or Tranche of Covered Bonds or (if an Extended Due for Payment Date is specified as applicable in the Final Terms for a Series of Covered Bonds and the payment of the amount corresponding to the Final Redemption Amount or any part of it by the LLP under the Covered Bond Guarantee is deferred until the relevant Extended Due for Payment Date pursuant to Condition 6(a) of the Terms and Conditions of the Covered Bonds) any Interest Payment Date thereafter up to (and including) the relevant Extended Due for Payment Date, the LLP notifies (pursuant to the terms of the Covered Bond Swap) the relevant Covered Bond Swap Provider of the amount in the Specified Currency to be paid by the Covered Bond Swap Provider on such Final Maturity Date or Interest Payment Date (such amount being equal the Final Redemption Amount or the relevant portion thereof payable by the LLP on such Final Maturity Date or Interest Payment Date under the Covered Bond Guarantee in respect of the relevant Series or Tranche of Covered Bonds), the Covered Bond Swap Provider will pay the LLP such amount and the LLP will pay the Covered Bond Swap Provider the Sterling Equivalent of such amount. Further, if on any day an Early Redemption Amount is payable pursuant to Condition 9(b), the Covered Bond Swap Provider will pay the LLP such Amount (or the relevant portion thereof) and the LLP will pay the Covered Bond Swap Provider the Sterling Equivalent thereof, following which the notional amount of the relevant Covered Bond Swaps will reduce accordingly.

Each Covered Bond Swap will terminate (in the absence of a Covered Bond Swap Early Termination Event or a Covered Bond Swap Rating Termination Event (as defined below)) on the earlier of:

(a) the Final Maturity Date or, if the LLP notifies the Covered Bond Swap Provider, prior to the Final Maturity Date, of the inability of the LLP to pay in full Guaranteed Amounts corresponding to the Final Redemption Amount, the final Interest Payment Date on which an amount representing the Final Redemption Amount is paid (but in any event not later than the Extended Due for Payment Date); and

(b) the final date on which the Security Trustee distributes the proceeds of the Security in accordance with the Post-Enforcement Priority of Payments, following the enforcement of the Security pursuant to Condition 9(b).

Under the terms of each Covered Bond Swap Agreement, in the event that the relevant rating of the Covered Bond Swap Provider is downgraded by a Rating Agency below the rating(s) specified in the relevant Covered Bond Swap Agreement for the Covered Bond Swap Provider, and, where applicable,

as a result of the downgrade, the then current ratings of the Covered Bonds would or may, as applicable, be adversely affected, the Covered Bond Swap Provider will, in accordance with the relevant Covered Bond Swap Agreement, be required to take certain remedial measures which may include providing collateral for its obligations under the Covered Bond Swap Agreement, arranging for its obligations under the Covered Bond Swap Agreement to be transferred to an entity with the ratings specified in the Covered Bond Swap Agreement, procuring another entity with the rating(s) specified in the Covered Bond Swap Agreement to become co-obligor in respect of its obligations under the Covered Bond Swap Agreement, or taking such other action as may be specified in current rating agency criteria published by or as otherwise agreed upon with the Rating Agencies as being sufficient to maintain the current ratings of the Covered Bonds. A failure to take such steps will allow the LLP to terminate the Covered Bond Swaps entered into under that Covered Bond Swap Agreement (a "**Covered Bond Swap Rating Termination Event**").

A Covered Bond Swap Agreement may also be terminated in certain other circumstances (each referred to as a "**Covered Bond Swap Early Termination Event**"), which may include:

- at the option of any party to that Covered Bond Swap Agreement, if there is a failure by the other party to pay any amounts due under such Covered Bond Swap Agreement;

- upon the occurrence of the insolvency of the relevant Covered Bond Swap Provider or any guarantor, and certain insolvency-related events in respect of the LLP or the merger of the Covered Bond Swap Provider without an assumption of the obligations under the relevant Covered Bond Swap Agreement;

- at the option of the Covered Bond Swap Provider if it becomes obliged to receive payments net of any withholding or is obliged to gross-up any payments it makes under the relevant Covered Bond Swap Agreement;

- at the option of either party upon a change in law which results in the illegality of the obligations to be performed by either party under the relevant Covered Bond Swap Agreements;

- upon the redemption and/or cancellation of the series of Covered Bonds to which that Covered Bond Swap Agreement relates in whole or part in accordance with the Conditions;

- if any of the Priorities of Payment is amended without the consent of the relevant Covered Bond Swap Provider such that the LLP's obligations to the relevant Covered Bond Swap Provider become further contractually subordinated to the LLP's obligations to any other Secured Creditor; or

- upon service by the Bond Trustee of an LLP Acceleration Notice on the LLP.

Upon the termination of a Covered Bond Swap Agreement, the LLP or the relevant Covered Bond Swap Provider may be liable to make a termination payment to the other in accordance with the provisions of the relevant Covered Bond Swap Agreement. The amount of this termination payment will be calculated and made in Sterling.

Any termination payment made by the Covered Bond Swap Provider to the LLP in respect of a Covered Bond Swap Agreement will first be used to the extent necessary (prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security) to pay a replacement Covered Bond Swap Provider (or replacement Covered Bond Swap Providers) to enter into a replacement Covered Bond Swap with the LLP, unless a replacement Covered Bond Swap Agreement (or replacement Covered Bond Swap Agreements) has already been entered into on behalf of the LLP. Any premium

received by the LLP from a replacement Covered Bond Swap Provider in respect of a replacement Covered Bond Swap will first be used to make any termination payment due and payable by the LLP with respect to the previous Covered Bond Swap Agreement, unless such termination payment has already been made on behalf of the LLP.

If the LLP receives any Tax Credits in respect of a Swap prior to 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. Prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice, any Swap Collateral Excluded Amounts in respect of a Swap will be returned to the relevant Swap Provider subject to the terms of the relevant Swap Agreement.

If withholding taxes are imposed on payments made by any Covered Bond Swap Provider to the LLP under a Covered Bond Swap Agreement, such Covered Bond Swap Provider shall always be obliged to gross up those payments. If withholding taxes are imposed on payments made by the LLP to the Covered Bond Swap Provider under a Covered Bond Swap Agreement, the LLP shall not be obliged to gross up those payments.

In the event that the Covered Bonds are redeemed and/or cancelled in accordance with the Conditions, the Covered Bond Swap(s) in connection with such Covered Bonds will terminate or partially terminate, as the case may be. Any breakage costs payable by or to the LLP in connection with such termination will be taken into account in calculating:

(i) the Adjusted Required Redemption Amount for the Sale of Selected Loans; and

(ii) the purchase price to be paid for the relevant Covered Bonds purchased by the LLP in accordance with Condition 6(e).

The Covered Bond Swap Agreements and any non-contractual obligations arising out of or in connection with it will be governed by English law.

Citi Bank Account Agreement

Pursuant to the terms of the Citi Bank Account Agreement entered into on the Programme Date between the LLP, the Citi Account Bank, the Cash Manager and the Security Trustee, the LLP will maintain the Citi Transaction Account and the Citi Swap Collateral Account with the Citi Account Bank into which amounts may be deposited by the LLP.

Monies standing to the credit of the Citi Transaction Account will be applied by the Cash Manager in accordance with the Priorities of Payments described below under "*Cashflows*". The Citi Transaction Account will be operated in accordance with the Citi Bank Account Agreement and the Cash Management Agreement, the LLP Deed and the Deed of Charge.

Amounts standing to the credit of the Citi Transaction Account may be required to be transferred to an alternative bank in certain circumstances, including if the Citi Account Bank fails to have any of the Account Bank Ratings (unless an unconditional and unlimited guarantee of the Citi Account Bank's obligations under the Citi Bank Account Agreement is obtained from a financial institution that has the Account Bank Ratings or such other action as may be deemed appropriate by the Rating Agencies in order to maintain the then current ratings of the Covered Bonds is taken).

The Citi Bank Account Agreement and any non-contractual obligations arising out of or in respect of it are governed by English law.

Skipton Bank Account Agreement

Pursuant to the terms of the Skipton Bank Account Agreement, the LLP will maintain the Skipton Transaction Account and any Additional Accounts with the Skipton Account Bank, which will be operated in accordance with the Cash Management Agreement, the LLP Deed and the Deed of Charge.

The Cash Manager may at any time transfer an amount up to the Skipton Permitted Cash Amount into the Skipton Transaction Account. Such amounts, with respect to any Calculation Date, Term Advance Interest Payment Date or LLP Payment Date, shall nevertheless constitute Available Revenue Receipts or, as applicable, Available Principal Receipts and be applied by the Cash Manager in the manner described under "*Cashflows*" below. For so long as the Skipton Account Bank does not have the Account Bank Ratings, amounts standing to the credit of the Reserve Fund, the Coupon Payment Ledger, the Interest Accumulation Ledger or the Supplemental Liquidity Reserve Ledger shall not be held in the Skipton Transaction Account.

Following the recalculation of the Skipton Permitted Cash Amount on a Calculation Date, the Cash Manager shall procure that any amount already standing to the credit of the Skipton Transaction Account in excess of the recalculated Skipton Permitted Cash Amount shall be transferred to the Citi Transaction Account or a Third Party Transaction Account within three Business Days of the date of such recalculation. Failure to arrange for transfer of any such excess amount from the Skipton Transaction Account to the Citi Transaction Account or a Third Party Transaction Account within such three Business Day period shall result in the termination of the appointment of the Cash Manager.

If a Skipton Account Bank Transfer Event occurs, the Cash Manager shall procure that all amounts standing to the credit of the Skipton Transaction Account are transferred to the Citi Transaction Account or a Third Party Transaction Account as soon as reasonably practicable, and in any case within 14 days, and subject to any requirements of law. The Cash Manager shall ensure that no amounts are transferred into the Skipton Transaction Account whilst any Skipton Account Bank Transfer Event is continuing.

The LLP (or the Cash Manager on its behalf) may invest sums standing to the credit of the Skipton Transaction Account in Substitution Assets or Authorised Investments.

The Skipton Bank Account Agreement and any non-contractual obligations arising out of or in relation to the Skipton Bank Account Agreement are governed by English law.

Corporate Services Agreement

The Liquidation Member and Holdings have entered into a Corporate Services Agreement with, *inter alios*, Intertrust Management Limited, (as Corporate Services Provider) on the Programme Date, pursuant to which the Corporate Services Provider has agreed to provide corporate services to the Liquidation Member and Holdings respectively.

The Corporate Services Agreement and any non-contractual obligations arising out of or in respect of it are governed by English law.

Issuer-ICSDs Agreement

The Issuer has entered into an agreement with Euroclear Bank SA/NV and Clearstream Banking SA (the "**ICSDs**") in respect of any Covered Bonds issued in NGCB form (the "**Issuer-ICSDs Agreement**"). 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 and any non-contractual obligations arising out of or in respect of it are governed by English law.

Deed of Charge

Pursuant to the terms of the Deed of Charge, the Secured Obligations of the LLP and all other obligations of the LLP under or pursuant to the Transaction Documents to which it is a party are secured, among other things, 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 assignment by way of first fixed security over the rights of the LLP in and to the Insurance Policies;

(c) a first ranking assignation in security of the LLP's interest in the Scottish Loans and their Related Security (comprising the LLP's beneficial interest under the trusts declared by the Seller pursuant to the Scottish Declarations of Trust);

(d) an assignment by way of first fixed security over all of the LLP's interests, rights and entitlements under and in respect of any Transaction Document to which it is a party (and, in respect of the Interest Rate Swap Agreements and Covered Bond Swap Agreements, after giving effect to all applicable netting provisions therein);

(e) a first fixed charge (which may take effect as a floating charge) over the rights and benefits of the LLP in the LLP Accounts (including any Excess Proceeds) and any other account of the LLP and all amounts standing to the credit of the LLP Accounts and such other accounts;

(f) a first fixed charge (which may take effect as a floating charge) over the rights and benefits of the LLP in respect of all Authorised Investments and Substitution Assets purchased from time to time from amounts standing to the credit of the LLP Accounts; and

(g) a first floating charge over all the assets and undertaking of the LLP (including the assets and undertaking of the LLP located in Scotland or governed by Scots law).

In respect of the property, rights and assets referred to in paragraph (c) above, fixed security will be created over such property, rights and assets sold to and held on trust for the LLP on or after the Programme Date by means of Scottish Trust Security entered into pursuant to the Deed of Charge.

Release of Security

In the event of any sale of Loans (including Selected Loans) and their Related Security by the LLP pursuant to and in accordance with the Transaction Documents, such Loans and their Related Security will be deemed automatically released from the Security created by and pursuant to the Deed of Charge on the date of such sale but only if in the case of the Sale of Selected Loans, the Selected Loans being sold have been selected on a random basis. In the event of the repurchase of a Loan and its Related Security by the Seller pursuant to and in accordance with the Transaction Documents, the Loan and its Related Security will be deemed automatically released from the Security created by and pursuant to the Deed of Charge on the date of the repurchase.

Enforcement

If an LLP Acceleration Notice is served on the LLP, the Security Trustee shall be entitled to appoint a Receiver, and/or enforce the Security constituted by the Deed of Charge (including selling the Portfolio), and/or take such steps as it shall deem necessary, subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction. All proceeds (other than any Third Party Amount, Swap Collateral Excluded Amounts or amounts payable in respect of Tax Credits) received by the

Security Trustee from the enforcement or realisation of the Security will be applied in accordance with the Post-Enforcement Priority of Payments described under "*Cashflows*".

The Deed of Charge and any non-contractual obligations arising out of or in respect of it are governed by English law (other than each Scottish Trust Security granted pursuant and supplemental to the Deed of Charge and certain other provisions relating to the property, rights and assets referred to in paragraph (c) above which will 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 the occurrence of an Issuer Event of Default, service by the Bond Trustee on the Issuer of an Issuer Acceleration Notice and on the LLP of a Notice to Pay or, if earlier, following the occurrence of an LLP Event of Default, service by the Bond Trustee of an LLP Acceleration Notice. The Issuer will not be relying on payments by the LLP in respect of the Term Advances or receipt of Revenue Receipts or Principal Receipts from the Portfolio in order to pay interest or repay principal under the Covered Bonds.

There are a number of features of the Programme which enhance the likelihood of timely and, as applicable, ultimate payments to the Covered Bondholders, as follows:

- the Covered Bond Guarantee provides credit support to the Issuer;
- the Asset Coverage Test is intended to test the asset coverage of the LLP's assets in respect of the Covered Bonds at all times;
- the Amortisation Test is intended to test the asset coverage of the LLP's assets in respect of the Covered Bonds following the occurrence of an Issuer Event of Default, service of an Issuer Acceleration Notice on the Issuer and service of a Notice to Pay on the LLP;
- a Reserve Fund (unless Skipton's short term unsecured, unsubordinated and unguaranteed debt obligations are assigned a rating of at least F1+ by Fitch and Skipton's short-term counterparty risk assessment is at least P-1(cr) by Moody's) will be established by the LLP in the Transaction Accounts (other than the Skipton Transaction Account unless the Skipton Account Bank has the Account Bank Ratings) to trap Available Revenue Receipts; and
- following the service of a Notice to Pay, but prior to the service of an LLP Acceleration Notice or the commencement of winding-up proceedings against the LLP, the Supplemental Liquidity Reserve Maximum Amount is available to provide liquidity to the LLP in respect of principal due on the Extended Due for Payment Date of any Series of Covered Bonds to which an Extended Due for Payment Date applies.

Certain of these factors are considered more fully in the remainder of this section.

In addition, the Issuer is required to comply with the terms of the Regulated Covered Bonds Regulations, as to which see further "*Description of the UK Regulated Covered Bond Regime*" below.

Guarantee

The Covered Bond Guarantee provided by the LLP under the Trust Deed guarantees payment of Guaranteed Amounts when the same become Due for Payment in respect of all Covered Bonds issued under the Programme. The Covered Bond Guarantee will not guarantee any amount becoming payable for any other reason, including any accelerated payment pursuant to Condition 9 following the occurrence of an Issuer Event of Default. In this circumstance (and until an LLP Event of Default occurs and an LLP Acceleration Notice is served), the LLP's obligations will only be to pay the Guaranteed Amounts as they fall Due for Payment.

See further "*Summary of the Principal Documents – Trust Deed*" as regards the terms of the Covered Bond Guarantee. See further "*Cashflows – Guarantee Priority of Payments*" as regards the payment of amounts payable by the LLP to the Covered Bondholders and other Secured Creditors following the occurrence of an Issuer Event of Default.

Asset Coverage Test

The Asset Coverage Test is intended to ensure that the LLP can meet its obligations under the Covered Bond Guarantee and senior ranking expenses which will include costs relating to the maintenance, administration and winding-up of the Asset Pool whilst the Covered Bonds are outstanding. Under the LLP Deed, the LLP and its Members (other than the Liquidation Member) must ensure that on each Calculation Date the Adjusted Aggregate Loan Amount will be in an amount equal to or in excess of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date. If on any Calculation Date the Asset Coverage Test is not satisfied and such failure is not remedied on or before the next following Calculation Date, the Asset Coverage Test will be breached and the LLP (or the Cash Manager on its behalf) shall immediately notify in writing the Members, the Bond Trustee and the Security Trustee and the Bond Trustee will serve an Asset Coverage Test Breach Notice on the LLP. The Asset Coverage Test is a formula which adjusts the Current Balance of each Loan in the Portfolio and has further adjustments to take account of set-off on a Borrower's savings accounts held with the Seller and failure by the Seller, in accordance with the Mortgage Sale Agreement, to repurchase Defaulted Loans or Loans that do not materially comply with the Representations and Warranties on the relevant Transfer Date.

See further "*Summary of the Principal Documents – LLP Deed – Asset Coverage Test*" above.

An Asset Coverage Test Breach Notice will be revoked if, on any Calculation Date falling on or prior to the third Calculation Date following the service of the Asset Coverage Test Breach Notice, the Asset Coverage Test is satisfied and neither a Notice to Pay nor an LLP Acceleration Notice has been served.

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

The Issuer is additionally required to ensure that the principal amount of the eligible property in the Asset Pool is greater than 108 per cent. of the Principal Amount Outstanding of the Covered Bonds in accordance with the RCB Regulations. See further "*Description of the UK Regulated Covered Bond Regime*" below.

Amortisation Test

The Amortisation Test is intended to ensure that if, following an Issuer Event of Default, service of an Issuer Acceleration Notice on the Issuer and the service of a Notice to Pay on the LLP (but prior to service on the LLP of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security), the assets of the LLP available to meet its obligations under the Covered Bond Guarantee fall to a level where the Covered Bondholders may not be repaid, an LLP Event of Default will occur and all amounts owing under the Covered Bonds may be accelerated. Under the LLP Deed, the LLP and its Members (other than the Liquidation Member) must ensure that, on each Calculation Date following an Issuer Event of Default and the service of a Notice to Pay on the LLP, the Amortisation Test Aggregate Loan Amount will be in an amount at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date. The Amortisation Test is a formula which adjusts the Current Balance of each Loan in the Portfolio and has further adjustments to take account of Loans in arrears. See further "*Summary of the Principal Documents – LLP Deed – Amortisation Test*" above.

Reserve Fund

A Reserve Fund (unless Skipton's short-term unsecured, unsubordinated and unguaranteed debt obligations are assigned a rating of at least F1+ by Fitch and Skipton's short-term counterparty risk assessment by Moody's is at least P-1(cr)) will be established by the LLP in the Transaction Accounts (other than the Skipton Transaction Account, unless the Skipton Account Bank has the Account Bank Ratings) to trap Available Revenue Receipts. The LLP will not be required to maintain the Reserve Fund following the occurrence of an Issuer Event of Default.

Prior to the occurrence of an Issuer Event of Default, if the short-term counterparty risk assessment of the Issuer by Moody's is lower than P-1(cr) and/or the short-term issuer default rating of the Issuer by Fitch is lower than F1+, 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 a Notice to Pay.

The Reserve Fund will be funded from Available Revenue Receipts after the LLP has paid all of its obligations in respect of items ranking higher than the Reserve Ledger in the Pre-Acceleration Revenue Priority of Payments on each LLP Payment Date.

A Reserve Ledger will be maintained by the Cash Manager to record the balance from time to time of the Reserve Fund. Following the occurrence of an Issuer Event of Default and service of a Notice to Pay on the LLP, amounts standing to the credit of the Reserve Fund will be added to certain other income of the LLP in calculating Available Revenue Receipts.

Coupon Payments

If Skipton is acting as Cash Manager pursuant to the Cash Management Agreement and a Cash Manager Relevant Event occurs and is continuing, the Seller will:

(a) within ten London Business Days of such downgrade make a Cash Capital Contribution to the LLP in an aggregate amount equal to:

  (i) (in the case of each Term Advance where a Covered Bond Swap is not in place other than an Accumulation Series of Covered Bonds), the Required Coupon Amount payable on the immediately succeeding Term Advance Interest Payment Date for each such Term Advance; and/or

  (ii) (in the case of a Term Advance where a Covered Bond Swap is in place), the Required Coupon Amount payable on the immediately succeeding Party B payment date (as defined in each relevant Covered Bond Swap Agreement) (other than those amounts due in respect of an Interim Exchange Date or Final Exchange Date (each as defined in the relevant Covered Bond Swap Agreement)) relating to each Term Advance; and/or

  (iii) (in the case of a Term Advance relating to an Accumulation Series of Covered Bonds), the Required Coupon Amount payable on the immediately succeeding LLP Payment Date for each such Term Advance; and

(b) thereafter, make a Cash Capital Contribution to the LLP not less than one London Business Day after:

  (i) each Term Advance Interest Payment Date, in an amount equal to the aggregate of the Required Coupon Amount due on the next following Term Advance Interest Payment

Date in respect of each Term Advance without a Covered Bond Swap in place other than an Accumulation Series of Covered Bonds; and/or

(ii) each date on which the LLP is due to make a payment under a Covered Bond Swap, in an amount equal to the aggregate of the Required Coupon Amount due on such date in respect of each Term Advance with a Covered Bond Swap in place; and/or

(iii) each LLP Payment Date, in an amount equal to the aggregate of the Required Coupon Amount due on the next following LLP Payment Date in respect of each Term Advance relating to an Accumulation Series of Covered Bonds.

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

The LLP will transfer an amount equal to the Cash Capital Contribution it receives from the Seller within one London Business Day of receipt of such amount into a Transaction Account and make a credit to the Coupon Payment Ledger. On the date of the transfer the LLP will, on the direction of the Issuer, deliver an irrevocable payment instruction (specifying the ISIN Code and/or CUSIP as applicable or the relevant Series of Covered Bonds) to an Account Bank to pay such amounts to the Principal Paying Agent or the relevant Covered Bond Swap Provider, as applicable on the dates referred to above.

Interest Accumulation Ledger

In relation to each Series of Covered Bonds that does not (a) have a Covered Bond Swap in place and (b) does not have monthly Interest Payment Dates (each such Series, an "**Accumulation Series of Covered Bonds**"), the Cash Manager shall maintain an Interest Accumulation Ledger in the Transaction Accounts (other than the Skipton Transaction Account, unless the Skipton Account Bank has the Account Bank Ratings), to which the LLP Monthly Interest Amount will be credited on each LLP Payment Date. Amounts standing to the credit of the Interest Accumulation Ledger in respect of each such Accumulation Series of Covered Bonds will be applied on the relevant Term Advance Interest Payment Date, together with Available Revenue Receipts (applied in accordance with the relevant Priorities of Payments), to make payments under the Term Advances or Covered Bonds, as applicable.

Supplemental Liquidity Reserve

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, the LLP is permitted (but not required) to sell Supplemental Liquidity Selected Loans with the aim to fund or replenish the Supplemental Liquidity Reserve Ledger, provided that the aggregate Current Balance of Supplemental Liquidity Selected Loans so sold shall not exceed the Supplemental Liquidity Reserve Maximum Amount. The Supplemental Liquidity Reserve Ledger shall be maintained by the Cash Manager in the Transaction Accounts (other than the Skipton Transaction Account, unless the Skipton Account Bank has the Account Bank Ratings).

The amounts standing to the credit of the Supplemental Liquidity Reserve Ledger will only be available for application as follows:

(a) 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, 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 Covered Bond 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) (any amounts drawn for such purpose from the Supplemental Liquidity Reserve Ledger being "**Supplemental Liquidity Reserve Drawings**"); or

(b) if no Series of Covered Bonds is outstanding, all amounts to be transferred to the Principal Ledger; or

(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, all amounts to be transferred 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.

CASHFLOWS

As described above under "*Credit Structure*", until a Notice to Pay or LLP Acceleration Notice is served on the LLP, the Covered Bonds will be obligations of the Issuer only. The Issuer is liable to make payments when due on the Covered Bonds, whether or not it has received any corresponding payment from the LLP.

This section summarises the Priorities of Payments of the LLP, as to the allocation and distribution of amounts standing to the credit of the LLP Accounts and their order of priority:

(a) prior to service on the LLP of an Asset Coverage Test Breach Notice, a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security;

(b) following service of an Asset Coverage Test Breach Notice (and for so long as it has not been revoked);

(c) following service of a Notice to Pay; and

(d) following service of an LLP Acceleration Notice, realisation of the Security and/or the commencement of winding-up proceedings against the LLP.

LLP Payment Dates will occur monthly.

Allocation and distribution of Available Revenue Receipts prior to the service of an Asset Coverage Test Breach Notice (which has not been revoked), a Notice to Pay or an LLP Acceleration Notice

Prior to service of an Asset Coverage Test Breach Notice (which has not been revoked), a Notice to Pay or an LLP Acceleration Notice on the LLP and/or the commencement of winding-up proceedings against the LLP and/or 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).

Pre-Acceleration Revenue Priority of Payments

Prior to service on the LLP of an Asset Coverage Test Breach Notice that has not been revoked, a Notice to Pay or service of an LLP Acceleration Notice on the LLP and/or the commencement of winding-up proceedings against the LLP and/or the realisation of the Security and whilst amounts are outstanding in respect of the Covered Bonds, Available Revenue Receipts will be applied by or on behalf of the LLP on each LLP Payment Date (except for amounts due to the Bond Trustee, the Security Trustee or to other third parties under item (a) or (b) below or Third Party Amounts, which shall be paid when due) in making the following payments and provisions (the "**Pre-Acceleration Revenue Priority of Payments**") (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

(a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) all amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Bond Trustee or any Appointee (including

remuneration payable to it) under the provisions of the Trust Deed together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein; and

(ii) all amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Security Trustee or any Appointee (including remuneration payable to it) under the provisions of the Deed of Charge together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein;

(b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Agents under the provisions of the Agency Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and

(ii) any amounts then due and payable by the LLP to third parties and incurred without breach by the LLP of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere in the relevant Priorities of Payments) and to provide for any such amounts expected to become due and payable by the LLP in the immediately succeeding LLP Payment Period and to pay or discharge any liability of the LLP for taxes;

(c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due and payable or to become due and payable to the Servicer pursuant to the terms of the Servicing Agreement in the immediately succeeding LLP Payment Period, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(ii) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due and payable or to become due and payable to the Cash Manager pursuant to the terms of the Cash Management Agreement in the immediately succeeding LLP Payment Period, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(iii) amounts (if any) then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to any Account Bank (including costs) pursuant to the terms of any Bank Account Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(iv) amounts (if any) then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to any Custodian (including costs) pursuant to the terms of any Custody Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(v) amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Corporate Services Provider pursuant to the terms of the Corporate Services Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(vi) amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Back-Up Servicer Facilitator pursuant to the terms of the Servicing Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(vii) amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to any Back-Up Cash Manager pursuant to the terms of any Back-Up Cash Management Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(viii) amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to any Back-Up Servicer pursuant to the terms of any Back-Up Servicing Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and

(ix) amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Asset Monitor pursuant to the terms of the Asset Monitor Agreement (other than the amounts referred to in item (i) below), together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(d) *fourth*, in or towards payment *pro rata* and *pari passu* of any amount due and payable to each Interest Rate Swap Provider (including any termination payment due and payable by the LLP under the relevant Interest Rate Swap Agreement (but excluding any Excluded Swap Termination Amount)) (except to the extent that such amounts have been paid out of any premium received from the replacement Interest Rate Swap Provider) pursuant to the terms of the relevant Interest Rate Swap Agreement;

(e) *fifth*, in or towards payment *pro rata* and *pari passu* on the LLP Payment Date or to provide for payment on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine (and in the case of any such payment or provision, after taking into account any provisions previously made and any amounts received or receivable from an Interest Rate Swap Provider under the relevant Interest Rate Swap Agreement and, if applicable, any amounts (other than principal) received or receivable from a Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement on the LLP Payment Date or such date in the future as the Cash Manager may reasonably determine), of:

(i) taking into account any amounts paid from amounts credited to the Coupon Payment Ledger, in respect of any Term Advance with a Covered Bond Swap in place, any amounts due and payable or to become due and payable to the relevant Covered Bond Swap Providers (other than in respect of principal) *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment (other than a termination payment solely in respect of principal) due and payable by the LLP under the relevant Covered Bond Swap Agreement, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Covered Bond Swap Provider) pursuant to the terms of the relevant Covered Bond Swap Agreements;

(ii) taking into account any amounts paid from amounts credited to the Coupon Payment Ledger and, in respect of any Term Advance that relates to an Accumulation Series of Covered Bonds, any amount credited to the Interest Accumulation Ledger in respect of that Term Advance, in each case in respect of any Term Advance without a Covered Bond Swap in place, any amounts due to become due and payable (excluding principal

amounts), *pro* rata and *pari passu* in respect of each relevant Term Advance to the Issuer pursuant to the terms of the Intercompany Loan Agreement; and

(iii) in respect of any Accumulation Series of Covered Bonds, where the amount is not due and payable in respect of any related Term Advance, to, if applicable make a credit to the Interest Accumulation Ledger in respect of that Term Advance in an amount equal to the LLP Monthly Interest Amount;

(f) *sixth*, if a Servicer Event of Default has occurred, all remaining Available Revenue Receipts to be credited to the Transaction Accounts (with a corresponding credit to the Revenue Ledger) until such Servicer Event of Default is either remedied by the Servicer or waived by the Security Trustee or a new servicer is appointed to service the Portfolio (or the relevant part thereof);

(g) *seventh*, in or towards a credit to the Reserve Ledger of an amount up to but not exceeding the amount by which the Reserve Fund Required Amount exceeds the existing balance on the Reserve Ledger as calculated on the immediately preceding Calculation Date;

(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 to each Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement and to the Interest Rate Swap Provider under the Interest Rate Swap Agreement;

(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 Asset Monitor pursuant to the Asset Monitor Agreement, and any indemnity amount due to the Members pursuant to the LLP Deed;

(j) *tenth*, in or towards repayment to the Seller of any Cash Capital Contributions made by Skipton and deemed as revenue items or otherwise made to credit the Coupon Payment Ledger;

(k) *eleventh*, in or towards payment of Deferred Consideration due to the Seller for the transfer of the Loans and their Related Security to the LLP, to pay all remaining Available Revenue Receipts (except for an amount equal to the fee payable to the Liquidation Member in accordance with item (l) below and an amount equal to the profit to be paid to the Members in accordance with item (m) below) to the Seller;

(l) *twelfth*, in or towards payment of the fee due to the Liquidation Member; and

(m) *thirteenth*, towards payment *pro rata* and *pari passu* to the Members of a certain sum (specified in the LLP Deed) as their profit for their respective interests as Members of the LLP.

Any amounts (other than Swap Collateral Excluded Amounts) received by the LLP under an Interest Rate Swap Agreement on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payments made on any preceding LLP Payment Date, to make payments (other than in respect of principal) due and payable *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap to each relevant Covered Bond Swap Provider under each relevant Covered Bond Swap Agreement or, as the case may be, in respect of each relevant Term Advance under the Intercompany Loan Agreement unless an Asset Coverage Test Breach Notice has been served and has not been revoked or otherwise to make provision for such payments on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine.

Any amounts (other than in respect of principal 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 in such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine unless an Asset Coverage Test Breach Notice has been served and has not been revoked.

Any amounts (other than Swap Collateral Excluded Amounts) received under an 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 paragraph (e) above or the preceding two paragraphs will be credited to the Revenue Ledger on the relevant LLP Account and applied as Available Revenue Receipts on the next succeeding LLP Payment Date.

If 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.

Pursuant to the Intercompany Loan Agreement and the LLP Deed, the Issuer requires the LLP to direct each Covered Bond Swap Provider to pay any amounts due to the LLP under a Covered Bond Swap, the proceeds of which would otherwise be applied by the LLP directly towards payment to the Issuer in satisfaction of amounts outstanding under any relevant Term Advance (in respect of which there is a Covered Bond Swap in place), and the LLP is required to pay certain other amounts otherwise to be applied directly towards payment to the Issuer in accordance with item (e)(ii) of the Pre-Acceleration Revenue Priority of Payments or item (c)(ii) of the Pre-Acceleration Principal Priority of Payments below, directly to the Principal Paying Agent, in each case, unless (i) the Issuer has paid or discharged the corresponding payment under the relevant Series of Covered Bonds (in which case, the relevant amount shall be paid by the LLP to such account of the Issuer as is notified to the LLP by the Issuer for this purpose), or (ii) (in respect of a Term Advance where there is not a Covered Bond Swap in place) following a Cash Manager Relevant Event and for so long as a Cash Manager Relevant Event is continuing, the corresponding payment under the relevant Series of Covered Bonds has been paid, at the direction of the LLP from amounts standing to the credit of the Coupon Payment Ledger.

Amounts (if any) standing to the credit of any Transaction Account which are not available to be applied in accordance with items (a) to (m) of the Pre-Acceleration Revenue Priority of Payments above or items (a) to (d) of the Pre-Acceleration Principal Priority of Payments below will be credited to the appropriate ledger on the LLP Payment Date.

Allocation and Distribution of Principal Receipts prior to service of a Notice to Pay, service of an Asset Coverage Test Breach Notice and service of an LLP Acceleration Notice

Prior to service on the LLP of an Asset Coverage Test Breach Notice which has not been revoked, a Notice to Pay, the service of an LLP Acceleration Notice on the LLP and/or the commencement of winding-up proceedings against the LLP and/or the realisation of the Security and whilst amounts are outstanding in respect of the Covered Bonds, Available Principal Receipts will be allocated and distributed as described below.

On each Calculation Date, the LLP (or the Cash Manager on its behalf) will calculate the amount of Available Principal Receipts available for distribution on the immediately following LLP Payment Date.

If an LLP Payment Date is the same as an Interest Payment Date, then the distribution of Available Principal Receipts under the Pre-Acceleration Principal Priority of Payments will be delayed until the Issuer has made scheduled interest and/or principal payments on that Interest Payment Date unless payment is made by the LLP directly to the Bond Trustee (or the Principal Paying Agent at the direction of the Bond Trustee).

Pre-Acceleration Principal Priority of Payments

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, all Available Principal Receipts (other than Cash Capital Contributions made from time to time by the Seller in its capacity as a Member), as calculated on the immediately preceding Calculation Date, will be applied by or on behalf of the LLP on each LLP Payment Date in making the following payments and provisions (the "**Pre-Acceleration Principal Priority of Payments**"):

(a) *first*, to acquire New Loans and their Related Security offered to the LLP by the Seller in accordance with the terms of the Mortgage Sale Agreement in an amount sufficient to ensure that taking into account the other resources available to the LLP, the LLP will be in compliance with the Asset Coverage Test on the next Calculation Date and thereafter to acquire Substitution Assets;

(b) *second*, to deposit the remaining Principal Receipts in the Transaction Accounts (with a corresponding credit to the Principal Ledger and in the case of the Skipton Transaction Account in an amount not exceeding the Skipton Permitted Cash Amount) in an amount sufficient to ensure that taking into account the other resources available to the LLP, the LLP will be in compliance with the Asset Coverage Test on the next Calculation Date;

(c) *third*, in or towards repayment *pro rata* and *pari passu* on the LLP Payment Date (or to provide for repayment on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine) 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 (relating solely to principal) due and payable by the LLP under the relevant Covered Bond Swap Agreements, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Swap Providers) in accordance with the terms of the relevant Covered Bond Swap Agreement; and

(ii) (where appropriate, after taking into account any amounts in respect of principal receivable from a Covered Bond Swap Provider on the LLP Payment Date or such date in the future as the Cash Manager may reasonably determine) the amounts (in respect of principal) due or to become due and payable to the Issuer *pro rata* and *pari passu* in respect of each relevant Term Advance; and

(d) *fourth*, subject to complying with the Asset Coverage Test, to make a Capital Distribution *pro rata* and *pari passu* to each Member (other than the Liquidation Member) in proportion to each such Member's Capital Contribution Balance as calculated on the immediately preceding Calculation Date in the LLP, in an amount equal to any remaining Available Principal Receipts, provided that only Available Principal Receipts that are specifically attributable to Loans sold

or Cash Contributions made by a specific Member (in its capacity as Seller), shall be paid to that Member.

Unless an Asset Coverage Test Breach Notice has been served and not been revoked, any amounts in respect of principal received by the LLP under a Covered Bond Swap on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payments made on any preceding LLP Payment Date, (provided that all principal amounts outstanding under the related Series of Covered Bonds which have fallen due for repayment on such date have been repaid in full by the Issuer), to make payments in respect of principal due and payable to the Issuer in respect of the corresponding Term Advance under the Intercompany Loan Agreement or otherwise to make provision for such payments on such date in the future of such proportion of the relevant payment falling in the future as the Cash Manager may reasonably determine.

Any amounts of principal (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) of the Pre-Acceleration Principal Priority of Payments or the preceding paragraph will be credited, on or before the LLP Payment Date, to the Principal Ledger and applied as Available Principal Receipts on the next succeeding LLP Payment Date.

Allocation and distribution of Available Revenue Receipts and Available Principal Receipts following service of an Asset Coverage Test Breach Notice

At any time after service on the LLP of an Asset Coverage Test Breach Notice (which has not been revoked), but prior to service of a Notice to Pay or service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, all Available Revenue Receipts and Available Principal Receipts will continue to be applied in accordance with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments save that, whilst any Covered Bonds remain outstanding, no monies (including for the avoidance of doubt, any monies then standing to the credit of the Interest Accumulation Ledger) will be applied under items (e)(ii) (unless they are paid directly by the LLP to the Principal Paying Agent), (i) (to the extent only that such amounts are payable to the Members), (j), (k), (l) or (m) of the Pre-Acceleration Revenue Priority of Payments or items (a), (c)(ii) (unless they are paid directly by the LLP to the Principal Paying Agent or (d)) of the Pre-Acceleration Principal Priority of Payments.

Allocation and Distribution of Available Revenue Receipts and Available Principal Receipts following service of a Notice to Pay

At any time after the service of a Notice to Pay on the LLP, but prior to service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or the realisation of the Security and whilst amounts are outstanding in respect of the Covered Bonds, all Available Revenue Receipts and Available Principal Receipts (other than Third Party Amounts) will be applied as described below under "*Guarantee Priority of Payments*".

On each LLP Payment Date, the LLP or the Cash Manager on its behalf will transfer Available Revenue Receipts and Available Principal Receipts from the Revenue Ledger, the Reserve Ledger, the Principal Ledger or the Capital Account Ledger, as the case may be, to the Coupon Payment Ledger on the LLP Accounts, in an amount equal to the lower of (a) the amount required to make the payments set out in the Guarantee Priority of Payments and (b) the amount of all Available Revenue Receipts and Available Principal Receipts standing to the credit of such ledgers on the LLP Accounts.

The LLP will create and maintain ledgers for each Series of Covered Bonds and record amounts allocated to such Series of Covered Bonds in accordance with item (e) of the *Guarantee Priority of*

Payments below, and such amounts, once allocated, will only be available to pay amounts due under the Covered Bond Guarantee and amounts due under the Covered Bond Swap in respect of the relevant Series of Covered Bonds on the scheduled repayment dates thereof.

Guarantee Priority of Payments

On each LLP Payment Date after the service on the LLP of a Notice to Pay (but prior to the service on the LLP of an LLP Acceleration Notice and/or the commencement of winding-up proceedings in respect of the LLP and/or realisation of the Security), the LLP (or the Cash Manager on its behalf) will apply Available Revenue Receipts and Available Principal Receipts as calculated on the immediately preceding Calculation Date to make the following payments and provisions in the following order of priority (the "**Guarantee Priority of Payments**") (in each case only if and to the extent that payments of a higher priority have been made in full):

(a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) all amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Bond Trustee or any Appointee in (including remuneration payable to it) under the provisions of the Trust Deed together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein; and

(ii) all amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Security Trustee (including remuneration payable to it) under the provisions of the Deed of Charge or any Appointee together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein;

(b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Agents pursuant to the terms of the Agency Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and

(ii) any amounts then due and payable by the LLP to third parties and incurred without breach by the LLP of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere in the relevant Priorities of Payments) and to provide for any such amounts expected to become due and payable by the LLP in the immediately succeeding LLP Payment Period and to pay or discharge any liability of the LLP for taxes;

(c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due and payable or to become due and payable to the Servicer pursuant to the terms of the Servicing Agreement in the immediately succeeding LLP Payment Period together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(ii) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due and payable or to become due and payable to the Cash

Manager pursuant to the terms of the Cash Management Agreement in the immediately succeeding LLP Payment Period, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(iii) amounts (if any) then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to any Account Bank (including costs) pursuant to the terms of any Bank Account Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(iv) amounts (if any) then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to any Custodian (including costs) pursuant to the terms of any Custody Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(v) amounts due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Corporate Services Provider pursuant to the terms of the Corporate Services Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(vi) amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Back-Up Servicer Facilitator pursuant to the terms of the Servicing Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(vii) amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to any Back-Up Cash Manager pursuant to the terms of any Back-Up Cash Management Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(viii) amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to any Back-Up Servicer pursuant to the terms of any Back-Up Servicing Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and

(ix) amounts due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Asset Monitor pursuant to the terms of the Asset Monitor Agreement (other than the amounts referred to in item (j)), together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(d) *fourth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof, of any amounts due and payable to each Interest Rate Swap Provider (including any termination payment due and payable by the LLP under the relevant Interest Rate Swap Agreement but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premium received from the replacement Interest Rate Swap Provider) pursuant to the terms of the relevant Interest Rate Swap Agreements);

(e) *fifth*, to pay *pro rata* and *pari passu according* to the respective amounts thereof, of:

(i) taking into account any amounts paid from amounts credited to the Coupon Payment Ledger, in respect of any Term Advances with a Covered Bond Swap in place, any amounts due and payable, (or to become due and payable in the immediately succeeding LLP Payment Period) to the relevant Covered Bond Swap Providers (other than in respect of principal) *pro rata* and *pari passu* in respect of each relevant Covered

Bond Swaps (including any termination payment due and payable by the LLP under the relevant Covered Bond Swap Agreement but excluding any Excluded Swap Termination Amount (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Covered Bond Swap Provider)) in accordance with the terms of the relevant Covered Bond Swap Agreement;

(ii) taking into account any amounts paid from amounts credited to the Coupon Payment Ledger and, in respect of any Term Advance that related to an Accumulation Series of Covered Bonds, any amount credited to the Interest Accumulation Ledger in respect of that Series of Covered Bonds, in each case in respect of any Term Advance without a Covered Bond Swap in place, any amounts due and payable to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the Covered Bondholders *pro rata* and *pari passu* Scheduled Interest that is Due for Payment (or will become Due for Payment in the immediately succeeding LLP Payment Period) under the Covered Bond Guarantee in respect of each Series of Covered Bonds, and

(iii) in respect of any Accumulation Series of Covered Bonds, where the amount is not due and payable in respect of any related Series of Covered Bonds, to, if applicable make a credit to the Interest Accumulation Ledger in respect of that Series of Covered Bonds in an amount equal to the LLP Monthly Interest Amount,

but, in the case of any such payment or provision, after taking into account any amounts received or receivable from an Interest Rate Swap Provider in respect of the relevant Interest Rate Swap Agreement and, if applicable, any amounts (other than in respect of principal) received or receivable from a Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement on the relevant LLP Payment Date or in the immediately succeeding LLP Payment Period, provided that if the amount available for distribution under this item (e) (excluding any amounts received or to be received from the relevant Covered Bond Swap Provider) would be insufficient to pay the Sterling Equivalent of the Scheduled Interest that is Due for Payment in respect of each Series of Covered Bonds under item (e)(ii) above, the shortfall shall be divided amongst all such Series of Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider in respect of each relevant Covered Bond Swaps under item (e)(i) above shall be reduced by the amount of the shortfall applicable to the Series of Covered Bonds in respect of which such payment is to be made;

(f) *sixth*, to pay or provide for *pro rata* and *pari passu according* to the respective amounts thereof, of:

(i) the amounts (in respect of principal) due and payable (or to become due and payable in the immediately succeeding LLP Payment Period) to the relevant Covered Bond Swap Provider *pro rata* and *pari passu* in respect of each relevant Series of Covered Bonds but, for the avoidance of doubt, excluding any Excluded Swap Termination Amount pursuant to the terms of the relevant Covered Bond Swap Agreement; and

(ii) to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the Covered Bondholders *pro rata* and *pari passu* Scheduled Principal that is Due for Payment (or will become Due for Payment in the immediately succeeding LLP Payment Period) under the Covered Bond Guarantee in respect of each Series of Covered Bonds,

but, in the case of any such payment or provision, after taking into account any principal amounts received or receivable from a Covered Bond Swap Provider under the relevant

Covered Bond Swap Agreement on the relevant LLP Payment Date or in the immediately succeeding LLP Payment Period, provided that if the amount available for distribution under this item (f) (excluding any amounts received or to be received from the relevant Covered Bond Swap Provider) in respect of the amounts referred to in item (f)(i) above would be insufficient to pay the Sterling Equivalent of the Scheduled Principal that is Due for Payment in respect of each relevant Series of Covered Bonds under item (f)(ii) above, the shortfall shall be divided amongst all such Series of Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider in respect of each relevant Covered Bond Swaps under item (f)(i) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

(g) *seventh*, in respect of any Series of Covered Bonds to which an Extended Due for Payment Date applies and whose Final Redemption Amount was not paid in full by the Extension Determination Date (the "**Extended Covered Bonds**") where the Extended Due for Payment Date is one year or less from the relevant LLP Date and any relevant Covered Bond Swap in respect thereof, on a *pro rata* and *pari passu* basis according to the respective amounts thereof:

(i) the amounts (in respect of principal) due and payable to each relevant Covered Bond Swap Provider (or to become due and payable in the immediately succeeding LLP Payment Period) *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (but, for the avoidance of doubt, excluding any Excluded Swap Termination Amount) pursuant to the terms of the relevant Covered Bond Swap Agreements; and

(ii) to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the Covered Bondholders *pro rata* and *pari passu* the Final Redemption Amount or the relevant proportion thereof under the relevant Covered Bond Guarantee in respect of each relevant Series of Extended Covered Bonds,

but, in the case of any such payment, after taking into account any amounts (in respect of principal) received or receivable from the relevant Covered Bond Swap Provider in respect of the Covered Bond Swap corresponding to the Extended Covered Bonds on the LLP Payment Date or in the immediately succeeding LLP Payment Period, provided that if the amount available for distribution under this item (g) (excluding any amounts received or to be received from the relevant Covered Bond Swap Provider) would be insufficient to pay the Sterling Equivalent of the Final Redemption Amount in respect of each relevant Series of Extended Covered Bonds under item (g)(ii) above, the shortfall shall be divided amongst all such Series of Extended Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider under each relevant Covered Bond Swap Agreement in respect of each relevant Series of Extended Covered Bonds under item (g)(i) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

(h) *eighth*, to deposit the remaining monies in the Transaction Accounts for application on the next following LLP Payment Date in accordance with the priority of payments described in items (a) to (g) (inclusive) above, until the Covered Bonds have been fully repaid or provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds);

(i) *ninth*, in or towards payment *pro rata* and *pari passu* in accordance with the respective amounts thereof of any Excluded Swap Termination Amount due and payable by the LLP to each Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement and to each Interest Rate Swap Provider under the relevant Interest Rate Swap Agreement;

(j) *tenth*, after the Covered Bonds have been fully repaid or provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds), any remaining monies will be applied in and towards repayment in full of amounts outstanding under the Intercompany Loan Agreement;

(k) *eleventh*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any indemnity *amount* due to the Members pursuant to the LLP Deed and certain costs, expenses and indemnity amounts due by the LLP to the Asset Monitor pursuant to the Asset Monitor Agreement; and

(l) *twelfth*, thereafter any remaining monies will be applied in accordance with the LLP Deed.

Any amounts (other than Swap Collateral Excluded Amounts) received by the LLP under an Interest Rate Swap Agreement on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payment made on any preceding LLP Payment Date, to make payments (other than in respect of principal) due and payable *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap to the relevant Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement or, as the case may be, to the Issuer in respect of Scheduled Interest that is Due for Payment (or will become Due for Payment) under the Covered Bond Guarantee in respect of each relevant Series of Covered Bonds.

Any amounts (other than Swap Collateral Excluded Amounts) received by the LLP under a Covered Bond Swap (whether or not in respect of principal) on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payment made on any preceding LLP Payment Date, to make payments of interest or principal, as the case may be, in respect of the 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 an Interest Rate Swap Agreement or any Covered Bond Swap Agreement which are not put towards a payment or provision in accordance with item (e), (f) or (g) of the Guarantee Priority of Payments or the preceding two paragraphs will be credited to the Revenue Ledger and applied as Available Revenue Receipts, on the next succeeding LLP Payment Date.

If any Swap Collateral Available Amounts are received by the LLP on an LLP Payment Date, such amounts shall be applied by the LLP or by the Cash Manager on its behalf on that LLP Payment Date in the same manner as it would have applied the receipts which such Swap Collateral Available Amounts replace. Prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice, any Swap Collateral Excluded Amounts in respect of a Swap will be returned to the relevant Swap Provider subject to the terms of the relevant Swap Agreement.

On each Interest Payment Date, any amount standing to the credit of the Interest Accumulation Ledger and (without double counting) any amount credited to the Interest Accumulation Ledger on such Interest Payment Date (if such Interest Payment Date is also an LLP Payment Date) in accordance with item (e)(iii) of the Guarantee Priority of Payments in respect of an Accumulation Series of Covered Bonds, shall be applied in paying Scheduled Interest that is Due for Payment in respect of such Accumulation Series of Covered Bonds in accordance with item (e)(ii) of the Guarantee Priority of Payments.

Termination payments received in respect of Swaps, premiums received in respect of replacement Swaps

If the LLP receives any termination payment from a Swap Provider in respect of a Swap Agreement, such termination payment will first be used, to the extent necessary (prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security) to pay a replacement Swap Provider(s)

to enter into a replacement Swap Agreement(s) with the LLP, unless a replacement Swap Agreement(s) has already been entered into on behalf of the LLP. If the LLP receives any premium from a replacement Swap Provider in respect of a replacement Swap Agreement, such premium will first be used to make any termination payment due and payable by the LLP with respect to the previous Swap Agreement(s), unless such termination payment has already been made on behalf of the LLP.

Any amounts received by the LLP which are not applied to pay a replacement Swap Provider(s) to enter into a replacement Swap Agreement(s) will be credited to the Revenue Ledger or the LLP Accounts and applied as Available Revenue Receipts on the next succeeding LLP Payment Date.

If the LLP receives any Tax Credits in respect of a Swap prior to 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.

Application of monies received by the Security Trustee following the occurrence of an LLP Event of Default and enforcement of the Security, realisation of the Security and/or the commencement of winding-up proceedings against the LLP

Under the terms of the Deed of Charge, all monies received or recovered by the Security Trustee (or a Receiver appointed on its behalf) (excluding all amounts due or to become due in respect of any Tax Credit, Third Party Amounts or Swap Collateral Excluded Amounts) following the enforcement of the Security, realisation of the Security and/or the commencement of winding-up proceedings against the LLP will be applied in the following order of priority (the "**Post-Enforcement Priority of Payments**") (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

(a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) all amounts due and payable to:

(A) the Bond Trustee and any Appointee (including remuneration payable to it) under the provisions of the Trust Deed together with interest and applicable VAT (or other similar taxes) thereon as provided therein; and

(B) the Security Trustee and any Appointee (including remuneration payable to it) and/or any Receiver appointed by the Security Trustee under the provisions of the Deed of Charge together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein;

(ii) all remuneration and other amounts (including costs and expenses) then due and payable to the Agents under or pursuant to the Agency Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(iii) 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 pursuant to the terms of the Servicing Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(B) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the

Cash Manager pursuant to the terms of the Cash Management Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(C) amounts (if any) due and payable to any Account Bank (including costs) pursuant to the terms of any Bank Account Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(D) amounts (if any) due and payable to any Custodian (including costs) pursuant to the terms of any Custody Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(E) amounts (including costs and expenses) due to the Corporate Services Provider pursuant to the terms of the Corporate Services Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(F) amounts (including costs and expenses) due to the Back-Up Servicer Facilitator pursuant to the terms of the Servicing Agreement together with applicable amounts in respect of VAT (or other similar taxes) thereon to the extent provided therein;

(G) amounts (including costs and expenses) due to any Back-Up Cash Manager pursuant to the terms of any Back-Up Cash Management Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(H) amounts (including costs and expenses) due to any Back-Up Servicer pursuant to the terms of any Back-Up Servicing Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and

(I) amounts overdue to the Asset Monitor pursuant to the terms of the Asset Monitor pursuant to the terms of the Asset Monitor Agreement, together with applicable VAT (or similar taxes) thereon to the extent provided therein;

(iv) any amounts due and payable to the Interest Rate Swap Providers (including any termination payment due and payable under the relevant Interest Rate Swap Agreement but excluding any Excluded Swap Termination Amounts) pursuant to the terms of the relevant Interest Rate Swap Agreement;

(v) all amounts due and payable:

(A) to the relevant Covered Bond Swap Providers *pro rata* and *pari passu* in respect of each relevant Series of Covered Bonds (including any termination payment due and payable by the LLP under the relevant Covered Bond Swap Agreement (but excluding any Excluded Swap Termination Amount)) in accordance with the terms of the relevant Covered Bond Swap Agreement; and

(B) under the Covered Bond Guarantee, to the Bond Trustee on behalf of the Covered Bondholders *pro rata* and *pari passu* in respect of interest and principal due and payable on each Series of Covered Bonds, provided that if the amount available for distribution under this item (a)(v)(B) (excluding any amounts received from the relevant Covered Bond Swap Provider in respect of 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 this item (B), the shortfall shall be divided amongst all such Series of Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider in respect of each relevant Series of Covered Bonds under 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 to each Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement and to each Interest Rate Swap Provider under the relevant Interest Rate Swap Agreement;

(c) *third*, after the Covered Bonds have been fully repaid, any remaining monies shall be applied in or towards repayment in full of all amounts outstanding under the Intercompany Loan Agreement;

(d) *fourth*, *pro rata* and *pari passu* in accordance with the respective amounts thereof towards payment of any indemnity amount due to the Members pursuant to the LLP Deed; and

(e) *fifth*, thereafter any remaining monies shall be applied in or towards payment to the Members 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 Post-Enforcement Priority of Payments is subject to the provisions of Regulations 28 and 29 of the RCB Regulations. In particular, costs properly incurred by an administrator, administrative receiver, a receiver, liquidator, provisional liquidator or manager of the LLP in relation to:

(i) persons providing services for the benefit of Covered Bondholders (which pursuant to the RCB Regulations shall include the persons listed in item (a) of the Post-Enforcement Priority of Payments (excluding the Swap Providers));

(ii) the Swap Providers in respect of amounts due to them under item (a) of the Post-Enforcement Priority of Payments; and

(iii) any other persons providing a loan to the LLP to enable it to meet the claims of Covered Bondholders or the costs of the people described in paragraphs (i) and (ii) above (e.g. liquidity loans),

will be expenses which will be payable out of the proceeds of realisation of the Security (in the case of a receivership) or the assets of the LLP (in the case of an administration, winding-up or provisional liquidation), and shall rank equally among themselves in priority to all other expenses (including the claims of Covered Bondholders). See further, "*Risk Factors – Expenses of insolvency officeholders"*.

THE PORTFOLIO

In relation to the establishment of the Programme on 1 October 2008, the LLP acquired a portfolio of loans and their related security from the Seller (the "**2008 Portfolio**"). The 2008 Portfolio has been repurchased by the Seller prior to the Programme Date.

The Initial Portfolio and each New Portfolio acquired by the LLP (the "**Portfolio**") consists (or will consist) of Loans and their Related Security sold by the Seller to the LLP from time to time in accordance with the terms of the Mortgage Sale Agreement, as more fully described under "*Summary of the Principal Documents – Mortgage Sale Agreement*".

For the purposes hereof:

"**Initial Portfolio**" means the portfolio of Loans and their Related Security, particulars of which will be delivered on the Initial Transfer Date pursuant to the Mortgage Sale Agreement (other than any Loans and their Related Security which have been redeemed in full prior to the Initial Transfer Date or which did not otherwise comply with the terms of the original Mortgage Sale Agreement as at the Initial Transfer Date), and all right, title, interest and benefit of the Seller in and to:

(a) 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;

(b) all payments of principal and interest (including, for the avoidance of doubt, all Accrued Interest, Arrears of Interest, Capitalised Interest, Capitalised Expenses and Capitalised Arrears) and other sums due or to become due in respect of such Loans and Related Security including, without limitation, the right to demand, sue for, recover and give receipts for all principal monies, interest and costs and the right to sue on all covenants and any undertakings made or expressed to be made in favour of the Seller under the applicable Mortgage Conditions;

(c) the right to exercise all the powers of the Seller in relation thereto;

(d) all the estate and interest in the 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) all rights, title and interests of the Seller (including, without limitation, the proceeds of all claims) to which the Seller is entitled under the Insurance Policies, insofar as such policies relate to the Loans comprised in that portfolio of Loans and their Related Security.

"**New Portfolio**" means, in each case the portfolio of New Loans and their Related Security (other than any New Loans and their Related Security which have been redeemed in full prior to the Transfer Date or which do not otherwise comply with the terms of the Mortgage Sale Agreement as at the Transfer Date), particulars of which are set out in the relevant New Portfolio Notice or in a document stored upon electronic media (including, but not limited to, a CD-ROM), and all right, title, interest and benefit of the Seller in and to:

(a) all payments of principal and interest (including, for the avoidance of doubt, all Accrued Interest, Arrears of Interest, Capitalised Interest, Capitalised Expenses and Capitalised Arrears)

and other sums due or to become due in respect of such Loans and their Related Security including, without limitation, the right to demand, sue for, recover and give receipts for all principal moneys, interest and costs and the right to sue on all covenants and undertakings made or expressed to be made in favour of the Seller under the applicable Mortgage Conditions;

(b) subject where applicable to the subsisting rights of redemption of Borrowers, all 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;

(d) all the estate and interest in the 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 their 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) all rights, title and interests of the Seller (including, without limitation, the proceeds of all claims) to which the Seller is entitled under the Insurance Policies, insofar as such policies relate to the Loans comprised in that portfolio of Loans and their Related Security.

See also the following risk factors under "*Risk Factors – Limited description of the Portfolio*", "*Risk Factors – Maintenance of Portfolio*" *and* "*Risk Factors – Changes to the Lending Criteria of the Seller*".

FURTHER INFORMATION RELATING TO THE REGULATION OF MORTGAGES IN THE UK

Certain Regulatory considerations

Regulated Mortgage Contracts

In the UK, regulation of residential mortgage businesses under the Financial Services and Markets Act 2000 ("**FSMA**") came into force on 31 October 2004 (the date known as the "**Regulation Effective Date**"). Entering into a regulated mortgage contract as a lender, arranging a regulated mortgage contract or advising in respect of a regulated mortgage contract, and administering a regulated mortgage contract (or agreeing to do any of those activities) are (subject to applicable exemptions) regulated activities under the FSMA and the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) (as amended) (the "**RAO**") requiring authorisation and permission from the FCA.

The original definition of a regulated mortgage contract was such that if a mortgage contract was entered into on or after the Regulation Effective Date but prior to 21 March 2016, it will be a regulated mortgage contract under the RAO if: (i) the lender provided credit to an individual or to trustees; 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 UK, at least 40 per cent. of that land was used, or was intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who was a beneficiary of the trust, or by a related person.

The current definition of a regulated mortgage contract is such that if the mortgage contract was entered into on or after 21 March 2016, it will be a Regulated Mortgage Contract if it meets the following conditions (when read in conjunction with and subject to certain relevant exclusions): (a) the borrower is an individual or trustee; and (b) the contract provides for the obligation of the borrower to repay, to be secured by a mortgage on land, at least 40 per cent. of which is used, or is intended to be used: (i) in the case of credit provided to an individual, as or in connection with a dwelling; or (ii) in the case of credit provided to a trustee who is not an individual, as or in connection with a dwelling by an individual who is a beneficiary of the trust, or by a Related Person (as defined below). In relation to a contract entered into before 23:00 on 31 December 2020, 'land' means land in the United Kingdom or within the territory of an EEA State and in relation to a contract entered into on or after 23:00 on 31 December 2020, 'land' means land in the United Kingdom. A related person (in relation to a borrower, or in the case of credit provided to trustees, a beneficiary of the trust) is (i) that person's spouse or civil partner, (ii) a person (whether or not of the opposite sex) whose relationship with that person has the characteristics of the relationship between husband and wife; or (iii) that person's parent, brother, sister, child, grandparent or grandchild (a "**Related Person**").

Credit agreements which were originated before 21 March 2016, which were regulated by the Consumer Credit Act 1974 (the "**CCA**"), and that would have been Regulated Mortgage Contracts had they been entered into on or after 21 March 2016 are 'consumer credit back book mortgage contracts' and are also therefore Regulated Mortgage Contracts (see below "*Regulation of residential secured lending (other than Regulated Mortgage Contracts*")).

On and from the Regulation Effective Date, subject to any exemption, persons carrying on any specified regulated mortgage-related activities by way of business must be authorised under the FSMA. The specified activities currently are: (a) entering into a Regulated Mortgage Contract as lender; (b) administering a Regulated Mortgage Contract ("**administering**" in this context broadly means notifying borrowers of changes in mortgage payments and/or taking necessary steps for the purpose 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 Servicer is required to hold and does hold authorisation and permission to enter into and to administer 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. Under the RAO, the LLP does not require authorisation in order to acquire legal or beneficial title to a Regulated Mortgage Contract. The LLP does not carry on the regulated activity of administering Regulated Mortgage Contracts by having them administered pursuant to a servicing agreement by an entity having the required authorisation and permission under the FSMA. If such a servicing agreement terminates, the LLP will have a period of not more than one month (beginning with the day on which such arrangement terminates) in which to arrange for mortgage administration to be carried out by a replacement servicer having the required FSMA authorisation and permission.

The LLP will only hold beneficial title to the Loans and their Related Security. In the event that legal title is transferred to the LLP, the LLP will have arranged for a servicer to administer these Loans and is not expected to enter into any new Regulated Mortgage Contracts as lender under article 61(1) of the RAO. However, in the event that a mortgage is varied, such that a new contract is entered into and that contract constitutes a Regulated Mortgage Contract, then the arrangement of, advice on, administration of and entering into of such variation would need to be carried out by an appropriately authorised entity.

The FCA's Mortgages and Home Finance: Conduct of Business sourcebook ("MCOB"), which sets out the FCA's rules for regulated mortgage activities, came into force on 31 October 2004. These rules cover, among other things, certain pre-origination matters such as financial promotion and pre-application illustrations, pre-contract and start-of-contract and post-contract disclosure, contract changes, charges and arrears and repossessions.

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

The UK government had a policy commitment to move second charge lending into the regulatory regime for mortgage lending rather than the regime for consumer credit under which second charge lending previously fell. The UK government concluded that there was a strong case for regulating lending secured on a borrower's home consistently, regardless of whether it is secured by a first or subsequent charge. The UK government also proposed to move the regulation of second (and subsequent) charge loans already in existence before 21 March 2016 to the regulated mortgage contract regime rather than keeping them within the consumer credit regime. The policy of regulating lending secured on a borrower's home consistently also meant that the UK government decided to change the regulatory regime for pre-2004 first charge loans regulated by the CCA. Mortgage regulation under the FSMA began on 31 October 2004. Mortgages entered into before that date were regulated by the CCA, provided they did not exceed the financial threshold in place when they were entered into and were not

otherwise exempt. In November 2015, the UK government made legislation which meant that the administration of and other activities relating to those pre-October 2004 first charge mortgages which were regulated by the CCA became regulated mortgage activities from 21 March 2017, although firms could have adopted the new rules from 21 March 2016 if they chose. The move of CCA regulated mortgages to the FSMA regime was implemented by the Mortgage Credit Directive Order 2015 on 21 March 2016 (the "**Mortgage Credit Directive Order**"). The government has put in place transitional provisions for existing loans so that some of the CCA protections in place, when the loans were originally taken out, are not removed retrospectively.

Credit agreements which were originated before 21 March 2016, which were regulated by the CCA and that would have been regulated mortgage contracts had they been entered into on or after 21 March 2016 are defined by the Mortgage Credit Directive Order as "consumer credit back book mortgage contracts" and would also therefore be Regulated Mortgage Contracts. The main CCA consumer protection retained in respect of consumer credit back book mortgage contracts is the continuing unenforceability of the agreement if it was rendered unenforceable by the CCA prior to 21 March 2016. Unless the agreement was irredeemably unenforceable, the lender may enforce the agreement by seeking a court order or bringing any relevant period of non-compliance with the CCA to an end in the same manner as would have applied if the agreement 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 will also be 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 the 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 the FCA's Consumer Credit Sourcebook (CONC) and the CCA that are not contained within MCOB.

Regulation of buy-to-let mortgages

Buy-to-let mortgage loans can fall under several different regulatory regimes. They can be:

- unregulated;
- regulated by the Consumer Credit Act 1974 (the "**CCA**") as a regulated credit agreement – as defined by article 60B of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) (as amended) (the "**RAO**") (a "**Regulated Credit Agreement**");
- regulated by the FSMA as a regulated mortgage contract – as defined by article 61 RAO (a "**Regulated Mortgage Contract**"); or
- regulated as a consumer buy-to-let mortgage contract under the consumer buy to let regime – as defined by the Mortgage Credit Directive Order 2015 (a "**Consumer Buy to Let Loan**").

The Servicer is a consumer buy-to-let mortgage firm registered as a lender and adviser in relation to consumer buy-to-let mortgages.

Buy-to-let loans were regulated by the CCA if: (a) they were entered into prior to 31 October 2008; and (b) the amount of the advance did not exceed £25,000. Such buy-to-let mortgages are not caught by the definition of a "consumer credit back book mortgage contract" and so any buy-to-let loans regulated by the CCA will continue to be regulated by the CCA notwithstanding the implementation of the Mortgage Credit Directive Order 2015.

If a buy-to-let mortgage is secured on a property occupied by a Related Person to the borrower then it will be a Regulated Mortgage Contract. Otherwise, as described above, buy-to-let mortgages will either be regulated by the consumer buy to let regime or the CCA or will be unregulated.

The Servicer does not have permission for the regulated activities of debt administration or debt collection which are necessary in respect of servicing unregulated loans, Consumer Buy to Let Loans or Regulated Credit Agreements, however as legal title holder of the Loans, the Servicer is excluded from the regulated activities of debt administration and debt collection in respect of any unregulated loans as these would be activities carried on by the lender (a person who exercises, or has the right to exercise, the rights and duties of a person who provided credit under the loan agreement). The LLP is excluded as lender from the regulated activities of debt administration and debt collection in respect of any unregulated, Consumer Buy to Let Loans or Regulated Credit Agreements. The Servicer is authorised to exercise or have the right to exercise a lender's rights and duties under a Regulated Credit Agreement which is a necessary permission in respect of a Regulated Credit Agreement. The LLP is exempt from the regulated activity of exercising or having the right to exercise a lender's rights and duties under a Regulated Credit Agreement because it has arranged administration by an authorised person pursuant to article 60I of the RAO.

Matters relating to buy-to-let Loans

Upon enforcement of a Loan in respect of a Property which is the subject of an existing tenancy, the Servicer may not be able to obtain vacant possession of that Property until the end of the tenancy. If the Servicer enforces while the tenancy is continuing and sells the Property as an investment property with one or more tenants *in situ*, this may affect the amount which may be realised in the sale, although the existence of any such tenant paying rent in full on a timely basis may not have an adverse effect on the amount of such realisation. However, in the UK it is common for tenancies to be only for six or 12 months, so a tenanted property will often be vacated sooner than an owner occupied property (but see section below headed ‘Repossessions’ for tenant protections).

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 buy-to-let Mortgage Loans. Enforcement procedures in relation to such Loans include the ability to appoint a receiver of rent (except in relation to Scottish Loans as it is not possible to appoint a receiver of rent in Scotland), in which case such a receiver would collect any rents payable in respect of such property and apply them in payment of any arrears of principal and interest under the Loan. Under Scots law, a receiver cannot be appointed under a standard security (the Scottish equivalent to a legal mortgage) and the only enforcement which may be carried out under a standard security is a full enforcement of the security (as it cannot be enforced selectively by, for instance, attaching to rental income). Accordingly, in Scotland, any attempt to secure the rental flows will depend upon the enforcement of the standard security.

From 1 April 2018, landlords of relevant domestic properties in England and Wales may not grant a tenancy to new or existing tenants if their property has an EPC rating of band F or G (as shown on a valid Energy Performance Certificate for the property) and from 1 April 2020, landlords must not continue letting a relevant domestic property which is already let if that property has an EPC rating of band F or G (as shown on a valid Energy Performance Certificate for the property). In both cases described above this is referred to in the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 (the "**Energy Efficiency Regulations 2015**") as the prohibition on letting

sub-standard property. Where a landlord wishes to continue letting property which is currently sub-standard, the landlord will need to ensure that energy efficiency improvements are made which raise the EPC rating to a minimum of E. In certain circumstances landlords may be able to claim an exemption from this prohibition on letting sub-standard property; this includes situations where the landlord is unable to obtain funding to cover the cost of making improvements, or where all improvements which can be made have been made, and the property remains below an EPC rating of E. Local authorities will enforce compliance with the domestic minimum level of energy efficiency. Local authorities may check whether a property meets the minimum level of energy efficiency, and may issue a compliance notice requesting information where it appears to the local authority that a property has been let in breach of the Energy Efficiency Regulations 2015 (or an invalid exemption has been registered in respect of it). Where a local authority is satisfied that a property has been let in breach of the Energy Efficiency Regulations 2015 it may serve a notice on the landlord imposing financial penalties. In September 2020 the Department for Business, Energy & Industrial Strategy issued a consultation titled "Improving the energy performance of privately rented homes in England and Wales" regarding, among other things, the proposal to raise energy performance standards for the domestic private rented sector to an EPC rating band of C. The consultation period closed on 8 January 2021. No publication date for the results of the consultation has yet been announced by the UK Government. On 20 September 2023, the government published a press release which set out certain changes to the government's net zero targets and commitments. This press release provided, among other things, that under revised plans, the government will scrap policies to force landlords to upgrade the energy efficiency of their properties, but instead continue to encourage households to do so where they can. It is currently unclear whether the Energy Efficiency Regulations 2015 will be amended and, if they are, to what extent.

Landlords in Scotland currently need to have a valid EPC available for a property offered for let when there is a change in tenancy. Under The Energy Performance of Buildings (Scotland) Regulations 2008 the EPC is valid for a period of up to ten years, and must be lodged on the EPC register. There are existing mechanisms to enforce this requirement, although it should be noted that in Scotland the basis for assessment of EPC ratings is different from that in England and Wales, which can lead to different ratings for similar buildings in both jurisdictions.

There is currently no minimum EPC rating required for domestic rented properties in Scotland. However, the Scottish Government has introduced proposals for new legislation which will require all properties in the private rented sector to reach a minimum energy efficiency standard by the end of 2028. A more detailed consultation on the proposed minimum energy efficiency standard is expected, however initial proposals indicate that it will be achieved by installing certain energy efficiency measures within a property (including appropriate insulation and heating controls) or where a good level of energy efficiency can be shown based on an EPC assessment. The proposed legislation also introduces an overarching Heat in Buildings Standard which, in addition to the requirement to meet a minimum energy efficiency standard, will require all building owners in Scotland to have moved to clean heating systems by the end of 2045, with earlier implementation periods for those purchasing properties and where a heat network zone applies. Separately, proposals for EPC reform in Scotland more generally are also currently being consulted on by the Scottish Government, which includes the addition of a new 'fabric rating' to indicate how well a building retains heat. Implementing regulations in relation to this EPC reform are expected in early 2025.

Unfair relationships

Under the CCA, the earlier "extortionate credit" regime was replaced by an "unfair relationship" test. The "unfair relationship" test applies to all existing and new credit agreements, except Regulated Mortgage Contracts and also applies to (as described above) "consumer credit back book mortgage contracts". If the court makes a determination that the relationship between a lender and a borrower is unfair, then it may make an order, among other things, requiring the relevant originator, or any assignee

such as the Issuer, to repay amounts received from such borrower. In applying the "unfair relationship" test, the courts are able to consider a wider range of circumstances surrounding the transaction, including the conduct of the creditor or anyone acting on behalf of the creditor before and after making the agreement or in relation to any related agreement. There is no statutory definition of the word "unfair" in the CCA as the intention is for the test to be flexible and subject to judicial discretion and it is therefore difficult to predict whether a court would find a relationship "unfair". However, the word "unfair" is not an unfamiliar term in UK legislation due to the UTCCR and the CRA (each as defined below). The courts may, but are not obliged to, look solely to the CCA for guidance. The principle of "treating customers fairly" under the FSMA, and guidance published by the FSA and, subsequently, the FCA on that principle and by the OFT on the unfair relationship test, may also be relevant. Under the CCA, once the debtor alleges that an "unfair relationship" exists, the burden of proof is on the creditor to prove the contrary.

Plevin v Paragon Personal Finance Limited [2014] UKSC 61, a Supreme Court judgment, has clarified that compliance with the relevant regulatory rules by the creditor (or a person acting on behalf of the creditor) does not preclude a finding of unfairness, as a wider range of considerations may be relevant to the fairness of the relationship than those which would be relevant to the application of the rules. Where add-on products such as insurance are sold and are subject to a significant commission payments, it is possible that the non-disclosure of commission by the lender is a factor that could form part of a finding of unfair relationship.

If a mortgage loan subject to the unfair relationship test is found to be unfair, the court has a wide range of powers and may require the lender (and any associate or former associate of the lender) to repay sums to the debtor, or to do, not do or cease doing anything in relation to the agreement or any related agreement, and may require the lender to reduce or discharge any sums payable by the debtor or surety, return to a surety any security provided by them, alter the terms of the agreement, direct accounts to be taken or otherwise set aside any duty imposed on the debtor or surety. The term creditor (i.e. lender as defined under section 189 of the CCA) means the person providing the credit under a consumer credit agreement or the person to whom their rights and duties under the agreement have passed by assignment or operation of law.

Distance Marketing of Financial Services

In the UK, the Financial Services (Distance Marketing) Regulations 2004 ("**DM Regulations**") apply to contracts for financial services entered into on or after 31 October 2004 by a "consumer" within the meaning of the DM Regulations and by means of distance communication (i.e. without any substantive simultaneous physical presence of the originator 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, the contractual terms and conditions, and whether or not there is a right of cancellation.

A Regulated Mortgage Contract under the FSMA, if originated by a UK lender (who is authorised by the FCA) from an establishment in the UK, will not be cancellable under the DM Regulations but will be subject to related pre-contract disclosure requirements in MCOB. Failure to comply with MCOB pre-contract disclosure rules could result in, amongst other things, disciplinary action by the FCA and claims for damages under Section 138D of the FSMA for breach of FCA rules.

Certain other agreements for financial services may be cancellable under the DM Regulations if the borrower does not receive the prescribed information at the prescribed time. Where the credit

agreement is cancellable under the DM Regulations, the borrower may send notice of cancellation at any time before the expiry of 14 days beginning with (i) the day after the day on which the contract is made (where all of the prescribed information has been provided prior to the contract being entered into); or (ii) the day after the day on which the last of the prescribed information is provided (where all of the prescribed information was not provided prior to the contract being entered into).

Compliance with the DM Regulations may be secured by way of injunction (interdict in Scotland) obtained by an enforcement authority, granted on such terms as the court thinks fit to ensure such compliance, and certain breaches of the DM Regulations may render the supplier or intermediaries (and their respective relevant officers) liable to a fine.

If the borrower cancels the contract under the DM Regulations, then: (a) the borrower is liable to repay the principal and any other sums paid by or on behalf of the lender to the borrower under or in relation to the contract within 30 calendar days of cancellation, beginning with the day of the borrower sending notice of cancellation or, if later, the lender receiving notice of cancellation; (b) the borrower is liable to pay interest, early repayment charges and other charges for services actually provided in accordance with the contract only if: (i) the amount is in proportion to the extent of the service provided (in comparison with the full coverage of the contract) and is not such that it could be construed as a penalty; (ii) the borrower received certain prescribed information at the prescribed time about the amounts payable; and (iii) the originator did not commence performance of the contract before the expiry of the relevant cancellation period unless requested to do so by the borrower; and (c) any security provided in relation to the contract is to be treated as never having had effect.

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

In the UK, the Unfair Terms in Consumer Contracts Regulations 1999 as amended (the "**1999 Regulations**"), together with (in so far as applicable) the Unfair Terms in Consumer Contracts Regulation 1994 (together with the 1999 Regulations, (the "**UTCCR**")), apply to business-to-consumer agreements made on or after 1 July 1995 and before 1 October 2015, where the terms have not been individually negotiated (and the "consumer" for these purposes falls within the definition provided in the UTCCR). The Consumer Rights Act 2015 (the "**CRA**") has revoked the UTCCR in respect of contracts made on or after 1 October 2015 (see "*Consumer Rights Act 2015*" below). In respect of contracts that (a) were entered into on or after 1 October 2015; or (b) were, since 1 October 2015, subject to a material variation such that they are treated as new contracts falling within the scope of the CRA, the CRA applies. The CRA is also applicable on or after 1 October 2015, to consumer notices, such as notices of variation of interest rate under contracts.

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

The UTCCR and the CRA provide that a consumer (which would include a Borrower under all or almost all of the Loans) may challenge a term in an agreement on the basis that it is "unfair" within the UTCCR or the CRA, as applicable, and therefore not binding on the consumer (although the rest of the agreement will remain enforceable if it is capable of continuing in existence without the unfair term) and provide that a regulator may take action to stop the use of terms which are considered to be unfair.

(a) UTCCR

The UTCCR will not generally affect terms which define the main subject matter of the contract, such as the borrower's obligation to repay the principal, provided that these terms are written in plain and intelligible language and are drawn adequately to the consumer's attention. The UTCCR may affect terms that are not considered to be terms which define the main subject matter of the contract, such as

the lender's power to vary the interest rate and certain terms imposing early repayment charges and mortgage exit administration fees. For example, if a term permitting the lender to vary the interest rate (as the originator is permitted to do) were found to be unfair, the borrower would not be liable to pay interest at the increased rate or, to the extent that the borrower has paid it, would be able, as against the lender, or any assignee such as the Issuer, to claim repayment of the extra interest amounts paid or to set off the amount of the claim against the amount owing by the borrower under the loan or any other loan agreement that the borrower has taken with the lender (or exercise analogous rights in Scotland).

(b) CRA

The main provisions of the CRA came into force on 1 October 2015 and apply to agreements made on or after that date. The CRA significantly reforms and consolidates consumer law in the UK. The CRA involves the creation of a single regime out of the Unfair Contract Terms Act 1977 (which essentially deals with attempts to limit liability for breach of contract) and the UTCCR. 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 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 unfair.

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

(c) Regulatory Developments

Historically the OFT, FSA and FCA (as appropriate) have issued guidance on the UTCCR. This has included: (i) OFT guidance on fair terms for interest variation in mortgage contracts dated February 2000; (ii) an FSA statement of good practice on fairness of terms in consumer contracts dated May

2005; (iii) an FSA statement of good practice on mortgage exit administration fees dated January 2007; and (iv) FSA finalised guidance on unfair contract terms and improving standards in consumer contracts dated January 2012.

On 2 March 2015, the FCA updated its online unfair contract terms library by removing some of its material (including the above mentioned guidance) relating to unfair contract terms. The FCA stated that such material "no longer reflects the FCA's views on unfair contract terms" and that firms should no longer rely on the content of the documents that have been removed.

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

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

Ultimately, only a court can decide whether a term is fair, however it may take into account relevant guidance published by the CMA or the FCA. On 19 December 2018, the FCA published finalised guidance: "Fairness of variation terms in financial services consumer contracts under the Consumer Rights Act 2015" (FG 18/7), outlining factors 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 "**CJEU**"). The finalised guidance relates to all financial services consumer contracts entered into since 1 July 1995. The FCA stated that firms should consider both this guidance and any other rules that apply when they draft and use variation terms in their consumer contracts. The FCA stated that the finalised guidance will apply to FCA authorised persons and their appointed representative in relation to any consumer contracts which contain variation terms.

The Unfair Contract Terms and Consumer Notices Regulation Guide (UNFCOG in the FCA handbook) explains the FCA's policy on how it uses its formal powers under the CRA and the Competition and Markets Authority (the "**CMA**") published guidance on the unfair terms provisions in the CRA on 31 July 2015 (the "**CMA Guidance**"). The CMA indicated in the CMA Guidance that the fairness and transparency provisions of the CRA are regarded to be "effectively the same as those of the UTCCR" (save in applying the consumer notices and negotiated terms). The document further notes that "the extent of continuity in unfair terms legislation means that existing case law generally, and that of the Court of Justice of the European Union particularly, is for the most part as relevant to the Act as it was the UTCCRs".

In general, the interpretation of the UTCCR and/or CRA is open to some doubt, particularly in the light of sometimes conflicting reported case law between English courts and the CJEU. 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/or the CRA, this may reduce amounts available to meet the payments due in respect of the Covered Bond Guarantee.

FCA Consumer Duty

The FCA has published final rules on the Consumer Duty, which aims to set a higher level of consumer protection in retail financial markets. The FCA published its final rules on the Consumer Duty in July 2023, which provide that the Consumer Duty came into effect from 31 July 2023 for products and services that remain open to sale or renewal and from 31 July 2024 for closed products and services.

The Consumer Duty applies to the regulated activities and ancillary activities of all firms authorised under the FSMA.

There are three main elements to the new Consumer Duty, comprising a new consumer principle, that "a firm must act to deliver good outcomes for the retail consumers of its products", cross-cutting rules supporting the consumer principle, and four outcomes, relating to the quality of firms' products and services, price and value, consumer understanding and consumer support.

The Consumer Duty applies not only at origination of a product but throughout its subsistence (so in the case of a mortgage loan, throughout the period the mortgage loan is outstanding). The cross-cutting rules include an obligation to avoid causing foreseeable harm to the consumer and the outcomes include an obligation to ensure that the product (for example, a mortgage loan) provides fair value to the retail customer. These obligations (as with the remainder of the Consumer Duty) must be assessed on a regular basis throughout the life of the product.

The Consumer Duty applies in respect of Regulated Mortgage Contracts (as well as loans falling within the consumer credit regime). It will apply to product manufacturers and distributors, which include purchasers of in scope mortgage loans, as well as firms administering or servicing those mortgage loans. Although the Consumer Duty will not apply retrospectively, the FCA will require firms to apply the Consumer Duty to existing products on a forward-looking basis.

The FCA's guidance states that the Consumer Duty does not apply to unregulated buy-to-let mortgage loans but there are some circumstances in which the Consumer Duty would apply to the servicing of buy-to-let loans.

Since 31 July 2023 the FCA has published a range of sector specific and cross-sector materials setting out its regulatory expectations in light of the Consumer Duty. On 24 October 2024 the FCA wrote (in a "Dear CEO" letter) to the Chief Executives of building societies to make clear its regulatory expectations including those around the Consumer Duty. Amongst other points, the letter emphasises the need to support customers in financial difficulties.

It is not yet possible to predict the precise effect of the new Consumer Duty on the Loans with any certainty, which may result in adverse effects on the enforceability of certain Loans. In addition, the impact of the Consumer Duty on the Loans cannot yet be predicted but no assurances can be given that it will not have a material adverse effect on the Seller, the Servicer and the Issuer and their respective businesses and operations.

Breathing Space Regulations

The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020 (SI 2020/1311) ("**Breathing Space Regulations**") (which came into force on 4 May 2021) gives eligible individuals in England and Wales the right to legal protection from their creditors, including almost all enforcement action, during a period of "breathing space". 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.

In February 2021, the FCA issued a policy statement (PS21/1) on the application of the Breathing Space Regulations, in which it confirms that no changes are currently being made to the rules under MCOB, in relation to how mortgage lenders should treat a "breathing space" as an indicator of payment difficulties. The FCA's view is that this is something that firms should take into account, but should not be treated more specifically than other potential indicators of payment difficulties.

In Scotland, eligible individuals are afforded similar legal protection under the Bankruptcy (Scotland) Act 2016 although the moratorium period of 6 months is longer than in England and Wales and does not make any accommodation for mental health crisis. However, the Scottish Parliament has passed The Bankruptcy and Diligence (Scotland) Act 2024 which permits regulations to be made for the introduction of a similar form of moratorium in Scotland as currently exists under the Breathing Space Regulations. The timescale for the introduction of regulations on the proposed moratorium is currently unknown.

Land Registration Reform in Scotland

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

Title to a residential property that is recorded in the General Register of Sasines is required to be moved to the Land Register of Scotland (a process known as "first registration") when that property is sold or if the owner decides voluntarily to commence first registration. First registration will also be triggered where an application is made to record a standard security over a property recorded in the General Register of Sasines. This would include 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 following a Perfection Event (a "**Scottish Sasine Sub-Security**"). A first registration triggered by a Scottish Sasine Sub-Security will likely result in higher legal costs and a longer period required to complete registration than would previously have been the case, which could reduce the amounts available to the Issuer to make payments under the Covered Bonds.

The impact of these changes on the Scottish land registration system is unlikely to be of material detriment to the Security Trustee or to the Covered Bondholders for the following reasons: (i) the Registers of Scotland report on the consultation process indicated that whilst these changes are likely to prolong completion of the registration process, where possible they will take a pragmatic view and not burden parties (such as the LLP, Security Trustee or the Borrower who owns the underlying Scottish Property) with unreasonable or arbitrary costs and in particular the report indicates that the Scottish Ministers intend to make an order under section 110 of the 2012 Act waiving the statutory fee for a first registration where its purpose is the granting of a standard security, which would keep the statutory cost of registering a Scottish Sasine Sub-Security in line with current statutory costs; (ii) whilst the prolonged registration process is likely to be of practical inconvenience to the Security Trustee and the Covered Bondholders the validity and effectiveness of any Scottish Sasine Sub-Security would be unaffected by the change to the registration system (and the relevant Scottish Mortgages would in any

event continue to be covered by the floating charge granted by the LLP under the Deed of Charge) and (iii) the proportion of property titles in Scotland which remain recorded in the General Register of Sasines is declining (Registers of Scotland estimated this figure to be approximately 12.5 per cent. of the functional housing stock in Scotland in September 2024) and, given the overall number of Scottish Mortgages in the Portfolio, it is likely that such provisions would impact only a minority of the Mortgages in the Portfolio. It is, however, not unlikely that, were the transfer of legal title to Scottish Loans and their Related Security to the LLP to be perfected in accordance with the Mortgage Sale Agreement after the Commencement Date, the parties involved may still encounter increased legal and other third-party costs relating to the first registration process and an additional administrative burden.

Repossessions

A protocol for mortgage possession claims in England and Wales came into force on 19 November 2008 and was replaced with an updated protocol for mortgage possession claims which came into force on 6 April 2015 (the "**Pre-action Protocol**"). The Pre-action Protocol sets out the steps that judges will expect any lender to take before starting a claim. A number of mortgage lenders have confirmed that they will delay the initiation of repossession action for at least three months after a borrower, who is an owner-occupier, is in arrears. In addition, under the Pre-action Protocol the lender must consider whether to postpone the start of a possession claim where the borrower has made a genuine complaint to the Financial Ombudsman Service about the potential possession claim. The application of such a moratorium is subject to the wishes of the relevant borrower and may not apply in cases of fraud. The Pre-action Protocol expressly states that it does not apply to "Buy-to-Let mortgages" (although the Pre-action Protocol has not been updated to expressly confirm that it does not apply to consumer buy-to-let mortgages).

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 Ombudsman about the potential possession claim.

Home Owner and Debtor Protection (Scotland) Act 2010

Part I of the Home Owner and Debtor Protection (Scotland) Act 2010 came into force on 30 September 2010 and imposes additional requirements on heritable creditors (the Scottish equivalent to a mortgagee) in relation to the enforcement of standard securities over residential property in Scotland. Under Part I of this Act, the heritable creditor, which may be the Seller or, in the event of it taking legal title to the Scottish Loans and their Related Security, the LLP, has to obtain a court order to exercise its power of sale (in addition to initiating the enforcement process by the service of a two-month "calling up" notice), unless the borrower and any other occupiers have surrendered the property voluntarily. In applying for the court order, the heritable creditor also has to demonstrate that it has taken various preliminary steps to attempt to resolve the borrower's position, and comply with further procedural requirements, which may restrict the ability of the Seller (or LLP, as applicable) as heritable creditor in respect of the Scottish Loans and their Related Security to exercise its power of sale.

Financial Ombudsman Service

Under the FSMA, the Ombudsman is required to make decisions on, among other things, complaints relating to activities and transactions under its jurisdiction on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all circumstances of the case, taking into account, among other things, law and guidance, rather than making determinations strictly on the basis of compliance with law.

Complaints brought before the Ombudsman for consideration must be decided on a case-by-case basis, with reference to the particular facts of any individual case. Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman. As the Ombudsman is required to make decisions on the basis of, among other things, the principles of fairness, and may order a monetary award to a complaining borrower, it is difficult to predict how any future decision of the Ombudsman would affect the ability of the LLP to make payments of amounts due to Covered Bondholders.

Consumer Protection from Unfair Trading Regulations 2008 and the Digital Markets, Competition and Consumers Act 2024

The CPUTR came into force on 26 May 2008 and prohibits certain practices which are deemed "unfair" within the terms of the CPUTR. Breach of the CPUTR does not (of itself) render an agreement void or unenforceable, but is a criminal offence punishable by a fine and/or imprisonment. Under the CPUTR, the possible liabilities for misrepresentation or breach of contract in relation to the underlying credit agreements may result in irrecoverable losses on amounts to which such agreements apply. The Consumer Protection (Amendment) Regulations 2014 (SI No.870/2014) was laid before Parliament on 1 April 2014 and came into force on 1 October 2014 and amended the CPUTR. In certain circumstances, these amendments to the CPUTR give consumers a right to redress for misleading or aggressive commercial practices (as defined in the CPUTR), including a right to unwind agreements.

On 24 May 2024 the Digital Markets, Competition and Consumers Bill received royal assent, becoming the Digital Markets, Competition and Consumers Act 2024 ("**DMCCA**"). The DMCCA is not yet fully in force and most of its key provisions will be brought into force through secondary legislation. Once fully in force, the DMCCA will revoke the CPUTR and recreate their effect, with minor amendments (Part 4 of the DMCCA), prohibiting unfair commercial practices in business to consumer relationships. In addition to some minor amendments to the CPUTR rules, the new regime will introduce new rules on consumer reviews, drip pricing and consumer vulnerability. In addition, the DMCCA largely replicates the list of specified banned practices contained in the CPUTR and creates new powers to expand the list of automatically unfair practices. Under the DMCCA, the unfair commercial practices regime, along with all other consumer protection legislation, will become subject to a new enforcement regime under which the CMA will enjoy new direct enforcement powers, which will operate in parallel with a court-based enforcement regime.

The new unfair commercial practices regime established by the DMCCA will apply to acts or omissions which take place on or after the commencement date (to be determined by secondary legislation). It cannot be excluded that the new rules and enforcement regime under the DMCCA will have an adverse impact on the Loans.

Assured Shorthold Tenancy (AST)

Depending on the level of ground rent payable at any one time it is possible that a long leasehold in England and Wales may also be an Assured Tenancy ("**AT**") or Assured Shorthold Tenancy ("**AST**") under the Housing Act 1988 ("**HA 1988**"). If it is, this could have the consequences set out below.

A tenancy or lease in England and Wales will be an AT if granted after 15 January 1989 and:

(a) the tenant or, as the case may be, each of the joint tenants is an individual;

(b) 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

(c) if granted before 1 April 1990:

(i) the property had a rateable value at 31 March 1990 lower than GBP1,500 in Greater London or GBP750 elsewhere; and

(ii) the rent payable for the time being is greater than two-thirds of the rateable value at 31 March 1990;

(d) if granted on or after 1 April 1990 the rent payable for the time being is between GBP251 and GBP100,000 inclusive (or between GBP1,001 and GBP100,000 inclusive in Greater London).

There is no maximum term for an AT and therefore any lease can constitute an AT if it satisfies the relevant criteria.

Since 28 February 1997 all ATs will automatically be ASTs (unless the landlord serves notice to the contrary) which gives landlords the right to recover the property at the end of the term of the tenancy. The HA 1988 also entitles a landlord to obtain an order for possession and terminate an AT/AST during its fixed term on proving one of the grounds for possession specified in section 7(6) of the HA 1988. The ground for possession of most concern in relation to long leaseholds is Ground 8 – namely that if the rent is payable yearly (as most ground rents are), at least three months' rent is more than three months in arrears both at the date of service of the landlord's notice and the date of the hearing.

Most leases in England and Wales give the landlord a right to forfeit the lease if rent is unpaid for a certain period of time but the courts normally have power to grant relief, cancelling the forfeiture as long as the arrears are paid off. There are also statutory protections in place to protect long leaseholders from unjustified forfeiture action. However, an action for possession under Ground 8 is not the same as a forfeiture action and the court's power to grant relief does not apply to Ground 8. In order to obtain possession, the landlord will have to follow the notice procedure in section 8 of the HA 1988 and, if the tenant does not leave on expiry of the notice, apply for a court order. However, as ground 8 is a mandatory ground, the court will have no discretion and will be obliged to grant the order if the relevant conditions are satisfied. There is a government consultation underway to review residential leasehold law generally and it is anticipated that this issue will be addressed as part of any resulting reforms.

There is a risk that where:

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

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

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

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

the long lease will come to an end and the landlord will be able to re-enter the relevant property.

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 ATs and ASTs in England and Wales) do not apply to long leases in respect of residential property in Scotland that are capable of being registered in the Registers of Scotland and secured by a standard security.

The Renting Homes (Wales) Act 2016

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

some tenancies will not be converted with retrospective effect (including those which have protection under the Rent Act 1977 and tenancies for more than 21 years).

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

Under the Renting Homes Act, a landlord must, within the requisite time period set out in the act, serve a written statement on the tenant of an occupation contract which sets out certain terms of the occupation contract which are specified in the Act.

Where a tenant has breached the occupation contract the minimum notice that must be given to the tenant by the landlord of termination of the contract is one month. The notice period can be shorter where it relates to acts of anti-social behaviour or serious rent arrears. Where a 'no fault' notice is issued, the minimum notice that must be given to a tenant is six months.

Private Housing (Tenancies) (Scotland) Act 2016 and The Cost of Living (Tenant Protection) (Scotland) Act 2022

From 1 December 2017, The Private Housing (Tenancies) (Scotland) Act 2016 (the "**2016 Act**") replaced short assured tenancies in Scotland with a new form of tenancy known as a private residential tenancy. This is intended (except in a limited number of exceptions) to provide the tenant 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 may not be able to obtain vacant possession if it wishes to enforce its security unless one of the specific eviction grounds applies. However, one of the grounds on which an eviction order can be sought is that a lender intends to sell the property and requires the tenant to leave the property in order to dispose of it with vacant possession.

A rent cap, which was introduced by the Scottish Parliament in response to rapid increases in inflation and the cost of living that have been affecting the UK since the beginning of the energy crisis in the first half of 2022, ended on 31 March 2024. From 1 April 2024, transitional regulations implemented by the Scottish Parliament introduced a replacement rent adjudication scheme which temporarily amends the rent adjudication process for 12 months (with the option to extend for a further 12 months). Under the modified process, tenants wishing to dispute a rent increase notice can apply to a rent officer at Rent Service Scotland or to the First Tier Tribunal for rent adjudication. Any changes in rent must be based on one of three comparators: (i) the open market rent; (ii) a landlord's proposed rental increase; and (iii) a new taper calculation that will specify a maximum 'reasonable' increase for that tenancy.

The Housing (Scotland) Bill was introduced by the Scottish Government on 26 March 2024. The Bill includes proposals for long-term rent controls for private tenancies, including provisions relating to the designation of rent control areas and related restrictions on the amount by which rents can be increased in those areas within a 12 month period (both within and between tenancies). The Bill also includes proposals to provide greater protection to tenants during the eviction process, including a requirement on the First Tier Tribunal and the Sheriff Court to consider whether a delay to eviction should occur based on the individual circumstances of a case, including in relation to seasonal pressures.

Any long-term rent restrictions or delays to landlords seeking possession of a property introduced under the Housing (Scotland) Bill and the restrictions on a landlord's ability to increase rent during the period in which these temporary rent adjudication protections are in place may result in less rental income being available to meet some borrowers' repayment obligations in respect of the Loans.

The effect of this legislation is primarily restricted to any buy-to-let loans secured over Property in Scotland.

Mortgage Charter

On 26 June 2023, the HM Treasury published the 'Mortgage Charter' in light of the current pressures on households following interest rate rises and the cost-of-living crisis. The Mortgage Charter states that the UK's largest mortgage lenders and the FCA have agreed with the Chancellor a set of standards that they will adopt when helping their regulated mortgage borrowers worried about high interest rates (the "**Mortgage Charter**"). Skipton Building Society is a signatory to the Mortgage Charter and has agreed that, among other things, a borrower will not be forced to leave their home without their consent unless in exceptional circumstances, in less than a year from their first missed payment. In addition, lenders will permit borrowers who are up to date with their payments to: (i) switch to interest-only payments for six months (the "**MC Interest-Only Agreement**"); or (ii) extend their mortgage term to reduce their monthly payments and give borrowers the option to revert to their original term within six months by contacting their lender (the "**MC Extension Agreement**"). These options can be taken by borrowers who are up to date with their payments without a new affordability check or affecting their credit score. The Mortgage Charter commitments do not apply to buy-to-let mortgages.

With the effect on and from 30 June 2023, the FCA has amended the Mortgages and Home Finance: Conduct of Business Sourcebook (MCOB) to allow (rather than require) lenders to give effect to the MC Interest-only Agreement and the MC Extension Agreement. The amendments made by the FCA do not apply to second ranking mortgages or bridging loans. The FCA announced that it intends to review the impact of the rule changes within 12 months.

The Mortgage Charter is currently voluntary and adhering to it will be a decision for lenders to make individually.

There can be no assurance that the FCA or other UK government or regulatory bodies, will not take further steps in response to the rising cost of living in the UK which may impact the performance of the Loans, including further amending and extending the scope of the Mortgage Charter or related rules.

FCA response to the cost of living crisis

On 16 June 2022, the FCA sent a "Dear CEO" letter which stated that the FCA consider that the Mortgages Tailored Support Guidance published on 25 March 2021 (the "**Mortgages Tailored Support Guidance**") which was issued to address exceptional circumstances arising out of the coronavirus pandemic, is also relevant for borrowers in financial difficulties due to other circumstances such as the rising cost of living. Therefore, if a borrower indicates that they are experiencing or reasonably expect to experience payment difficulties due to the rising cost of living, the FCA have said that lenders should offer prospective forbearance to enable them to avoid, reduce, or manage any payment shortfall that would otherwise arise. This includes borrowers who have not yet missed a payment.

The Mortgages Tailored Support Guidance emphasises the MCOB requirement that a lender must not repossess a property unless all other reasonable attempts to resolve the position have failed. It further states that mortgage lenders must also establish and implement clear, effective and appropriate policies and procedures for the fair and appropriate treatment of borrowers whom the lender understands, or reasonably suspects, to be particularly vulnerable. The Mortgages Tailored Support Guidance also confirms the FCA's expectation that action to seek possession should be a last resort.

In addition, the FCA proposed that lenders considering or resuming possession proceedings, should support and enable borrowers to disclose circumstances that might make them particularly vulnerable to repossession action at this time, and to consider whether additional care may be required as a result.

On 10 March 2023, the FCA published finalised guidance: "Guidance for firms supporting their existing mortgage borrowers impacted by the rising cost of living" (FG23/2). The FCA stated that the purpose of the finalised guidance was to ensure that lenders are clear about the effect of the FCA rules and the range of options lenders have to support their customers including those who are facing higher interest rates alongside the rising cost of living. The FCA have said that the guidance clarifies the effect of their existing rules and principles and is not intended to set new expectations or requirements of lenders or to repeat the position set out in other documents such as the expectations around repossessions or the treatment of vulnerable customers. It explains how lenders can support borrowers in, or at risk of, payment difficulty and confirms the flexibility lenders have under FCA rules and guidance to support borrowers in different ways.

The FCA makes clear in the Mortgages Tailored Support Guidance that it expects lenders of both owner occupied and buy-to-let mortgage loans to act in a manner consistent with the guidance.

On 25 May 2023, the FCA launched consultation CP23/13 setting out how it planned to incorporate aspects of the Mortgages Tailored Support Guidance into MCOB and withdraw the Mortgages Tailored Support Guidance.

On 10 April 2024, the FCA published PS24/2: Strengthening protections for borrowers in financial difficulty: Consumer credit and mortgages and the related Consumer Credit and Mortgages (Tailored Support) Instrument 2024 (FCA 2024/7). It also published FG24/2: Guidance for firms supporting existing mortgage borrowers impacted by rising living costs. The FCA have stated that they want to build on the Mortgages Tailored Support Guidance and provide a stronger framework for lenders to protect customers facing payment difficulties, they are doing this by incorporating relevant aspects of the Mortgages Tailored Support Guidance into their Handbook, as well as introducing further targeted changes. For mortgages, the FCA have changed their guidance to allow lenders more scope to capitalise payment shortfalls where appropriate and to improve disclosure for all customers in payment shortfall. The new rules came into force on 4 November 2024 and the Mortgages Tailored Support Guidance was withdrawn at the same time. It is worth noting that the rules will not apply to unregulated buy-to-let loans.

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

DESCRIPTION OF THE UK REGULATED COVERED BOND REGIME

The Regulated Covered Bonds Regulations 2008 (SI 2008/346), as amended from time to time (the "**RCB Regulations**") and the corresponding implementation provisions, set out in the Regulated Covered Bonds Sourcebook published under the FSMA (the "**RCB Sourcebook**"), came into force in the United Kingdom on 6 March 2008. In summary, the RCB Regulations implement a legislative framework for UK covered bonds.

FCA supervision and registration

The FCA performs certain supervision and enforcement related tasks in respect of the new regime, including admitting issuers and covered bonds to the relevant registers and monitoring compliance with ongoing requirements. To assist it with these tasks, the FCA has certain powers under the RCB Regulations. In particular, in certain circumstances the FCA may direct the winding-up of an owner, remove an issuer from the register of issuers and/or impose a financial penalty of such amount as it considers appropriate in respect of an issuer or owner and direct an issuer to publish information given to the FCA under the RCB Regulations. Moreover, as a body which regulates the financial services industry in the United Kingdom, the FCA may take certain actions in respect of issuers using its general powers under the UK regulatory regime (including restricting an issuer's ability to transfer further assets to the asset pool).

The Issuer and the Programme were admitted to the register of issuers under the RCB Regulations on 18 July 2017 and any Covered Bonds issued under the Programme will be admitted to the register of regulated covered bonds.

Requirements under the legislative framework

The RCB Regulations and the RCB Sourcebook include various requirements related to registered issuers, asset pool owners, pool assets and the contractual arrangements made in respect of such assets. In this regard, issuers and owners have various initial and ongoing obligations under the RCB Regulations and the RCB Sourcebook and are responsible for ensuring they comply with them. In particular, issuers are required to (among other things) enter into arrangements with the owner for the maintenance and administration of the asset pool such that certain asset record-keeping obligations and asset capability and quality related requirements are met, and notify the FCA of various matters (including any regulated covered bonds it issues, the assets in the asset pool, matters related to its compliance with certain regulations and any proposed material changes). Owners are required to (among other things) notify the FCA of various matters (including any proposed transfer of ownership of the asset pool) and, on insolvency of the issuer, make arrangements for the maintenance and administration of the asset pool (similar to the issuer obligations described above).

The UK authorities undertook reviews of the UK legislative framework in 2011 and 2012 and certain changes were made to the regime with the intention of enhancing the attractiveness of UK regulated covered bonds to investors. These changes took effect from 1 January 2013 and include the following:

- *Single asset pool designation* – issuers are required to designate their programme as being a single asset pool (consisting of either class one assets – public sector debt, class two assets – residential mortgage loans, or class three assets – commercial loans, and, in each case, liquid assets) or a mixed asset pool (consisting of all eligible property for the purposes of the RCB Regulations). The Issuer has provided the necessary certifications for the Programme to be registered as a single asset pool programme, falling in class two. As a result, the asset pool will consist solely of residential mortgage loans and certain liquid assets, being UK Government securities and cash deposits, all of which comply with section 2 of the RCB Regulations. In

keeping with the requirements under the RCB Regulations, the asset pool will not include any asset backed securities.

- *Fixed minimum over collateralisation requirement for principal and fixed minimum coverage requirement for interest* – the total principal amount outstanding on the loans constituting eligible property in the asset pool is required to be more than 108 per cent. of the total principal amounts outstanding in relation to the regulated covered bonds to which the asset pool relates. For the purposes of calculating this test, the issuer can take into account certain liquid assets up to a maximum of eight per cent. of those covered bonds that have a maturity date of one year or more and 100 per cent. of those covered bonds that have a maturity date of less than one year. The total amount of interest payable in the period of 12 months following any given date in respect of the eligible property in the asset pool is required to be not less than the interest which would be payable in relation to the regulated covered bonds issued under the programme in that period, assuming that the reference rates applicable on the given date do not change in that period.

- *Investor reporting, including loan level data* – investor reporting requirements apply. In particular, issuers are required to make available detailed loan-level information relating to the asset pool. Issuers are also required to publish certain transaction documents relating to the programme. The information to be published by the Issuer can be found at https://www.skipton.co.uk/investorrelations/unsecuredisclaimercoveredbonds. The information set out in the website and the contents thereof do not form part of this Prospectus.

- *Asset pool monitor role* – an asset pool monitor is required, on an annual basis, to inspect and assess the issuer's compliance with certain principles-based requirements under the regime and to report on their findings to the FCA (with additional reporting requirements in the case of issuer non-compliance). Each issuer is required to appoint an asset pool monitor. Deloitte LLP has been appointed as asset pool monitor.

See also "*Risk Factors – UK regulated covered bond regime*" and "*Risk Factors – Expenses of insolvency officeholders*".

DESCRIPTION OF LIMITED LIABILITY PARTNERSHIPS

Since 6 April 2001 it has been possible to incorporate a limited liability partnership in England, Wales and Scotland under the Limited Liability Partnerships Act 2000 (the "**LLPA 2000**"). Limited liability partnerships are legal entities that provide limited liability to the members of a limited liability partnership combined with the benefits of the flexibility afforded to partnerships and the legal personality afforded to companies.

Corporate characteristics

A limited liability partnership is more like a company than a partnership. A limited liability partnership is a body corporate with its own property and liabilities, separate from its members. Like shareholders in a limited company, the liability of the members of a limited liability partnership is limited to the amount of their capital because it is a separate legal entity and when the members decide to enter into a contract, they bind the limited liability partnership in the same way that directors bind a company. Members may be liable for their own negligence and other torts or delicts, like company directors, if they have assumed a personal duty of care and have acted in breach of that duty. Third parties can assume that members, like company directors, are authorised to act on behalf of the limited liability partnership.

The provisions of the Companies Act 2006 and the Insolvency Act 1986 have been modified by the Limited Liability Partnerships (Application of Companies Act 2006) Regulations 2009 and the Limited Liability Partnerships Regulations 2001 (each as amended from time to time) so as to apply most of the insolvency and winding-up procedures for companies equally to a limited liability partnership and its members. As a distinct legal entity a limited liability partnership can grant fixed and floating security over its assets and a limited liability partnership will survive the insolvency of any of its members. An administrator or liquidator of an insolvent member would be subject to the terms of the members' agreement relating to the limited liability partnership but a liquidator of an insolvent member may not take part in the administration of the limited liability partnership or its business.

Limited liability partnerships must file annual returns and audited annual accounts at Companies House for each financial year in the same way as companies.

Partnership characteristics

A limited liability partnership retains certain characteristics of a partnership. It has no share capital and there are no capital maintenance requirements. The members are free to agree how to share profits, who is responsible for management and how decisions are made, when and how new members are appointed and the circumstances in which its members retire. The members' agreement is a private document and there is no obligation to file it at Companies House.

Taxation

A limited liability partnership which carries on a trade or business with a view to profit (and which is not the subject of certain insolvency proceedings) is, generally speaking, treated as a partnership for corporation tax purposes. As such, the members of a limited liability partnership, and not the limited liability partnership itself, are subject to tax in relation to the business of the limited liability partnership in broadly the same way that the members of a partnership are subject to tax in relation to the business of that partnership.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer and the LLP believe to be reliable, but none of the Issuer, the LLP, the Bond Trustee nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the LLP nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Covered Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book-entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for securities that its participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerised book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC System is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has a Standard & Poor's rating of: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of DTC Covered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Covered Bonds on DTC's records. The ownership interest of each actual purchaser of each Covered Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct Participant's and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners, however, are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Covered Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Covered Bonds, except in the event that use of the book-entry system for the DTC Covered Bonds is discontinued.

To facilitate subsequent transfers, all DTC Covered Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorised representative of DTC. The deposit of DTC Covered Bonds with DTC and

their registration in the name of Cede & Co. or such other DTC nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Covered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Covered Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Covered Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Covered Bonds unless authorised by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co's consenting or voting rights to those Direct Participants to whose accounts the DTC Covered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Covered Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or the Principal Paying Agent, on the payable date, in accordance with their respective holdings shown on DTC's records. Payments by participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such participant and not of DTC, the Principal Paying Agent or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorised representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

Under certain circumstances, DTC will exchange the DTC Covered Bonds for Registered Definitive Covered Bonds, which it will distribute to its participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Covered Bond, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*".

Since DTC may act on behalf only of Direct Participants, who in turn act on behalf of Indirect Participants, any Beneficial Owner desiring to pledge DTC Covered Bonds to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Covered Bonds, will be required to withdraw its Registered Covered Bonds from DTC as described below.

DTC may discontinue providing its services as depository with respect to the DTC Covered Bonds at any time by giving reasonable notice to the Issuer or the Principal Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, DTC Covered Bonds certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, DTC Covered Bonds certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg, each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg, provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg, also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg, have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg, customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg, is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Book-entry Ownership of and Payments in respect of DTC Covered Bonds

The Issuer may apply to DTC in order to have any Tranche of Covered Bonds represented by a Registered Global Covered Bond accepted in its book-entry settlement system. Upon the issue of any such Registered Global Covered Bond, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Covered Bond to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Covered Bond will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Covered Bond, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Covered Bond accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. Dollars of principal and interest in respect of a Registered Global Covered Bond accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Covered Bond. In the case of any payment in a currency other than U.S. Dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Covered Bond in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. Dollars and credited to the applicable participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by participants to beneficial owners of Covered Bonds will be governed by standing instructions and

customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such participant and not the responsibility of DTC, the Bond Trustee, the Security Trustee, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Covered Bonds to DTC is the responsibility of the Issuer.

Transfers of Covered Bonds Represented by Registered Global Covered Bonds

Transfers of any interests in Covered Bonds represented by a Registered Global Covered Bond within DTC, Euroclear and Clearstream, Luxembourg, will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Covered Bonds represented by a Registered Global Covered Bond to such persons may depend upon the ability to exchange such Covered Bonds for Covered Bonds in definitive form. Similarly, because DTC can act on behalf only of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Covered Bonds represented by a Registered Global Covered Bond accepted by DTC to pledge such Covered Bonds to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Covered Bonds may depend upon the ability to exchange such Covered Bonds for Covered Bonds in definitive form. The ability of any holder of Covered Bonds represented by a Registered Global Covered Bond accepted by DTC to resell, pledge or otherwise transfer such Covered Bonds may be impaired if the proposed transferee of such Covered Bonds is not eligible to hold such Covered Bonds through a Direct Participant or Indirect Participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Covered Bonds described under "*Subscription and Sale and Transfer and Selling Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg, or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian 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 understanding of current United Kingdom law and HM Revenue & Customs' (HMRC) published practice relating only to the United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) by the Issuer in respect of Covered Bonds and payments by the LLP in respect of Covered Bonds. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Covered Bonds. The United Kingdom tax treatment of prospective holders of Covered Bonds depends on their individual circumstances and may be subject to change in the future. Prospective holders of Covered Bonds who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Payment of interest by the Issuer in respect of the Covered Bonds

Payments of interest by the Issuer on the Covered Bonds may be made without deduction of or withholding on account of United Kingdom 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 Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for this purpose. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) 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 by the Issuer without withholding or deduction for or on account of United Kingdom income tax.

In other cases, if the Covered Bonds are capable of being listed on a "recognised stock exchange" at the time the interest on the Covered Bonds becomes payable an amount must generally be withheld from such payments on account of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to any other available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a 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 United Kingdom withholding tax treatment of payments by the LLP under the terms of the Covered Bond Guarantee which have a United Kingdom source is uncertain. In particular, such payments by the LLP may not be eligible for the exemptions described above in relation to payments of interest. Accordingly, if the LLP makes any such payments, these may be subject to United Kingdom withholding tax at the basic rate. If payments by the LLP are subject to any withholding or deduction for or on account of tax, the LLP will not be required to pay any additional amounts.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as "FATCA", a "foreign financial institution" (as defined for purposes of FATCA, and including an intermediary through which Covered Bonds are held) may be required to withhold at a rate of 30 per cent. on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting or related requirements. The term “foreign passthru payment” is not yet defined. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with

the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Covered Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Covered Bonds characterised as debt (or which are not characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional Covered Bonds (as described under "*Terms and Conditions of the Covered Bonds – Further Issues*") that are not distinguishable from previously issued Covered Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Covered Bonds, including the Covered Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Covered Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Covered Bonds, no person will be required to pay additional amounts as a result of the withholding.

CERTAIN U.S. REGULATORY CONSIDERATIONS

INVESTMENT COMPANY ACT

The LLP is not now, and solely after giving effect to any offering and sale of Covered Bonds pursuant to the Trust Deed will not be, a "covered fund" for purposes of regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended, commonly known as the "Volcker Rule". In reaching this conclusion, although other statutory or regulatory exemptions under the Investment Company Act of 1940, as amended ("**Investment Company Act**"), and under the Volcker Rule and its related regulations may be available, the Issuer has relied on the determinations that the LLP may rely on the exemption from registration under the Investment Company Act provided by Section 3(c)(5)(C) thereunder. Accordingly, the LLP may rely on the exemption from the definition of a "covered fund" under the Volcker Rule made available to entities that do not rely solely on Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act for their exemption from registration under the Investment Company Act.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in a Programme Agreement dated 1 October 2008 (as the same may be amended and/or supplemented and/or restated from time to time, the "**Programme Agreement**") agreed with the Issuer and the LLP a basis upon which such Dealers or any of them may from time to time agree to purchase Covered Bonds. Any such agreement for any particular purchase by a Dealer will extend to those matters stated under "*Form of the Covered Bonds*" and "*Terms and Conditions of the Covered Bonds*" above. The Issuer may pay the Dealers commission from time to time in connection with the sale of any Covered Bonds and, in the Programme Agreement, the Issuer has agreed to reimburse and indemnify the Dealers for certain of their expenses and liabilities in connection with the establishment and any future updates of the Programme and the issue of Covered Bonds under the Programme. The Dealers are entitled to be released and discharged from their obligations in relation to any agreement to issue and purchase Covered Bonds under the Programme Agreement in certain circumstances prior to payment to the Issuer.

Transfer Restrictions

As a result of the following restrictions, purchasers of Covered Bonds in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Covered Bonds.

Each purchaser of Registered Covered Bonds (other than a person purchasing an interest in a Registered Global Covered Bond with a view to holding it in the form of an interest in the same Global Covered Bond) or person wishing to transfer an interest from one Registered Global Covered Bond to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree, and each person purchasing an interest in a Registered Global Covered Bond with a view to holding it in the form of an interest in the same Global Covered Bond will be deemed to have acknowledged, represented and agreed, 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: (a) it is a QIB, purchasing (or holding) the Covered Bonds for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A, or (b) it is outside the United States and is not a U.S. person and it is not purchasing (or holding) the Covered Bonds for the account or benefit of a U.S. person;

(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 the securities laws or "blue sky" laws of any state or other jurisdiction of the United States, and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except as set forth below and in compliance with applicable state or local securities laws;

(c) 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) that, unless it holds an interest in a Regulation S Global Covered Bond and either is a person located outside the United States or is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Covered Bonds or any beneficial interests in the Covered Bonds, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Covered Bonds, only (a) to the Issuer or any affiliate thereof, (b) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for

the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available), or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;

(e) that it will, and will require each subsequent holder to, notify any purchaser of the Covered Bonds from it of the resale restrictions referred to in paragraph (c) 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 offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Covered Bonds;

(g) that the Covered Bonds, other than the Regulation S Global Covered Bonds, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OR "BLUE SKY" LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.

BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS A "**QUALIFIED INSTITUTIONAL BUYER**" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY (THE **"AGENCY AGREEMENT"**) AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OR BENEFIT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).";

(h) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Covered Bonds prior to the expiration of the distribution compliance period (defined as 40 days after the completion of the distribution of the Tranche of Covered Bonds of which such Covered Bonds are a part, as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue), it will do so only (a)(i) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (ii) to a QIB in compliance with Rule 144A, and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Global Covered Bonds will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OR "BLUE SKY" LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY (THE "**AGENCY AGREEMENT**") AND PURSUANT TO AN EXEMPTION FROM OR IN A TRANSACTION NOT SUBJECT TO THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT, OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. UNTIL THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE COVERED BONDS OF THE TRANCHE OF WHICH THIS COVERED BOND FORMS PART, SALES MAY NOT BE MADE IN THE UNITED STATES OR TO U.S. PERSONS UNLESS MADE (I) PURSUANT TO RULE 903 OR 904 OR REGULATION S UNDER THE SECURITIES ACT, OR (II) TO QUALIFIED INSTITUTIONAL BUYERS AS DEFINED IN, AND IN TRANSACTIONS PURSUANT TO, RULE 144A UNDER THE SECURITIES ACT."; and

(i) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Covered Bonds as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

No sale of Legended Covered Bonds in the United States to any one purchaser will be for less than U.S.$100,000 (or the approximate equivalent in another Specified Currency) principal amount and no Legended Covered Bond will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.$250,000 (or the approximate equivalent in another Specified Currency) principal amount of Registered Covered Bonds.

Dealers may arrange for the resale of Covered Bonds to QIBs pursuant to Rule 144A and each such purchaser of Covered Bonds is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Covered Bonds which may be purchased by a QIB pursuant to Rule 144A is U.S.$250,000 (or the approximate equivalent in another Specified Currency.)

Selling Restrictions

United States

Regulation S, Category 2, TEFRA D rules apply, unless the applicable Final Terms specifies that the TEFRA C rules are applicable instead, or that the TEFRA rules are not applicable. Sales to QIBs in reliance upon Rule 144A under the United States Securities Act of 1933, as amended (the Securities Act) who agree to purchase for their own account and not with a view to distribution will be permitted, if so specified in the applicable Final Terms.

The Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act or the securities laws or "blue sky" laws of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or in transactions not subject to, the registration requirements of the Securities Act and any applicable state or local securities laws. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Bearer Covered Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and U.S. Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA D or TEFRA C rules apply or whether TEFRA is not applicable.

In connection with any Covered Bonds which are offered, sold or delivered outside the United States in reliance on Regulation S ("**Regulation S Covered Bonds**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Regulation S Covered Bonds (i) as part of its distribution at any time, or (ii) otherwise until 40 days after the completion of the distribution of the Tranche of Covered Bonds of which such Covered Bonds are a part, as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue, and except in either case in accordance with Regulation S under the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Covered Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Covered Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of a Tranche of Covered Bonds, an offer or sale of such Covered Bonds within the United States by any dealer (whether or not participating in the

offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of Covered Bonds to QIBs pursuant to Rule 144A and each such purchaser of Covered Bonds is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Covered Bonds which may be purchased by a QIB pursuant to Rule 144A is U.S.$100,000 (or the approximate equivalent in another Specified Currency). To permit compliance with Rule 144A in connection with any resales or other transfers of Covered Bonds that are "restricted securities" within the meaning of the Securities Act, each of the Issuer and the LLP has undertaken in the Trust Deed to furnish, upon the request of a holder of such Covered Bonds or any beneficial interest therein, to such holder or to a prospective purchaser designated by them, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Covered Bonds remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act and each of the Issuer and the LLP is neither a reporting company under Section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

Prohibition of Sales to UK Retail Investors

Unless the Final Terms in respect of any Covered Bonds specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to any retail investor in the 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 UK domestic law by virtue of the EUWA; or

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

  (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and

(b) the expression **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds.

United Kingdom

The Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Covered Bonds that have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business, and (ii) it has not offered, sold or delivered and will not offer, sell or deliver any Covered Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect

will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of such Covered Bonds would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the LLP or, in the case of the Issuer would not, if it was not an authorised person, apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the UK.

Republic of Italy

The Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the offering of the Covered Bonds has not been registered pursuant to Italian securities legislation and, accordingly, no Covered Bonds may be offered, sold or delivered, nor may copies of the Prospectus or of any other document relating to the Covered Bonds be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of Regulation (EU) 2017/1129 (the "**EU Prospectus Regulation**") and any applicable provision of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and Italian CONSOB (as defined below) regulations; or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the EU Prospectus Regulation and Article 34-ter of CONSOB Regulation No. 11971 of 14 May 1999 (as amended from time to time) and the applicable Italian law.

Any offer, sale or delivery of the Covered Bonds or distribution of copies of the Prospectus or any other document relating to the Covered Bonds in the Republic of Italy under paragraph (a) or (b) above must be:

(i) 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) in compliance with any other applicable laws and regulations or requirement imposed by Commissione Nazionale per le Società e la Borsa ("**CONSOB**"), the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Italian Banking Act and the implementing guidelines of the Bank of Italy (as amended from time to time)) and/or any other Italian authority.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Covered Bonds specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in

relation thereto to any retail investor in the European Economic Area (the "**EEA**"). For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

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

(iii) not a qualified investor as defined in the EU Prospectus Regulation; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds.

If the Final Terms in respect of any Covered Bonds specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each member state of the European Economic Area (each, a "**Relevant State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant State except that it may make an offer of such Covered Bonds to the public in that Relevant State:

(a) at any time to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation,

provided that no such offer of Covered Bonds referred to in paragraphs (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For the purposes of this provision:

(a) the expression an **offer of Covered Bonds to the public** in relation to any Covered Bonds in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds; and

(b) the expression **EU Prospectus Regulation** means Regulation (EU) 2017/1129.

General

The Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or possesses or distributes this Prospectus

and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Covered Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the LLP, the Bond Trustee, the Security Trustee nor any Dealer shall have any responsibility therefor. Furthermore, they will not directly or indirectly offer, sell or deliver any Covered Bonds or distribute or publish any form of application, prospectus, advertisement or other offering material except under circumstances that will, to the best of their knowledge and belief, result in compliance with any applicable laws and regulations, and all offers, sales and deliveries of Covered Bonds by them will be made on the same terms.

None of the Issuer, the LLP, the Bond Trustee, the Security Trustee or any Dealer represents that Covered Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer(s) will be required to comply with such other additional or modified restrictions (if any) as the Issuer and the relevant Dealer(s) shall agree as a term of issue and purchase as indicated in the applicable Final Terms.

Each Dealer will, unless prohibited by applicable law, furnish to each person to whom they offer or sell Covered Bonds a copy of the Prospectus as then amended or supplemented or, unless delivery of the Prospectus is required by applicable law, inform each such person that a copy will be made available upon request. The Dealers are not authorised to give any information or to make any representation not contained in the Prospectus in connection with the offer and sale of Covered Bonds to which the Prospectus relates.

This Prospectus may be used by the Dealers for offers and sales related to market-making transactions in the Covered Bonds. Any or each of the Dealers may act as principal or agent in these transactions. These sales will be made at prices relating to prevailing market prices at the time of sale. None of the Dealers has any obligation to make a market in the Covered Bonds, and any market-making may be discontinued at any time without notice. The Dealers are participating in the initial distribution of the Covered Bonds.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and a Dealer or any affiliate of that Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the relevant Dealer or such affiliate on behalf of the Issuer in such jurisdiction.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Covered Bonds have been duly authorised by resolutions of the board of directors of the Issuer dated 5 September 2008. The giving of the Covered Bond Guarantee has been duly authorised by a resolution of the board of directors of Skipton in Skipton's capacity as Member of the LLP dated 5 September 2008. The Issuer and the Programme were admitted to the register of issuers under the RCB Regulations on 18 July 2017 and any Covered Bonds issued under the Programme will be admitted to the register of regulated covered bonds.

The update of the Programme has been duly authorised by:

(a) a resolution of the committee appointed by the board of directors of the Issuer dated 20 September 2024; and

(b) a resolution of the LLP Management Committee dated 9 December 2024.

Listing of Covered Bonds

The admission of Covered Bonds to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Covered Bonds which is to be admitted to the Official List and to trading on the main market of the London Stock Exchange will be admitted separately as and when issued, subject only to the issue of a Temporary Global Covered Bond, a Permanent Global Covered Bond, a Regulation S Global Covered Bond or a Rule 144A Global Covered Bond, as the case may be, initially representing the Covered Bonds of such Tranche. The listing of the Programme in respect of Covered Bonds is expected to be granted on or about 17 December 2024.

Documents Available

So long as Covered Bonds are capable of being issued under this Prospectus, copies of the following documents will, when published, be available to the Covered Bondholders during usual business hours and upon reasonable notice on any weekday (Saturdays, Sundays and public holidays excepted) from the specified office of the Paying Agent for the time being in London or can be viewed on-line at https://www.skipton.co.uk/investorrelations/unsecuredisclaimercoveredbonds:

(a) the constitutive documents of the LLP and the Issuer;

(b) the consolidated audited financial statements of the Issuer in respect of the financial periods ended 31 December 2023 and 31 December 2022. The Issuer currently prepares audited accounts on an annual basis;

(c) the most recently published audited annual financial statements of the Issuer and the most recently published consolidated unaudited interim financial statements (if any) of the Issuer. The Issuer currently prepares unaudited consolidated and non-consolidated interim accounts on a semi-annual basis;

(d) the forms of the Global Covered Bonds, the Definitive Covered Bonds, the Coupons and the Talons;

(e) a copy of this Prospectus;

(f) any future prospectuses, information memoranda and supplements including Final Terms; and

(g) each Transaction Document (which, in the case of any Scottish Declaration of Trust, will be a redacted copy).

In addition, copies of this Prospectus, any documents incorporated by reference and each Final Terms relating to the Covered Bonds issued pursuant to this Prospectus will also be available for inspection on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html.

Clearing Systems

The Bearer Covered Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Bearer Covered Bonds allocated by Euroclear and Clearstream, Luxembourg, will be specified in the applicable Final Terms. In addition, the Issuer may make an application for any Registered Covered Bonds to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Covered Bonds, together with the relevant ISIN and Common Code, will be specified in the applicable Final Terms. If the Covered Bonds are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Final Terms.

Yield

In relation to any Series or Tranche of Fixed Rate Covered Bonds, an indication of the yield in respect of such Covered Bonds will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Covered Bonds on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Covered Bonds and will not be an indication of future yield.

Significant or Material Change

There has been no significant change in the financial performance or financial position of the Issuer or the Skipton Group since 30 June 2024, being the date to which the Skipton Group's last published unaudited consolidated interim financial information were prepared. There has been no material adverse change in the prospects of the Issuer since 31 December 2023, being the date to which the Issuer's last published audited financial information was prepared.

There has been no significant change in the financial performance or financial position of the LLP, nor has there been any material adverse change in the prospects of the LLP since 31 December 2023, being the date to which the LLP's last published audited non-consolidated annual accounts was prepared.

Litigation

There have not been and there are no governmental, legal or arbitration proceedings in relation to the Issuer, its consolidated subsidiaries or the LLP which may have or have had in the 12 months prior to the date hereof, a significant effect on the financial position or profitability of the Group or the Issuer or the LLP nor, so far as the Issuer or the LLP is aware, are any such proceedings pending or threatened.

Auditors

The auditor of the Issuer and the LLP is Ernst & Young LLP who have audited the Issuer's and the LLP's annual accounts for the years ended 31 December 2023 and 2022, without qualification, in accordance with International Standards on Auditing (UK). Ernst & Young LLP is registered to carry on audit work in the United Kingdom by the Institute of Chartered Accountants in England and Wales.

Legal Entity Identifier

The Legal Entity Identifier (LEI) of the Issuer is 66AGRETLUXS4YO5MUH35.

Reports

The Trust Deed provides that the Bond Trustee may rely on reports or other information from professional advisers or other experts in accordance with the provisions of the Trust Deed, whether or not any such report or other information, or engagement letter or other document entered into by the Bond Trustee and the relevant person in connection therewith, contains any monetary or other limit on the liability of the relevant person.

The Issuer provides monthly Investor Reports detailing, among other things, compliance with the Asset Coverage Test and information in relation to the characteristics of the Portfolio. Investor Reports shall be posted on the Issuer's website at https://www.skipton.co.uk/investorrelations/unsecuredisclaimercoveredbonds. Copies of the applicable Final Terms for each series are available to Covered Bondholders during normal business hours at the registered office of the Issuer and at the specified office of each of the Paying Agents.

In addition, the Issuer is required, pursuant to the terms of the RCB Regulations, to provide loan-level information relating to the Loans in the Asset Pool and to display the Transaction Documents related to the Programme. The loan-level information and the Transaction Documents shall be posted on https://www.skipton.co.uk/investorrelations/unsecuredisclaimercoveredbonds. Please note that, except in respect of any documents being incorporated by reference herein, websites and URLs referred to herein do not form part of this Prospectus.

Contracts

There are no material contracts having been entered into outside the ordinary course of Issuer's business, and which could result in any member of the Skipton Group being under an obligation or entitlement that is material to its ability to meet its obligation to Covered Bondholders in respect of the Covered Bonds being issued.

GLOSSARY

"**30/360**"**,** "**360/360**"**,** or "**Bond Basis**"	The meaning given in Condition 4(b)(iv)(F) on page 124;
"**30E/360**" or "**Eurobond Basis**"	The meaning given in Condition 4(b)(iv)(G) on page 124;
"**30E/360 (ISDA)**"	The meaning given in Condition 4(b)(iv)(H) on page 125;
"**1999 Regulations**"	The Unfair Terms in Consumer Contracts Regulations 1999, as amended;
"**€**" or "**euro**"	The lawful currency for the time being of the member states of the European Union that have adopted or may adopt the single currency in accordance with the treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the treaty on European Union;
"**£**" and "**Sterling**"	The lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland;
"**$**"**,** "**U.S.$**" and "**U.S. Dollars**"	The lawful currency for the time being of the United States of America;
"**Account Bank**"	The Skipton Account Bank, the Citi Account Bank and any other Third Party Account Bank appointed by the LLP and "Account Bank" shall mean any one of them, as the context may require;
"**Account Bank Ratings**"	Both: (a) a long-term issuer default rating by Fitch of A or a short-term issuer default rating by Fitch of F1; and (b) a long-term, unsecured, unsubordinated and unguaranteed deposit rating by Moody's of A3; or such other short-term or long-term rating (or, in the case of Fitch, short-term or long-term issuer default rating) which will not have an adverse effect on the ratings of the Covered Bonds;
"**Accrual Period**"	The relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date;
"**Accrued Interest**"	In respect of a Loan as at any date the aggregate of all interest accrued but not yet due and payable on the Loan from (and including) the Monthly Payment Date immediately preceding the relevant date to (but excluding) the relevant date;
"**Accumulation Series of Covered Bonds**"	The meaning given on page 17;

"**Actual/Actual (ICMA)**"	The meaning given in Condition 4(a) in "*Terms and Conditions of the Covered Bonds*" on page 114;
"**Actual/Actual**" **or** "**Actual/Actual (ISDA)**"	The meaning given in Condition 4(b) in "Terms and Conditions of the Covered Bonds" on page 123;
"**Actual/360**"	The meaning given in Condition 4(b)(iv)(E) in "*Terms and Conditions of the Covered Bonds*" on page 123;
"**Actual/365 (Fixed)**"	The meaning given in Condition 4(b)(iv)(C) on page 123;
"**Actual/365 (Sterling)**"	The meaning given in Condition 4(b)(iv)(D) on page 123;
"**Adjusted Aggregate Loan Amount**"	The meaning given in "*Summary of the Principal Documents*" on page 187;
"**Adjusted Required Redemption Amount**"	The meaning given on page 178;
"**Administered Rate Interest Rate Swap**"	Interest Rate Swap to hedge possible variances between the rates of interest payable on some or all of the Loans that are subject to Administered Rates and a compounded daily SONIA rate;
"**Administered Rate Swap Initiation Event**"	An event which occurs on the final day of a calendar month if the Administered Rate Loan Balance (as defined in the relevant Interest Rate Swap Agreement) on that day and the final day of each of the two immediately preceding calendar months is greater than or equal to 20 per cent. of the Loan Balance;
"**Administered Rates**"	The meaning given on page 33;
"**Agency Agreement**"	The agency agreement dated the Programme Date (as amended and/or supplemented and/or restated from time to time) and made between the Issuer, the LLP, the Bond Trustee, the Principal Paying Agent and the other Paying Agents, the Exchange Agent, the Registrar and the Transfer Agents;
"**Agent**"	Each of the Paying Agents, the Registrar, the Exchange Agent and the Transfer Agent;
"**Agent Bank**"	Citibank, N.A., London Branch;
"**Amortisation Test**"	The test as to whether the Amortisation Test Aggregate Loan Amount is at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date;
"**Amortisation Test Aggregate Loan Amount**"	The meaning given in "*Summary of the Principal Documents*" on page 192;

"**Amortised Face Amount**"	The meaning given in Condition 6(e) in "*Terms and Conditions of the Covered Bonds*" on page 134;
"**applicable Final Terms**"	The meaning given on page 91;
"**Appointee**"	Any attorney, manager, agent, delegate, nominee, custodian or other person appointed (i) by the Bond Trustee under the trust presents, (ii) by the Security Trustee under the Deed of Charge, or (iii), as appropriate, by any Agent under the Agency Agreement;
"**Arranger**"	HSBC Bank plc;
"**Arrears Adjusted Current Balance**"	The meaning given in "*Summary of the Principal Documents*" on page 188;
"**Arrears of Interest**"	As at any date in respect of any Loan, interest (other than Capitalised Interest or Accrued Interest) on that Loan which is currently due and payable and unpaid on that date;
"**Asset Coverage Test**"	The test as to whether the Adjusted Aggregate Loan Amount is at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date;
"**Asset Coverage Test Breach Notice**"	The notice required to be served by the Bond Trustee if the Asset Coverage Test has not been met on two consecutive Calculation Dates;
"**Asset Monitor**"	A reputable institution appointed as such under the Asset Monitor Agreement;
"**Asset Monitor Agreement**"	The asset monitor agreement entered into on the Programme Date (as amended and/or supplemented and/or restated from time to time) between the Asset Monitor, the LLP, the Cash Manager, the Issuer, the Bond Trustee and the Security Trustee;
"**Asset Monitor Report**"	The results of the tests conducted by the Asset Monitor in accordance with the Asset Monitor Agreement to be delivered to the Cash Manager, the LLP, the Issuer, the Bond Trustee and the Security Trustee;
"**Asset Percentage**"	The meaning given in "*Summary of the Principal Documents*" on page 191;
"**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 (other than the Swap Collateral Accounts) and all amounts standing to the credit thereto and any other assets referred to in Regulation 3(1) (*Asset Pool*) of the RCB Regulations, provided that all such assets are recorded as comprising the asset pool under the RCB Regulations;

"**Authorised Investments**" Sterling gilt-edged securities and Sterling demand or time deposits provided that in all cases such investments have a remaining maturity date of 30 days or less and mature on or before the next following LLP Payment Date and the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) are rated at least P-1 by Moody's and F1 by Fitch or their equivalents by two other internationally recognised rating agencies, provided that such Authorised Investments comply with the requirements of Regulation 2(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 LLP Accounts (but, for the avoidance of doubt, excluding any Principal Receipts received in the Calculation Period beginning in the month in which the relevant Calculation Date falls);

(b) any other amount standing to the credit of the Principal Ledger including (i) the proceeds of any Term Advance (where such proceeds have not been applied to acquire New Portfolios or invest in Substitution Assets), (ii) any Cash Capital Contributions received from a Member, (iii) the proceeds from any sale of Selected Loans pursuant to the terms of the LLP Deed or the Mortgage Sale Agreement;

(c) any Supplemental Liquidity Reserve Drawings; and

(d) any Excess Proceeds;

excluding

(e) any Swap Collateral Excluded Amounts; and

(f) Tax Credits and any amount received by the LLP in respect of Tax Credits (in each case to the extent otherwise constituting Available Principal Receipts);

"**Available Revenue Receipts**" On a relevant Calculation Date, an amount equal to the aggregate of:

(a) the amount of Revenue Receipts received during the previous Calculation Period and credited to the Revenue Ledger on the LLP Accounts (but, for the avoidance of doubt, excluding any Revenue Receipts received in the Calculation Period beginning in the month in which the relevant Calculation Date falls);

(b) other net income of the LLP including all amounts of interest received on the LLP Accounts, the Substitution Assets and Authorised Investments in the previous Calculation Period and any amounts credited to the Revenue Ledger in accordance with Clause 16.7 of the LLP Deed, but excluding amounts received by the LLP under an Interest Rate Swap Agreement or a Covered Bond Swap Agreement (other than any premium received by the LLP not used to make a termination payment or any termination payment received by the LLP not used to pay any premium);

(c) prior to the service of a Notice to Pay amounts standing to the credit of the Reserve Fund in excess of the Reserve Fund Required Amount;

(d) any other Revenue Receipts not referred to in paragraphs (a) to (c) (inclusive) above received during the previous Calculation Period and standing to the credit of the Revenue Ledger on the LLP Accounts; and

(e) following the service on the LLP of a Notice to Pay, amounts standing to the credit of the Reserve Fund;

(f) amounts standing to the credit of the Coupon Payment Ledger in excess of the Required Coupon Amount for (i) each Interest Payment Date for those Series of Covered Bonds that do not have a Covered Bond Swap in place and are not an Accumulation Series of Covered Bonds, or (ii) each date on which the LLP is due to make a payment under a Covered Bond Swap in respect of those Series of Covered Bonds that have a Covered Bond Swap in place, and/or (iii) each LLP Payment Date for an Accumulation Series of Covered Bonds immediately succeeding such Calculation Date less, in the case of an Accumulation Series of Covered Bonds, any amount to be paid into the Interest Accumulation Ledger to ensure that the amount credited thereto is equal to the aggregate of all LLP Monthly Interest Amounts that should have been credited for the relevant Interest Period;

less

(g) Third Party Amounts, which shall be paid on receipt in cleared funds to the Seller; and

(h) Swap Collateral Excluded Amounts;

excluding

(i) Tax Credits and any amount received by the LLP in respect of Tax Credits (in each case to the extent otherwise constituting Available Revenue Receipts); and

(j) indemnity payments received from Swap Providers; for breaches of certain tax representations

and excluding (for the avoidance of doubt) amounts standing to the credit of the Coupon Payment Ledger and the Interest Accumulation Ledger;

"**Back-Up Cash Management Agreement**" The agreement so named entered into following the occurrence of a Back-Up Cash Manager Event between the Back-Up Cash Manager, the Issuer, the Seller, the Administrator, the Cash Manager and the Trustee, pursuant to which the Back-Up Cash Manager will be appointed as back-up cash manager, or any agreement entered into between the Issuer, the Cash Manager, the Trustee, the Seller and any replacement Back-Up Cash Manager;

"**Back-Up Cash Manager**" The meaning given on page 199;

"**Back-Up Cash Manager Event**" The meaning given on page 199;

"**Back-Up Servicer**" The meaning given on page 183;

"**Back-Up Servicer Facilitator**" CSC Management Services (UK) Limited (formerly known as Intertrust Management Limited) acting through its office at 1 Bartholomew Lane, London EC2N 2AX, in its capacity as back-up servicer facilitator under the Servicing Agreement;

"**Back-Up Servicing Agreement**" Any agreement of the same name under which the LLP appoints a Back-Up Servicer;

"**Bank Account Agreements**" The Citi Bank Account Agreement, the Skipton Bank Account Agreement, any Third Party Bank Account Agreement, each a "Bank Account Agreement";

"**Banking Act**" The Banking Act 2009;

"**Base Rate**" The Bank of England base rate, being the rate which is set on a monthly basis by the Monetary Policy Committee of the Bank of England and is the rate that it charges for its borrowing;

"**Bearer Covered Bonds**" Covered Bonds in bearer form;

"**Bearer Definitive Covered Bonds**" A Bearer Covered Bond in definitive form issued or, as the case may require, to be issued by the Issuer in accordance with the provisions of the Programme Agreement or any other agreement between the Issuer and the relevant Dealer(s), the Agency Agreement and this Trust Deed in exchange for either a Temporary Global Covered Bond or part thereof or a Permanent Global Covered Bond or part thereof (all as indicated in the applicable Final Terms), such Bearer

	Covered Bond in definitive form being in the form or substantially in the form set out in Part 3 of Schedule 2 to the Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer or Lead Manager (in the case of syndicated issues) and having the Conditions endorsed thereon or, if permitted by the relevant stock exchange, incorporating the Conditions by reference as indicated in the applicable Final Terms and having the relevant information supplementing, replacing or modifying the Conditions appearing in the applicable Final Terms endorsed thereon or attached thereto and (except in the case of a Zero Coupon Covered Bonds in bearer form) having Coupons and, where appropriate, Talons attached thereto on issue;
"**Bearer Global Covered Bond**"	The meaning given in "*Form of the Covered Bonds*" on page 91;
"**Beneficial Owner**"	Each actual purchaser of each DTC Covered Bond;
"**Bond Trustee**"	Citicorp Trustee Company Limited, in its capacity as bond trustee under the Trust Deed together with any successor bond trustee appointed from time to time;
"**Borrower**"	In relation to a Loan, the individual or individuals specified as such in the relevant Mortgage together with the individual or individuals (if any) from time to time assuming an obligation to repay such Loan or any part of it;
"**BRRD**"	Bank Recovery and Resolution Directive (BRRD): Directive 2014/59/EU;
"**BTL MVR**"	The meaning given on page 33;
"**BTL SVR**"	The meaning given on page 32;
"**Building Societies Act**"	Building Societies Act 1986 (as amended from time to time);
"**Buildings Insurance Policies**"	All buildings insurance policies relating to Properties taken out (a) in the name of the relevant Borrower, and (b) in the name of the landlord in the case of leasehold Properties where the relevant landlord is responsible for insuring the Property and each a "Buildings Insurance Policy";
"**Business Day**"	The meaning given in Condition 4(b)(i) in "*Terms and Conditions of the Covered Bonds*" on page 116;
"**Calculation Agent**"	In relation to all or any Series of the Covered Bonds, the person initially appointed as calculation agent in relation to such Covered Bonds by the Issuer and the LLP pursuant to the Agency Agreement or, if applicable, any successor or separately appointed calculation agent in relation to all or any Series of the Covered Bonds;
"**Calculation Date**"	The 15th day of each month (or, if that day is not a Business Day, then the immediately preceding Business Day);

"**Calculation Period**"	The period from, and including, the first day of each month to, and including, the last day of each month except that for the first Series of Covered Bonds issued after the Programme Date the first Calculation Period means the period from and including the first day of the month in which the Initial Transfer Date occurs, to and including the last day of the month in which the Initial Transfer Date occurs;
"**Capital Account Ledger**"	The ledger maintained by the Cash Manager on behalf of the LLP in respect of each Member to record the balance of each Member's Capital Contributions from time to time;
"**Capital Balance**"	For a Loan at any date the principal balance of that Loan to which the Servicer applies the relevant interest rate at which interest on that Loan accrues;
"**Capital Contribution**"	In relation to each Member, the aggregate of the capital contributed by that Member to the LLP from time to time by way of Cash Capital Contributions and Capital Contributions in Kind as determined on each Calculation Date in accordance with the formula set out in the LLP Deed;
"**Capital Contribution Balance**"	The balance of each Member's Capital Contributions as recorded from time to time in the relevant Member's Capital Account Ledger;
"**Capital Contributions in Kind**"	A contribution of Loans and their Related Security to the LLP in an amount equal to (a) the aggregate of the Current Balance of those Loans as at the relevant Transfer Date minus (b) any cash payment paid by the LLP for such Loans and their Related Security on that Transfer Date;
"**Capital Distribution**"	Any return on a Member's Capital Contribution in accordance with the terms of the LLP Deed (and excluding, for the avoidance of doubt, any Deferred Consideration);
"**Capitalised Arrears**"	For any Loan at any date, interest or other amounts which are overdue in respect of that Loan and which as at that date have been added to the Capital Balance of the Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower;
"**Capitalised Expenses**"	In relation to a Loan, the amount of any expense, charge, fee, premium or payment (excluding, however, any Arrears of Interest) capitalised and added to the Capital Balance of that Loan in accordance with the relevant Mortgage Conditions;
"**Capitalised Interest**"	For any Loan at any date, interest which is overdue in respect of that Loan and which as at that date has been added to the Capital Balance of that Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower (excluding for the avoidance of doubt any Arrears of Interest which have not been so capitalised on that date);

"**Cash Capital Contributions**"	A Capital Contribution made in cash;
"**Cash Management Agreement**"	The cash management agreement entered into on the Programme Date (as amended and/or restated and/or supplemented and/or restated from time to time) between the LLP, Skipton Building Society in its capacity as the Cash Manager and the Security Trustee;
"**Cash Manager**"	Skipton Building Society, in its capacity as cash manager under the Cash Management Agreement together with any successor cash manager appointed from time to time;
"**Cash Manager Relevant Event**"	If the Cash Manager's long-term counterparty risk assessment by Moody's falls below Baa1(cr);
"**Cash Manager Termination Event**"	The meaning given to it in Clause 11 of the Cash Management Agreement;
"**CCA**"	Consumer Credit Act 1974, as amended;
"**CCA 2006**"	Consumer Credit Act 2006, as may be amended from time to time;
"**Certificate of Title**"	A solicitor's, licensed conveyancer's or (in Scotland) qualified conveyancer's report or certificate of title obtained by or on behalf of the Seller in respect of each Property substantially in the form of the pro-forma set out in the Standard Documentation;
"**CGCB**"	The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 112;
"**Charged Property**"	The property charged by the LLP pursuant to the Deed of Charge;
"**Citi Account Bank**"	Citibank, N.A., London Branch;
"**Citi Bank Account Agreement**"	The bank account agreement entered into on the Programme Date (as amended and/or restated and/or supplemented and/or restated from time to time) between the LLP, the Citi Account Bank, the Cash Manager and the Security Trustee;
"**Citi Swap Collateral Accounts**"	The accounts designated as such in the name of the LLP held with the Citi Account Bank and maintained subject to the terms of the Citi Bank Account Agreement and the Deed of Charge or such other accounts as may for the time being be in place with the prior consent of the Security Trustee and designated as such;
"**Citi Transaction Account**"	The account designated as such in the name of the LLP held with the Citi Account Bank and maintained subject to the terms of the Citi Bank Account Agreement and the Deed of Charge or such other account as may for the time being be in place with the prior consent of the Security Trustee and designated as such;
"**Clearing Systems**"	DTC, Euroclear and/or Clearstream, Luxembourg;

"**Clearstream, Luxembourg**"	Clearstream Banking, société anonyme;
"**CMA**"	Competition and Markets Authority;
"**CML**"	Council of Mortgage Lenders;
"**Conditions**"	Terms and conditions of the Covered Bonds;
"**Corporate Services Agreement**"	The corporate services agreement entered into on the Programme Date (as amended and/or supplemented and/or restated from time to time) by each of the Liquidation Member and Holdings, with the Corporate Services Provider and the LLP;
"**Corporate Services Provider**"	CSC Management Services (UK) Limited (formerly known as Intertrust Management Limited), a company incorporated in England and Wales in its capacity as corporate services provider to Holdings and to the Liquidation Member under a Corporate Services Agreement, together with any successor corporate services provider appointed from time to time;
"**Coupon Payment Ledger**"	The ledger maintained by the Cash Manager pursuant to the Cash Management Agreement, to record the crediting of Required Coupon Amounts and any debiting of the same;
"**Couponholders**"	The holders of the Coupons (which expression shall, unless the context otherwise requires, include the holders of the Talons);
"**Coupons**"	The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 107;
"**Covered Bond**"	Each covered bond issued or to be issued pursuant to the Programme Agreement and/or under the Conditions and which is or is to be constituted under the Trust Deed, which covered bond may be represented by a Global Covered Bond or any Definitive Covered Bond and includes any replacements or a Covered Bond issued pursuant to Condition 10;
"**Covered Bond Guarantee**"	An unconditional and irrevocable guarantee by the LLP in the Trust Deed for the payment of Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for Payment;
"**Covered Bond Swap**"	Swap transactions governed by the Covered Bond Swap Agreements;
"**Covered Bond Swap Agreement**"	Each agreement between the LLP, a Covered Bond Swap Provider governing a Covered Bond Swap in the form of an ISDA Master Agreement, including a schedule and confirmation;
"**Covered Bond Swap Early Termination Event**"	The meaning given in "*Summary of the Principal Documents*" on page 203;

"**Covered Bond Swap Provider**"	Each provider of a Covered Bond Swap under a Covered Bond Swap Agreement;
"**Covered Bond Swap Rate**"	In relation to a Covered Bond or Series of Covered Bonds, the exchange rate specified in the Covered Bond Swap Agreement relating to such Covered Bond or Series of Covered Bonds or, if the Covered Bond Swap Agreement has terminated, the applicable spot rate;
"**Covered Bond Swap Rating Termination Event**"	The meaning given in "*Summary of the Principal Documents*" on page 203;
"**Covered Bondholders**"	The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 108;
"**CPUTR**"	The Consumer Protection from Unfair Trading Regulations 2008;
"CRD IV"	The Capital Requirements Regulation (575/2013) (the "**EU CRR**") and an associated directive (the Capital Requirements Directive (2013/36/EU) (the "**EU CRD**")) (together, the "**CRD IV**")
"**Current Balance**"	In relation to any Loan, on any date, the aggregate balance of the amounts charged to the Borrower's account in respect of a Loan at such date (but avoiding double counting) including: (a) the original principal amount advanced to the relevant Borrower and any further amount (including any Further Advance) advanced on or before the given date to the relevant Borrower secured or intended to be secured by the related Mortgage; and (b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent or capitalised in accordance with the Seller's normal charging practices and added to the amounts secured or intended to be secured by the related Mortgage; and (c) any other amount (including, for the avoidance of doubt, Accrued Interest and Arrears of Interest) which is due or accrued (whether or not due) and which has not been paid by the relevant Borrower and has not been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent or in accordance with the Seller's normal charging practices but which is secured or intended to be secured by the related Mortgage, as at the end of the Business Day immediately preceding that given date, less any repayment or payment (including, if permitted, by way of set-off, withholding or counterclaim) of any of the foregoing made on or before the end of the Business Day immediately preceding that

	given date and excluding any retentions made but not released and any Further Advances committed to be made but not made by the end of the Business Day immediately preceding that given date;
"**Custodian**"	Any custodian appointed by the LLP from time to time for the purposes of providing a Custody Account;
"**Custody Account**"	Any cash or securities account in the name of the LLP held with a Custodian and maintained subject to the terms of the relevant Custody Agreement for the purposes of holding Authorised Investments and Substitution Assets, and such additional or replacement account as may be from time to time in place;
"**Custody Agreement**"	Any custody account agreement entered into between the LLP and a Custodian in relation to a Custody Account;
"**Customer Files**"	The file or files relating to each Loan (including files kept in microfiche format or similar electronic data retrieval system, or the substance of which is transcribed and held on an electronic data retrieval system) containing among other things correspondence between the Borrower and the Seller and including the mortgage documentation applicable to the Loan, each letter of offer for that Loan, the Valuation Report (if applicable) and, to the extent available, the solicitor's or licensed conveyancer's, or (in Scotland) qualified conveyancer's, Certificate of Title;
"**Day Count Fraction**"	In the case of a Fixed Rate Covered Bond, the meaning given in Condition 4(a) in "*Terms and Conditions of the Covered Bonds*" on page 114 and in the case of a Floating Rate Covered Bond, the meaning given in Condition 4(b)(iv) in "*Terms and Conditions of the Covered Bonds*" on page 123;
"**Dealer**"	HSBC Bank plc and any other 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;
"**Deed of Charge**"	The deed of charge dated the Programme Date (as amended and/or supplemented and/or restated from time to time) and made between the LLP, the Bond Trustee, the Security Trustee and certain other Secured Creditors;
"**Defaulted Loan**"	Any Loan in the Portfolio which is more than three months in arrears;
"**Defaulted Loans Notice**"	A notice from the Cash Manager to the Seller identifying any Defaulted Loan;
"**Deferred Consideration**"	The consideration payable to a Seller in respect of the Loans sold to the LLP from time to time, which is payable after making payments

	of a higher order of priority as set out in the relevant Priorities of Payments;
"**Definitive Covered Bond**"	A Bearer Definitive Covered Bond and/or, as the context may require, a Registered Definitive Covered Bond;
"**Definitive Rule 144A Covered Bond**"	A Registered Covered Bond in definitive form sold to QIBs pursuant to Rule 144A;
"**Dematerialised Loan**"	A Loan completed on or after 1 January 2004 over a Property located in England or Wales in respect of which the Seller does not retain the Title Information Documents;
"**Deposit Set-off Balance**"	The meaning given on page 190;
"**Designated Account**"	The meaning given in Condition 5(d) in "*Terms and Conditions of the Covered Bonds*" on page 128;
"**Designated Bank**"	The meaning given in Condition 5(d) in "*Terms and Conditions of the Covered Bonds*" on page 128;
"**Designated Maturity**"	The meaning given in the ISDA Definitions;
"**Designated Member**"	Each Member appointed and registered as such from time to time having those duties and obligations set out in sections 8 and 9 of the LLPA 2000 being, as at the Programme Date, Skipton and the Liquidation Member;
"**Determination Date**"	The meaning given in the applicable Final Terms;
"**Determination Period**"	The meaning given in Condition 4(a) in "*Terms and Conditions of the Covered Bonds*" on page 115;
"**Direct Participants**"	The meaning given in "*Book-Entry Clearance Systems*" on page 250;
"**Directors**"	The board of directors for the time being of the Issuer;
"**Distribution Compliance Period**"	The period that ends 40 days after the completion of the distribution of each Tranche of Covered Bonds, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);
"**DTC**"	The Depository Trust Company;
"**DTC Covered Bonds**"	Covered Bonds accepted into DTC's book-entry settlement system;
"**DTCC**"	The meaning given in "*Book-Entry Clearance Systems*" on page 250;
"**Due for Payment**"	The requirement by the LLP to pay any Guaranteed Amounts following the delivery of a Notice to Pay on the LLP, prior to the occurrence of an LLP Event of Default, on:

(a) the date on which the Scheduled Payment Date in respect of such Guaranteed Amounts is reached, or, if later, the day which is two Business Days following service of a Notice to Pay on the LLP in respect of such Guaranteed Amounts or if the applicable Final Terms specified that an Extended Due for Payment Date is applicable to the relevant Series of Covered Bonds, the Interest Payment Date that would have applied if the Final Maturity Date of such Series of Covered Bonds had been the Extended Due for Payment Date (the "Original Due for Payment Date"); and

(b) in relation to any Guaranteed Amounts in respect of the Final Redemption Amount payable on the Final Maturity Date for a Series of Covered Bonds only, the Extended Due for Payment Date, but only (i) if in respect of the relevant Series of Covered Bonds the Covered Bond Guarantee is subject to an Extended Due for Payment Date pursuant to the terms of the applicable Final Terms and (ii) to the extent that the LLP having received a Notice to Pay no later than the date falling one Business Day prior to the Extension Determination Date does not pay Guaranteed Amounts equal to the Final Redemption Amount in respect of such Series of Covered Bonds by the Extension Determination Date because the LLP has insufficient monies available under the Guarantee Priority of Payments to pay such Guaranteed Amounts in full on the earlier of (a) the date which falls two Business Days after service of such Notice to Pay on the LLP or, if later, the Final Maturity Date (or, in each case, after the expiry of the grace period set out in Condition 9(b)) under the terms of the Covered Bond Guarantee or (b) the Extension Determination Date, or, if, in either case, such day is not a Business Day, the next following Business Day. For the avoidance of doubt, Due for Payment does not refer to any earlier date upon which payment of any Guaranteed Amounts may become due under the guaranteed obligations, by reason of prepayment, acceleration of maturity, mandatory or optional redemption or otherwise save as provided in paragraph (c) below; or

(c) following the occurrence of an LLP Event of Default, the date on which an LLP Acceleration Notice is served on the Issuer and the LLP;

"**Earliest Maturing Covered Bonds**" At any time, the Series of the Covered Bonds (other than any Series which is fully collateralised by amounts standing to the credit of the LLP Accounts) that has or have the earliest Final Maturity Date as specified in the applicable Final Terms (ignoring any acceleration of amounts due under the Covered Bonds prior to the occurrence of an LLP Event of Default);

"**Early Redemption Amount**" The meaning given in the relevant Final Terms;

"**Early Repayment Charges**"	Any charge or fee which the Mortgage Conditions applicable to a Loan require the relevant Borrower to pay in the event that all or part of that Loan is repaid before a certain date, including without limitation repayment of any cashback;
"**Eligibility Criteria**"	The meaning given in "*Summary of the Principal Documents*" on page 171;
"**English Loans**"	Loans secured by a Mortgage over a Property located in England or Wales;
"**EU**"	European Union;
"**EU EMIR**"	Regulation (EU) 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories dated 4 July 2012 (including, without limitation, any associated regulatory technical standards and advice, guidance or recommendations from relevant supervisory regulators), as amended or supplemented from time to time;
"**EURIBOR**"	Euro interbank offered rate;
"**Euroclear**"	Euroclear Bank SA/NV;
"**EUWA**"	European Union (Withdrawal) Act 2018, as amended;
"**Excess Proceeds**"	Monies received (following the occurrence of an Issuer Event of Default and delivery of an Issuer Acceleration Notice) by the Bond Trustee from the Issuer or any administrator, administrative receiver, receiver, liquidator, trustee in sequestration or other similar official appointed in relation to the Issuer;
"**Exchange Act**"	U.S. Securities Exchange Act of 1934, as amended;
"**Exchange Agent**"	Citibank, N.A., London Branch in its capacity as exchange agent (which expression shall include any successor exchange agent);
"**Exchange Date**"	On or after the date which is 40 days after a Temporary Global Covered Bond is issued;
"**Exchange Event**"	In the case of Bearer Covered Bonds, the meaning given in "*Form of the Covered Bonds*" on page 92 and in the case of Registered Covered Bonds, the meaning given in "*Form of the Covered Bonds*" on page 94;
"**Excluded Swap Termination Amount**"	In relation to a Swap Agreement, an amount equal to the amount of any termination payment due and payable (a) to the relevant Swap Provider as a result of a Swap Provider Default with respect to such Swap Provider or (b) to the relevant Swap Provider following a Swap Provider Downgrade Event with respect to such Swap Provider;

"**Extended Due for Payment Date**"	In relation to any Series of Covered Bonds, the date, if any, specified as such in the applicable Final Terms to which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Final Maturity Date will be deferred in the event that the Final Redemption Amount is not paid in full on the Extension Determination Date;
"**Extension Determination Date**"	In respect of a Series of Covered Bonds, the date falling two Business Days after the expiry of seven days from (and including) the Final Maturity Date of such Series of Covered Bonds;
"**Extraordinary Resolution**"	A resolution of the Covered Bondholders passed as such under the terms of the Trust Deed;
"**FATCA**"	(a) sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986 or any associated regulations; (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the U.S. and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraph (a) or (b) above with the U.S. Internal Revenue Service, the U.S. government or any governmental or taxation authority in any other jurisdiction.
"**FCA**"	Financial Conduct Authority, known before 1 April 2013 as the Financial Services Authority;
"**Final Maturity Date**"	The Interest Payment Date on which each Series of Covered Bonds will be redeemed at their Principal Amount Outstanding in accordance with the Conditions;
"**Final Redemption Amount**"	The meaning given in the relevant Final Terms;
"**Final Terms**"	Final terms which, with respect to Covered Bonds to be admitted to the Official List and admitted to trading by the London Stock Exchange, will be delivered to the FCA and the London Stock Exchange on or before the date of issue of the applicable Tranche of Covered Bonds;
"**Financial Policy Committee**"	The Financial Policy Committee of the Bank of England;
"**Fitch**"	Fitch Ratings Ltd.;
"**Fixed Interest Period**"	The meaning given in Condition 4(a) in "*Terms and Conditions of the Covered Bonds*" on page 114;

"**Fixed Rate Covered Bonds**"	Covered Bonds paying a fixed rate of interest on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s);
"**Floating Rate**"	The meaning given in the ISDA Definitions;
"**Floating Rate Convention**"	The meaning given in Condition 4(b) in "*Terms and Conditions of the Covered Bonds*" on page 116;
"**Floating Rate Covered Bonds**"	Covered Bonds which bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions; or (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (c) on such other basis as may be agreed between the Issuer and the relevant Dealer(s), as set out in the applicable Final Terms;
"**Floating Rate Option**"	The meaning given in the ISDA Definitions;
"**Following Business Day Convention**"	The meaning given in Condition 4(b) in "*Terms and Conditions of the Covered Bonds*" on page 116;
"**FSA**"	Financial Services Authority and any successor thereto, including (as applicable) the FCA and the PRA;
"**FS Act 2021**"	The Financial Services Act 2021;
"**FSMA**"	Financial Services and Markets Act 2000, as amended;
"**Funding and Mutual Societies Transfers Act**"	Building Societies (Funding) and Mutual Societies (Transfers) Act 2007;
"**Further Advance**"	In relation to a Loan, any advance of further money to the relevant Borrower following a request from an existing Borrower following the making of the Initial Advance, which is secured by the same Mortgage as the Initial Advance, where the Seller has discretion as to whether to accept that request, 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;
"**Further Advance Insurance**"	The insurance policy of the Seller from time to time which covers the shortfall in recoveries attributable to any adverse entries against the Property between the date of the original Loan and the date of the Further Advance which would have been discovered had a local search been undertaken at the time of the relevant Further Advance;

"**Global Covered Bond**"	A Bearer Global Covered Bond and/or Registered Global Covered Bond, as the context may require;
"**Government**" **or** "**UK Government**"	The government of the United Kingdom;
"**Group Board**"	The meaning given in "*The Issuer*" on page 156;
"**Guarantee Priority of Payments**"	The meaning given in "*Cashflows*" on page 220;
"**Guaranteed Amounts**"	Prior to the service of an LLP Acceleration Notice, with respect to any Original Due for Payment Date or, if applicable, any Extended Due for Payment Date, the sum of Scheduled Interest and Scheduled Principal, in each case, payable on that Original Due for Payment Date or, if applicable, any Extended Due for Payment Date, or after service of an LLP Acceleration Notice, an amount equal to the relevant Early Redemption Amount as specified in the Conditions plus all accrued and unpaid interest and at other amounts due and payable in respect of the Covered Bonds, including all Excluded Scheduled Interest Amounts, all Excluded Scheduled Principal Amounts (whenever the same arose) and all amounts payable by the LLP under the Trust Deed;
"**Guarantor**"	Skipton Covered Bonds Limited Liability Partnership, a limited liability partnership incorporated in England and Wales (partnership no. OC337698);
"**HMRC**"	HM Revenue & Customs;
"**Holdings**"	Skipton Covered Bonds Finance (Holdings) Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 6606991);
"**ICSD**"	The meaning given on page 205;
"**Indexed Valuation**"	At any date in relation to any Loan secured over any Property: (a) where the Latest Valuation of that Property is equal to or greater than the UK House Price Indexed Valuation as at that date, the UK House Price Indexed Valuation; or (b) where the Latest Valuation of that Property is less than the UK House Price Indexed Valuation, the Latest Valuation plus 85 per cent. of the difference between the Latest Valuation and the UK House Price Indexed Valuation;
"**Indirect Participants**"	The meaning given in "*Book-Entry Clearance Systems*" on page 250;
"**Initial Advance**"	In respect of any Loan, the original principal amount advanced by the Seller to the relevant Borrower;

"**Initial Interest Rate Swap**" Each interest rate swap transaction entered into under the Initial Interest Rate Swap Agreement with a trade date of the Initial Transfer Date;

"**Initial Interest Rate Swap Agreement**" The ISDA Master Agreement including a schedule and credit support annex thereto and each confirmation thereunder dated on or around the Initial Transfer Date (as amended and/or restated and/or supplemented from time to time) and entered into between the LLP and the Initial Interest Rate Swap Provider;

"**Initial Interest Rate Swap Provider**" Skipton Building Society;

"**Initial Transfer Date**" The date on which the Initial Portfolio is transferred to the LLP pursuant to the Mortgage Sale Agreement;

"**Insolvency Event**" In respect of the Seller, the Servicer, the Cash Manager or the Skipton Account Bank:

(a) an order is made or an effective resolution passed for the winding-up of the relevant entity; or

(b) the relevant entity stops or threatens to stop payment to its creditors generally or the relevant entity ceases or threatens to cease to carry on its business or substantially the whole of its business; or

(c) an encumbrancer or security holder takes possession or a receiver, administrator, administrative receiver or other similar officer is appointed to the whole or any material part of the undertaking, property and assets of the relevant entity or a distress, diligence or execution is levied or enforced upon or sued out against the whole or any material part of the chattels or property of the relevant entity and, in the case of any of the foregoing events, is not discharged within 30 days; or

(d) the relevant entity is unable to pay its debts as they fall due,

other than where the Seller, Servicer or the Cash Manager is Skipton and any of the events set out in paragraphs (a) to (c) occurs in connection with a substitution;

"**Instructing Party**" (a) The Bond Trustee, for so long as there are any Covered Bonds outstanding; or

(b) all of the Secured Creditors (other than the Bond Trustee and the Security Trustee), if there are no Covered Bonds outstanding;

"**Insurance Policies**" The Local Search Insurance and the Further Advance Insurance and "Insurance Policy" shall be construed accordingly;

"**Intercompany Loan**"	All Term Advances made by the Issuer to the LLP under the Intercompany Loan Agreement;
"**Intercompany Loan Agreement**"	The term loan entered into on the Programme Date (as amended and/or restated and/or supplemented and/or restated from time to time) made between the Issuer, the Cash Manager, the LLP and the Security Trustee;
"**Intercompany Loan Ledger**"	The ledger of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record all payments of interest and repayments of principal on each of the Term Advances;
"**Interest Accumulation Ledger**"	The ledger maintained on Transaction Accounts, which shall record the LLP Monthly Interest Amounts accumulated on each LLP Payment Date in respect of a relevant Accumulation Series of Covered Bonds in accordance with the relevant Priority of Payments, such amounts to be applied, together with Available Revenue Receipts in accordance with the Priorities of Payments (i) prior to the service of a Notice to Pay in payment of interest on the relevant Term Advance, and (ii) following service of a Notice to Pay, Scheduled Interest that is Due for Payment in respect of such Accumulation Series of Covered Bonds;
"**Interest Amount**"	The amount of interest payable on the Floating Rate Covered Bonds in respect of each Specified Denomination for the relevant Interest Period;
"**Interest Commencement Date**"	The meaning given in Condition 4(a) in "*Terms and Conditions of the Covered Bonds*" on page 114;
"**Interest Payment Date**"	In relation to any Series of Covered Bonds, the Specified Interest Payment Date or the meaning given in the applicable Final Terms (as the case may be);
"**Interest Period**"	The period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date;
"**Interest Rate Shortfall**"	The meaning given in "*Summary of the Principal Documents*" on page 181;
"**Interest Rate Shortfall Test**"	The meaning given in "*Summary of the Principal Documents*" on page 181;
"**Interest Rate Swap**"	Each interest rate swap transaction entered into between the LLP and an Interest Rate Swap Provider;
"**Interest Rate Swap Agreement**"	Each agreement between the LLP, the relevant Interest Rate Swap Provider governing the relevant Interest Rate Swap in the form of an ISDA Master Agreement, including a schedule and confirmation thereto;

"**Interest Rate Swap Early Termination Event**"	The meaning given in "*Summary of the Principal Documents*" on page 200;
"**Interest Rate Swap Provider**"	Each interest rate swap provider (including the Initial Interest Rate Swap Provider) in its capacity as interest rate swap provider under the relevant Interest Rate Swap Agreement together with any successor interest rate swap provider;
"**Investor Report**"	The monthly report made available to the Covered Bondholders, the Security Trustee, the Bond Trustee, the Interest Rate Swap Provider and the Rating Agencies detailing among other things compliance with the Asset Coverage Test and information relating to the characteristics of the Portfolio, each of which is to be posted on the Skipton website at www.skipton.co.uk;
"**ISDA**"	International Swaps and Derivatives Association, Inc.;
"**ISDA Definitions**"	2006 ISDA Definitions, as published by ISDA;
"**ISDA Master Agreement**"	The 1992 ISDA Master Agreement (Multicurrency Cross Border) as published by ISDA;
"**ISDA Rate**"	The meaning given in Condition 4(b)(ii)(A) in "*Terms and Conditions of the Covered Bonds*" on page 117;
"**Issue Date**"	Each date on which the Issuer issues Covered Bonds to the Covered Bondholders;
"**Issuer**"	Skipton Building Society, a building society incorporated in England and Wales under the Building Societies Act 1986 (as amended), whose principal office is The Bailey, Skipton, North Yorkshire, BD23 1DN;
"**Issuer Acceleration Notice**"	The meaning given in Condition 9(a) in "*Terms and Conditions of the Covered Bonds*" on page 137;
"**Issuer Event of Default**"	The meaning given in Condition 9(a) in "*Terms and Conditions of the Covered Bonds*" on page 137;
"**Issuer-ICSDs Agreement**"	The meaning given on page 205;
"**Latest Valuation**"	In relation to any Property, the value given to that Property by the most recent valuation addressed to the Seller;
"**Lead Manager**"	In relation to any Tranche of Covered Bonds, the person named as the Lead Manager in the applicable Subscription Agreement or, when only one Dealer signs such Subscription Agreement, such Dealer;
"**Ledger**"	The Revenue Ledger, the Principal Ledger, the Reserve Ledger, the Coupon Payment Ledger, the Supplemental Liquidity Reserve

	Ledger, the Swap Collateral Ledger, the Intercompany Loan Ledger, the Interest Accumulation Ledger and the Capital Account Ledgers;
"**Legended Covered Bonds**"	The meaning given in Condition 2(h) in "*Terms and Conditions of the Covered Bonds*" on page 113;
"**Lending Criteria**"	The lending criteria of the Seller from time to time, or such other criteria as would be acceptable to a Reasonable, Prudent Mortgage Lender;
"**Liquidation Member**"	Skipton Covered Bonds Finance Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 6606923);
"**LLP**"	Skipton Covered Bonds Limited Liability Partnership, a limited liability partnership incorporated in England and Wales (partnership no. OC337698), whose first members are Skipton and the Liquidation Member;
"**LLP Acceleration Notice**"	A notice in writing given by the Bond Trustee to the Issuer and the LLP, that each Covered Bond of each Series is, and each Covered Bond of each Series shall as against the Issuer (if not already due and repayable against it following an Issuer Event of Default) and as against the LLP, thereupon immediately become due and repayable at its Early Redemption Amount together with accrued interest as provided in and in accordance with the Trust Deed and thereafter the Security shall become enforceable if any of the LLP Events of Default shall occur and be continuing;
"**LLP Accounts**"	Each Transaction Account (to the extent maintained), any Swap Collateral Accounts, any Custody Account and any additional or replacement accounts opened in the name of the LLP, from time to time;
"**LLP Deed**"	The limited liability partnership deed entered into on the Programme Date (as amended, supplemented or varied from time to time) between the LLP, Skipton, in its capacity as Seller, the Issuer, the Liquidation Member, the Bond Trustee and the Security Trustee;
"**LLP Event of Default**"	The meaning given in Condition 9(b) in "*Terms and Conditions of the Covered Bonds*" on page 140;
"**LLP Management Committee**"	The Management Committee which will act on behalf of the LLP and to which (other than any decision to approve the audited accounts of the LLP or to make a resolution for the voluntary winding-up of the LLP, which require a unanimous decision of the Members) the Members delegate all matters;
"**LLP Monthly Interest Amount**"	On any relevant LLP Payment Date in respect of each Accumulation Series of Covered Bonds: (a) which are linked to SONIA, an amount equal to the interest actually accrued on the relevant Accumulation Series of

Covered Bonds up to (but excluding) such LLP Payment Date and not yet paid to the relevant Interest Accumulation Ledger since the previous Interest Payment Date

(b) which are not linked to SONIA, an amount equal to:

(A/B) + C

Where:

A is the interest due on the relevant Accumulation Series of Covered Bonds on the immediately following Interest Payment Date, or where an Interest Payment Date falls on the LLP Payment Date on that Interest Payment Date;

B is the number of calendar months that fall between Interest Payment Dates in respect of the relevant Accumulation Series of Covered Bonds; and

C is an amount equal to the aggregate of all LLP Monthly Interest Amounts not paid to the relevant Interest Accumulation Ledger in respect of an Accumulation Series of Covered Bonds since the previous Interest Payment Date;

"**LLP Payment Date**" The 22nd day of each month or, if not a Business Day, the next following Business Day;

"**LLP Payment Period**" The period from (and including) an LLP Payment Date to (but excluding) the next following LLP Payment Date;

"**LLPA 2000**" Limited Liability Partnerships Act 2000;

"**Loan**" Any mortgage loan (including, for the avoidance of doubt, any Scottish Loan) which is, or is to be, sold by the Seller to the LLP from time to time under the terms of the Mortgage Sale Agreement (including, without limitation, all Further Advances which are, or are to be, sold by the Seller to the LLP under the terms of the Mortgage Sale Agreement) and referenced by its mortgage loan identifier number, and comprising the aggregate of all principal sums, interest, costs, charges, expenses and other moneys due or owing with respect to that mortgage loan under the relevant Mortgage Conditions by a Borrower on the security of a Mortgage from time to time outstanding, or, as the context may require, the Borrower's obligations in respect of the same but excludes any mortgage loan which is repurchased by the Seller or otherwise sold by the LLP and no longer beneficially owned by it;

"**Loan Balance**" The meaning as set out in the relevant Interest Rate Swap Agreement;

"**Local Search Insurance**" The insurance policy of the Seller from time to time which is intended to cover financial losses incurred by the Seller in respect

	of any Properties as a result of their being an adverse entry or defective title against a Property at the date of the original mortgage advance;
"**London Business Day**"	Any day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for general business in London;
"**London Stock Exchange**"	London Stock Exchange plc;
"**Long Maturity Covered Bond**"	A Fixed Rate Covered Bond (other than a Fixed Rate Covered Bond which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Covered Bond shall cease to be a Long Maturity Covered Bond on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the Principal Amount Outstanding of such Covered Bond;
"**Losses**"	All realised losses on the Loans;
"**Master Definitions and Construction Agreement**"	The master definitions and construction agreement made between the parties to the Transaction Documents on the Programme Date (as amended, varied or supplemented from time to time);
"**Material Subsidiary**"	The meaning given in Condition 9(a) in "*Terms and Conditions of the Covered Bonds*" on page 139;
"**MCOB**"	Mortgages and Home Finance: Conduct of Business Sourcebook, implemented by the FSA on 31 October 2004 as amended, revised or supplemented from time to time;
"**Member**"	Each member of the LLP;
"**MH/CP Documentation**"	An affidavit, declaration, consent or renunciation granted in terms of the Matrimonial Homes (Family Protection) (Scotland) Act 1981 or (as applicable) the Civil Partnership Act 2004 in connection with a Scottish Mortgage or the Property secured thereby;
"**Modified Following Business Day Convention**"	The meaning given in Condition 4 in "*Terms and Conditions of the Covered Bonds*" on page 116;
"**Monthly Payment Date**"	In relation to a Loan, the date in each month on which the relevant Borrower is required to make a payment of interest and, if applicable, principal for that Loan, as required by the applicable Mortgage Conditions;
"**Moody's**"	Moody's Investors Service Limited;
"**Mortgage**"	In respect of any Loan each first charge by way of legal mortgage (in relation to an English Loan) and each first ranking standard security (in relation to a Scottish Loan) sold by the Seller to the LLP pursuant to the Mortgage Sale Agreement, in either case which secures the repayment of the relevant Loan including the Mortgage Conditions applicable to it;

"**Mortgage Code**"	The Mortgage Code issued by the CML or any other comparable or successor instructions, code and/or guidelines;
"**Mortgage Conditions**"	All the terms and conditions applicable to a Loan and/or Mortgage as contained in the Seller's "Mortgage Conditions" booklet applicable from time to time;
"**Mortgage Sale Agreement**"	The mortgage sale agreement entered into on the Programme Date (as amended, amended and restated and/or supplemented from time to time) between the Seller, the LLP and the Security Trustee;
"**Negative Carry Factor**"	The meaning given in "*Summary of the Principal Documents*" on page 190;
"**New Loan**"	Loans, other than the Loans comprised in the Initial Portfolio, which the Seller may assign or transfer to the LLP after the Initial Transfer Date pursuant to the Mortgage Sale Agreement;
"**New Loan Type**"	A new type of mortgage loan originated or acquired by the Seller, which the Seller intends to transfer to the LLP, the terms and conditions of which are materially different (in the opinion of the Seller, acting reasonably) from the Loans. For the avoidance of doubt, a mortgage loan will not constitute a New Loan Type if it differs from the Loans due to it having different interest rates and/or interest periods and/or time periods for which it is subject to a fixed rate, capped rate, tracker rate or any other interest rate or the benefit of any discounts, cash-backs and/or rate guarantees;
"**New Member**"	Any new member admitted to the LLP after the Programme Date;
"**New Portfolio**"	The meaning given in "*The Portfolio*" on page 228;
"**New Portfolio Notice**"	A notice in the form set out in Schedule 12 to the Mortgage Sale Agreement served in accordance with the terms of the Mortgage Sale Agreement;
"**New Safekeeping Structure**"	The meaning given in "*Form of the Covered Bonds*" on page 93;
"**New Seller**"	Any member of the Skipton Group (other than Skipton) that is a "connected person" as defined in Regulation 5 of the RCB Regulations and that accedes to the relevant Transaction Documents and sells Loans and their Related Security to the LLP in the future;
"**NGCB**"	The meaning given in "*Form of the Covered Bonds*" on page 91;
"**Notice to Pay**"	The meaning given in Condition 9(a) in "*Terms and Conditions of the Covered Bonds*" on page 139;
"**Official List**"	Official list of the FCA;

"**OFT**"	Office of Fair Trading, which from 1 April 2014 ceased to exist;
"**Office for National Statistics**"	The national statistical institute which produces the UK House Price Index in the United Kingdom;
"**Ombudsman**"	Financial Ombudsman Service under the FSMA;
"**Original Due for Payment Date**"	The meaning given in paragraph (a) of the definition of "Due for Payment";
"**Original Transaction Documents**"	Certain transaction documents entered into on or around 1 October 2008 by, among others, the Issuer and the LLP in relation to the establishment of the Programme;
"**Owner Occupied MVR**"	The meaning given on page 33;
"**Owner Occupied SVR**"	The meaning given on page 32;
"**Partial Portfolio**"	Part of any portfolio of Selected Loans;
"**Paying Agents**"	The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 107;
"**Payment Day**"	The meaning given in Condition 5(f) in "*Terms and Conditions of the Covered Bonds*" on page 130;
"**Pensions Regulator**"	The UK regulator of work-based pension schemes;
"**Performing Loans**"	Loans in the Portfolio that are not more than one month in arrears;
"**Permanent Global Covered Bond**"	The meaning given in "*Form of the Covered Bonds*" on page 91;
"**Portfolio**"	The Initial Portfolio and each New Portfolio acquired by the LLP;
"**Post-Enforcement Priority of Payments**"	The meaning given in "*Cashflows*" on page 225;
"**Potential Issuer Event of Default**"	The meaning given in Condition 14 in "*Terms and Conditions of the Covered Bonds*" on page 154;
"**Potential LLP Event of Default**"	The meaning given in Condition 14 in "*Terms and Conditions of the Covered Bonds*" on page 154;
"**PPI**"	non-investment insurance contract which has elements of a general insurance contract and the benefits of which are described as enabling a policyholder to protect his ability to continue to make payments due to third parties, or can reasonably be expected to be used in this way;
"**PRA**"	Prudential Regulation Authority;

"**Pre-Acceleration Principal Priority of Payments**"	The meaning given in "*Cashflows*" on page 218;
"**Pre-Acceleration Revenue Priority of Payments**"	The meaning given in "*Cashflows*" on page 213;
"**Pre-action Protocol**"	The meaning given in "Repossessions" on page 241;
"**Preceding Business Day Convention**"	The meaning given in Condition 4(b) in "*Terms and Conditions of the Covered Bonds*" on page 116;
"**Principal Amount Outstanding**"	In respect of a Covered Bond the principal amount of that Covered Bond on the relevant Issue Date thereof less principal amounts received by the relevant Covered Bondholder in respect thereof;
"**Principal Ledger**"	The ledger on the LLP Accounts of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record the credits and debits of Principal Receipts in accordance with the terms of the LLP Deed;
"**Principal Paying Agent**"	The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 107;
"**Principal Receipts**"	(a) principal repayments under the Loans (including payments of arrears, Capitalised Interest, Capitalised Expenses and Capitalised Arrears); (b) recoveries of principal from defaulting Borrowers under Loans being enforced (including the proceeds of sale of the relevant Property); (c) any payment pursuant to any insurance policy in respect of a Property in connection with a Loan in the Portfolio; (d) the proceeds of the repurchase of any Loan by the Seller from the LLP pursuant to the Mortgage Sale Agreement (including, for the avoidance of doubt, amounts attributable to Accrued Interest and Arrears of Interest thereon as at the relevant repurchase date); (e) 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); (f) the amount of any termination payment received from a Swap Provider which is not applied to acquire a replacement for the relevant terminated Swap; (g) any disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been capitalised in accordance with the Seller's normal charging practices and repaid via a Borrower's monthly instalment, provided that payments received in respect of any fees which have been

allocated by the Seller (in accordance with its collection policies) as interest payments, shall not constitute Principal Receipts; and

(h) any deemed Principal Receipts;

"**Priorities of Payments**" The orders of priority for the allocation and distribution of amounts standing to the credit of the LLP Accounts in different circumstances;

"**Product Switch**" A variation to the financial terms or conditions included in the Mortgage Conditions applicable to a Loan other than:

(a) any variation agreed with a Borrower to control or manage arrears on a Loan;

(b) any variation in the maturity date of a Loan;

(c) any variation imposed by statute;

(d) any variation to the interest rate as a result of the Borrowers switching to a different rate by operation of the Loan;

(e) any variation of a loan from a repayment loan to an interest-only loan or vice-versa;

(f) any change to a Borrower under the Loan or the addition of a new Borrower under a Loan;

(g) any change in the repayment method of the Loan;

"**Programme**" EUR7.5 billion covered bond Programme;

"**Programme Agreement**" The meaning given in "*Subscription and Sale and Transfer and Selling Restrictions*" on page 258;

"**Programme Date**" 24 July 2017;

"**Programme Resolution**" Any Extraordinary Resolution to direct the Bond Trustee to accelerate the Covered Bonds pursuant to Condition 9 or to direct the Bond Trustee or the Security Trustee to take any enforcement action;

"**Property**" A freehold, fee farm grant, leasehold or commonhold property (or in Scotland a heritable property or a property held under a long lease) which is subject to a Mortgage;

"**Purchaser**" Any third party or the Seller to whom the LLP offers to sell Selected Loans;

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

"**Rating Agency**" Any one of Moody's Investors Service Limited, Fitch Ratings Ltd. and any other credit rating agency that may be appointed by the

	Issuer from time to time or their successors, to the extent they provide ratings in respect of the Covered Bonds (together, the "Rating Agencies");
"**Rating Agency Confirmation**"	A confirmation (or, in the case of Moody's, affirmation) in writing by a Rating Agency 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;
"**Rating Condition**"	The condition that will be satisfied in respect of an event or matter if: (a) Fitch has been notified of such event or matter; and (b) the LLP, the Issuer, the Bond Trustee and/or the Security Trustee (as applicable), has received a Rating Agency Confirmation from each Rating Agency (other than Fitch) in respect of such event or matter;
"**RCB Regulations**"	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) and as further amended from time to time;
"**RCB Sourcebook**"	The Regulated Covered Bond Sourcebook;
"**Reasonable, Prudent Mortgage Lender**"	The Seller and/or the Servicer, as applicable, acting in accordance with the standards of a reasonably prudent residential mortgage lender lending to borrowers in England, Wales and/or Scotland who generally satisfy the lending criteria of traditional sources of residential mortgage capital;
"**Receiver**"	Any person or persons appointed (and any additional person or persons appointed or substituted) as an administrative receiver, receiver, manager, or receiver and manager of the Charged Property by the Security Trustee pursuant to Clause 10.1 of the Deed of Charge;
"**Record Date**"	The meaning given in Condition 5 in "*Terms and Conditions of the Covered Bonds*" on page 128;
"**Redeemed Covered Bonds**"	The meaning given in Condition 6 in "*Terms and Conditions of the Covered Bonds*" on page 133;
"**Register**"	The register of holders of the Registered Covered Bonds maintained by the Registrar;
"**Registered Covered Bonds**"	Covered Bonds in registered form;
"**Registered Definitive Covered Bond**"	A Registered Covered Bond in definitive form issued or, as the case may require, to be issued by the Issuer in accordance with the

	provisions of the Programme Agreement or any other agreement between the Issuer and the relevant Dealer(s), the Agency Agreement and the Trust Deed either on issue or in exchange for a Registered Global Covered Bond or part thereof (all as indicated in the applicable Final Terms), such Registered Covered Bond in definitive form being in the form or substantially in the form set out in Part 8 of Schedule 2 to the Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s) and having the Conditions endorsed thereon or, if permitted by the relevant stock exchange, incorporating the Conditions by reference (where applicable to the Trust Deed) as indicated in the applicable Final Terms and having the relevant information supplementing, replacing or modifying the Conditions appearing in the applicable Final Terms endorsed thereon or attached thereto and having a form of transfer endorsed thereon;
"**Registered Global Covered Bonds**"	The Rule 144A Global Covered Bonds together with the Regulation S Global Covered Bonds;
"**Registers of Scotland**"	The Land Register of Scotland and/or the General Register of Sasines;
"**Registrar**"	Citibank, N.A., London Branch, in its capacity as registrar (and any additional or successor registrar);
"**Regulated Mortgage Contract**"	means a mortgage contract which falls within the definition of "regulated mortgage contract" set out in article 61 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, (as applicable at the relevant time);
"**Regulation S**"	Regulation S under the Securities Act;
"**Regulation S Covered Bonds**"	The meaning given in "*Subscription and Sale and Transfer and Selling Restrictions*" on page 261;
"**Regulation S Global Covered Bond**"	The meaning given in "*Form of the Covered Bonds*" on page 93;
"**Related Security**"	In relation to a Loan, the security for the repayment of that Loan including the relevant Mortgage and all other matters applicable thereto acquired as part of the Portfolio;
"**Relevant Date**"	The meaning given in Condition 7 in "*Terms and Conditions of the Covered Bonds*" on page 136;
"**Relevant LLP Payment Period**"	The meaning given in "*Summary of the Principal Documents*" on page 181;
"**Representations and Warranties**"	The representations and warranties set out in Part 2 of Schedule 1 (*Representations and Warranties*) to the Mortgage Sale Agreement;

"**Repurchase Notice**" A notice from the Servicer (on behalf of the LLP) to the Seller identifying a Loan or its Related Security in the Portfolio which does not, as at the relevant Transfer Date or (in the case of a Further Advance or Product Switch) the last day of the Calculation Period in which a Product Switch or a Further Advance is made, materially comply with the Representations and Warranties set out in the Mortgage Sale Agreement;

"**Required Coupon Amount**" An aggregate amount equal to the Sterling Equivalent of:

(a) (in the case of each Term Advance where a Covered Bond Swap is not in place other than in respect of an Accumulation Series of Covered Bonds) interest due from the LLP on a relevant Term Advance for the relevant Term Advance Interest Payment Date, provided that if the applicable rate of interest for calculating such amount is to be determined by reference to a Compounded Daily SONIA rate determined after the date on which the relevant Cash Capital Contribution is required to be made, the Required Coupon Amount will be an estimate of the amount of interest that will be due from the LLP on the relevant Term Advance on the relevant Interest Payment date, and such estimate to be calculated on the basis of an issued interest rate for the relevant Interest Period equal to the sum of (x) the SONIA Spot Rate published for the London Business Date immediately preceding the date on which the relevant Cash Capital Contribution is required to be made, compounded daily over the Interest Period, and (y), 0.15 per cent;

(b) (in the case of each Term Advance where a Covered Bond Swap is in place) an amount equal to the net amount due from the LLP under a Covered Bond Swap Agreement on a date on which the LLP is due to make a payment under a Covered Bond Swap (other than those amounts due in respect of an Interim Exchange Date or Final Exchange Date) (as each of those terms in defined in the relevant Covered Bond Swap Agreement) under the relevant Covered Bond Swap Agreement, provided that if the applicable rate of interest for calculating such amount is to be determined by reference to a Compounded Daily SONIA rate determined after the date on which the relevant Cash Capital Contribution is required to be made, the Required Coupon Amount will be an estimate of the amount due from the LLP under the Covered Bond Swap Agreement on the relevant Payment Date, and such estimate to be calculated on the basis of an assumed interest rate for the relevant Covered Bond Swap Observation Period equal to the sum of (x) the SONIA Spot Rate published for the London Business Date immediately preceding the date on which the relevant Cash Capital Contribution is required to be made,

compounded daily over the Covered Bond Swap Observation Period, and (y) 0.15 per cent; and

(c) (in the case of a Term Advance relating to an Accumulation Series of Covered Bonds) the LLP Monthly Interest Amount payable by the LLP on that relevant Term Advance for the relevant LLP Payment Date;

"**Required Current Balance Amount**" The meaning given in "*Summary of the Principal Documents*" on page 193;

"**Required Redemption Amount**" The meaning given in "*Summary of the Principal Documents*" on page 178;

"**Reserve Fund**" The reserve fund that the LLP will be required to establish in the Transaction Accounts (other than the Skipton Transaction Account unless the Skipton Account Bank has the Account Bank Ratings) which will be credited with part of a Term Advance (in the LLP's discretion) and the proceeds of Available Revenue Receipts up to an amount equal to the Reserve Fund Required Amount and any Cash Capital Contributions made to the LLP by the Seller which the Seller directs the LLP to credit thereto;

"**Reserve Fund Required Amount**"

(a) If both the Issuer's short-term counterparty risk assessment by Moody's is at least P-1(cr) and the Issuer's short-term, unsecured, unsubordinated and unguaranteed debt obligations are assigned a rating of at least F1+ by Fitch, zero or such other amount as Skipton Building Society shall direct the LLP from time to time; or

(b) the higher of:

(i) if the Issuer's short-term counterparty risk assessment of the Issuer is lower than P-1(cr) by Moody's, an amount equal to the Sterling Equivalent of the interest due on each Series of Covered Bonds for X months together with an amount equal to one-twelfth of the anticipated aggregate annual amount payable in respect of the items specified in items (a) to (d) of the Pre-Acceleration Revenue Priority of Payments plus GBP600,000 or such higher amount as the Issuer shall direct the LLP from time to time;

where,

X = the number of months between the dates on which the LLP is required to make payments under the Covered Bond Swap entered into in relation to a Series of Covered Bonds, or if no Covered Bond Swap has been entered into in relation to a Series of Covered Bonds, the number of months between

the Interest Payment Dates in relation to such Series of Covered Bonds; and

(ii) if the Issuer's short-term, unsecured, unsubordinated and unguaranteed debt obligations are rated lower than F1+ by Fitch, an amount equal to the Sterling Equivalent of the interest due on each Series of Covered Bonds on the immediately following three LLP Payment Dates (assuming, in relation to Floating Rate Covered Bonds, that the relevant floating rate remains unchanged) together with an amount equal to one-quarter of the anticipated aggregate annual amount payable in respect of the items specified in items (a) to (d) of the Pre-Acceleration Revenue Priority of Payments plus GBP600,000, or such higher amount as the Issuer shall direct the LLP from time to time,

provided that in determining the amount of the Reserve Fund Required Amount, where any amount in respect of the Covered Bonds or the Covered Bond Swaps is determined by reference to a floating rate, then: (i) (unless the floating rate is determined by reference to a compounded daily SONIA rate) the interest rate for the purpose of such calculation shall be the then current floating rate as at the date on which the amount is calculated; or (ii) (if the floating rate is determined by reference to a compounded daily SONIA rate), the interest rate for the purpose of such calculation shall be deemed to be equal to the sum of (x) the SONIA Spot Rate published for the date on which the amount is calculated (or, if such day is not a London Business Day, on the immediately preceding London Business Day), compounded daily over the relevant period, and (y) the Margin or the margin in relation to the Covered Bond Swaps, as applicable, for such period;

"**Reserve Ledger**" The ledger on the Transaction Accounts (other than the Skipton Transaction Account unless the Skipton Account Bank has the Account Bank Ratings) of such name maintained by the Cash Manager pursuant to the Cash Management Agreement, to record the crediting of Revenue Receipts to the Reserve Fund and the debiting of such Reserve Fund in accordance with the terms of the LLP Deed;

"**Reset Date**" The meaning given in the ISDA Definitions;

"**Revenue Ledger**" The ledger on the LLP Accounts of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record credits and debits of Revenue Receipts in accordance with the terms of the LLP Deed;

"**Revenue Receipts**" (a) payments of interest (excluding Accrued Interest and Arrears of Interest as at the relevant Transfer Date of a

Loan) and other fees due from time to time under the Loans (including any early repayment fees) and other amounts received by the LLP in respect of the Loans other than the Principal Receipts;

(b) recoveries of interest from defaulting Borrowers under Loans being enforced; and

(c) recoveries of interest and/or principal from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed; and

(d) certain fees (which do not fall within paragraph (g) of the definition of "Principal Receipts") which have been allocated by the Seller (in accordance with its collection policies) as interest payments and charged by the Servicer in respect of servicing the Loans, which have been charged and repaid by a means other than the Borrower's monthly instalment

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

"**Rule 144A Global Covered Bond**" A Global Covered Bond in registered form representing the Registered Covered Bonds of a Tranche sold to QIBs pursuant to Rule 144A;

"**Rules**" The rules, regulations and procedures creating and affecting DTC and its operations;

"**RWA**" Risk-weighted Assets;

"**Scheduled Interest**" An amount equal to the amount in respect of interest which would have been due and payable under the Covered Bonds on each Interest Payment Date as specified in Condition 4 (but excluding any additional amounts relating to premiums, default interest or interest upon interest ("**Excluded Scheduled Interest Amounts**") payable by the Issuer following an Issuer Event of Default but including such amounts (whenever the same arose) following service of an LLP Acceleration Notice) as if the Covered Bonds had not become due and repayable prior to their Final Maturity Date and, if the Final Terms specified that an Extended Due for Payment Date is applicable to the relevant Covered Bonds, as if the maturity date of the Covered Bonds had been the Extended Due for Payment Date (but taking into account any principal repaid in respect of such Covered Bonds or any Guaranteed Amounts paid in respect of such principal prior to the Extended Due for Payment Date), less any additional amounts the Issuer would be obliged to pay as a result of any gross-up in respect of any withholding or deduction made under the circumstances set out in Condition 7;

"**Scheduled Payment Date**" In relation to payments under the Covered Bond Guarantee, each Interest Payment Date or the Final Maturity Date as if the Covered

	Bonds had not become due and repayable prior to their Final Maturity Date;
"**Scheduled Principal**"	An amount equal to the amount in respect of principal which would have been due and repayable under the Covered Bonds on each Interest Payment Date or the Final Maturity Date (as the case may be) as specified in Condition 6(a) and Condition 6(d) (but excluding any additional amounts relating to prepayments, early redemption, broken funding indemnities, penalties, premiums or default interest ("**Excluded Scheduled Principal Amounts**") payable by the Issuer following an Issuer Event of Default but including such amounts (whenever the same arose) following service of an LLP Acceleration Notice) as if the Covered Bonds had not become due and repayable prior to their Final Maturity Date and, if the Final Terms specifies that an Extended Due for Payment Date is applicable to the relevant Covered Bonds, as if the maturity date of the Covered Bonds had been the Extended Due for Payment Date;
"**Scottish Declaration of Trust**"	Each declaration of trust in relation to Scottish Loans and their Related Security made by the Seller in favour of the LLP pursuant to the Mortgage Sale Agreement;
"**Scottish Loans**"	Loans secured by Scottish Mortgages;
"**Scottish Mortgage**"	A Mortgage over a Property located in Scotland;
"**Scottish Sub-Security**"	Each standard security granted by the LLP in favour of the Security Trustee pursuant to the Deed of Charge;
"**Scottish Trust Security**"	Each supplemental assignation in security granted by the LLP in favour of the Security Trustee pursuant to the Deed of Charge;
"**SEC**"	U.S. Securities and Exchange Commission;
"**Secured Creditors**"	The Security Trustee (in its own capacity and on behalf of the other Secured Creditors), the Bond Trustee (in its own capacity and on behalf of the Covered Bondholders), the Covered Bondholders, the Couponholders, the Issuer, the Seller, the Servicer, any Account Bank, any Custodian, the Cash Manager, the Back-Up Servicer Facilitator any Back-Up Servicer, any Back-Up Cash Manager, the Swap Providers (being each Interest Rate Swap Provider and each Covered Bond Swap Provider), the Corporate Services Provider, the Paying Agents and any other person which becomes a Secured Creditor pursuant to the Deed of Charge;
"**Secured Obligations**"	Any and all monies, obligations and liabilities and all other amounts, whether actual or contingent, from time to time due, owing, payable or owed by the LLP to the Secured Creditors under Covered Bonds and/or the Transaction Documents which the LLP covenants and undertakes in the Deed of Charge to pay and discharge and all claims, demands or damages for breach of any such covenant, and references to "Secured Obligations" includes references to any of them;

"**Securities Act**"	U.S. Securities Act of 1933, as amended;
"**Security**"	The meaning given in "*Summary of the Principal Documents*" on page 206;
"**Security Trustee**"	Citicorp Trustee Company Limited, in its capacity as security trustee under the Trust Deed and the Deed of Charge together with any successor security trustee appointed from time to time;
"**Selected Loan Offer Notice**"	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 Current Balance of the Selected Loans and the Adjusted Required Redemption Amount;
"**Selected Loan Repurchase Notice**"	A notice from the Seller served on the LLP accepting an offer set out in a Selected Loan Offer Notice;
"**Selected Loans**"	Loans and their Related Security to be sold by the LLP pursuant to the terms of the LLP Deed having in aggregate the Required Current Balance Amount;
"**Selection Date**"	The meaning given in Condition 6 in "*Terms and Conditions of the Covered Bonds*" on page 133;
"**Seller**"	Skipton and any New Seller;
"**Seller Arranged Policy**"	Any Buildings Insurance Policy arranged by the Seller for the purposes of the Borrower insuring the Property for an amount equal to the full rebuilding cost of the Property;
"**Series**"	A Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds which are (a) expressed to be consolidated and form a single series, and (b) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices;
"**Series Reserved Matter**"	In relation to Covered Bonds (other than a Base Rate Modification pursuant to Condition 14 of the Terms and Conditions of the Covered Bonds) of a Series: (a) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds; (b) alteration of the currency in which payments under the Covered Bonds and Coupons are to be made; (c) alteration of the majority required to pass an Extraordinary Resolution;

(d) any amendment to the Covered Bond Guarantee or the Deed of Charge (except in a manner determined by the Bond Trustee not to be materially prejudicial to the interests of the holders of Covered Bonds of any Series);

(e) except in accordance with Condition 6(g) or Condition 14, the sanctioning of any such scheme or proposal for the exchange or sale of the Covered Bonds for or the conversion of the Covered Bonds into, or the cancellation of the Covered Bonds in consideration of, shares, stock, covered bonds, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, bonds, covered bonds, debentures, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash and for the appointment of some person with power on behalf of the holders of Covered Bonds to execute an instrument of transfer of the Registered Covered Bonds held by them in favour of the persons with or to whom the Covered Bonds are to be exchanged or sold respectively; and

(f) alteration of the proviso to paragraph 5 or paragraph 6 of Schedule 4 to the Trust Deed;

"**Servicer**"	Skipton in its capacity as servicer under the Servicing Agreement together with any successor servicer appointed from time to time;
"**Servicer Event of Default**"	The meaning given in "*Summary of the Principal Documents*" on page 182;
"**Servicer Termination Event**"	The meaning given in "*Summary of the Principal Documents*" on page 182;
"**Servicing Agreement**"	The servicing agreement entered into on the Programme Date (as amended, amended and restated and/or supplemented and/or restated from time to time) between the LLP, the Servicer, the Seller, the Back-Up Servicer Facilitator and the Security Trustee;
"**Share Trustee**"	CSC Corporate Services (London) Limited (formerly known as Intertrust Corporate Services Limited) having its registered office at 1 Bartholomew Lane, London EC2N 2AX;
"**SIL**"	Skipton International Limited;
"**Skipton**"	Skipton Building Society, a building society incorporated in England and Wales under the Building Societies Act 1986 (as amended), whose principal office is The Bailey, Skipton, North Yorkshire BD23 1DN;
"**Skipton Account Bank**"	Skipton Building Society;

"**Skipton Account Bank Downgrade Event**" The Skipton Account Bank having (a) a long-term issuer default rating below BBB- by Fitch, or (b) a short-term issuer default rating below F3 by Fitch;

"**Skipton Account Bank Transfer Events**" Any of the following events:

(a) a deduction or withholding for or on account of any Tax is imposed, or it appears likely that such a deduction or withholding will be imposed, in respect of the interest payable on the Skipton Transaction Account held with the Skipton Account Bank; or

(b) an Insolvency Event occurs in relation to the Skipton Account Bank; or

(c) service on the LLP of an Asset Coverage Test Breach Notice (which has not been revoked); or

(d) a Skipton Account Bank Downgrade Event; or

(e) the Skipton Account Bank fails to perform any of its obligations under the Skipton Bank Account Agreement and such failure remains unremedied for three Business Days after the Cash Manager, the LLP or the Security Trustee has given notice of such failure;

"**Skipton Bank Account Agreement**" The bank account agreement entered into on the Programme Date (as amended, supplemented or varied from time to time) between the LLP, the Skipton Account Bank, the Cash Manager and the Security Trustee;

"**Skipton Group**" Skipton and its Subsidiaries collectively;

"**Skipton Permitted Cash Amount**" (a) for so long as the Skipton Account Bank does not have the Account Bank Ratings, an amount of cash deposits (which may be credited to either the Principal Ledger or the Revenue Ledger) up to A-B where:

A = the Adjusted Aggregate Loan Amount (as calculated on the previous Calculation Date) plus item "W" of the definition of Adjusted Aggregate Loan Amount; and

B = the Sterling Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds (as calculated on the previous Calculation Date),

provided that for so long as the Skipton Account Bank does not have the Account Bank Ratings, amounts standing to the credit of the Reserve Fund, the Coupon Payment Ledger, the Interest Accumulation Ledger or the Supplemental Liquidity Reserve Ledger shall not be held in the Skipton Transaction Account; or

(b) for so long as the Skipton Account Bank has the Account Bank Ratings, all cash deposits (including amounts standing to the credit of the Reserve Fund, the Coupon Payment Ledger, the Interest Accumulation Ledger or the Supplemental Liquidity Reserve Ledger) held on behalf of the LLP from time to time;

"**Skipton Transaction Account**"	The transaction account in the name of the LLP held with the Skipton Account Bank and maintained subject to the terms of the Skipton Bank Account Agreement and the Deed of Charge or such additional or replacement account as may be for the time being in place with the prior consent of the Security Trustee;
"**Society**"	Skipton Building Society;
"**SONIA**"	Sterling Overnight Index Average;
"**SONIA Spot Rate**"	means with respect to the publication on any London Business Day, the daily Sterling Overnight Index Average (SONIA) published on such London Business Day (and relating to the immediately preceding London Business Day) as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page (or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors);
"**Specified Currency**"	Subject to any applicable legal or regulatory restrictions, euro, Sterling, U.S. Dollars and such other currency or currencies as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Principal Paying Agent and the Bond Trustee and specified in the applicable Final Terms;
"**Specified Denomination**"	In respect of a Series of Covered Bonds, the denomination or denominations of such Covered Bonds specified in the applicable Final Terms;
"**Specified Interest Payment Date**"	The meaning given in the applicable Final Terms;
"**Specified Period**"	The meaning given in the applicable Final Terms;
"**Standard Documentation**"	The standard documentation, annexed to the relevant exhibit of the Mortgage Sale Agreement or any update or replacement therefor as the Seller may from time to time introduce acting in accordance with the standards of a Reasonable, Prudent Mortgage Lender;
"**Sterling Equivalent**"	In relation to a Term Advance which is denominated in (i) a currency other than Sterling, the Sterling equivalent of such amount ascertained using the relevant Covered Bond Swap Rate relating to such Term Advance and (ii) Sterling, the applicable amount in Sterling; and

	in relation to a Covered Bond which is denominated in (i) a currency other than Sterling, the Sterling equivalent of such amount ascertained using the relevant Covered Bond Swap Rate relating to such Covered Bond and (ii) Sterling, the applicable amount in Sterling;
"**Subscription Agreement**"	An agreement supplemental to the Programme Agreement (by whatever name called) in or substantially in the form set out in Schedule 6 of the Programme Agreement or in such other form as may be agreed between the Issuer, the LLP and the Lead Manager or one or more Dealers (as the case may be);
"**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: (a) Sterling gilt-edged securities; (b) Sterling demand or time deposits provided that in all cases such investments have a remaining period to maturity of one year or less and the short-term unsecured, unguaranteed and unsubordinated debt obligations or, as applicable, the long-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) are rated P-1/Aa3 by Moody's and F1+/AA- by Fitch or their equivalents by three other internationally recognised rating agencies; and (c) Sterling denominated government and public securities, as defined from time to time in accordance with the RCB Regulations, provided that such investments have a remaining period to maturity of one year or less and which are rated at least Aaa by Moody's and F1+ by Fitch or their equivalents by two other internationally recognised rating agencies, provided that such Substitution Assets comply with the requirements of Regulation 2(1A) of the RCB Regulations;
"**sub-unit**"	With respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, euro 0.01;
"**Successor in Business**"	The meaning given in Condition 14 of the "*Terms and Conditions of the Covered Bonds*" on page 154;
"**Supplemental Liquidity Reserve Drawings**"	The meaning given on page 212;

"**Supplemental Liquidity Reserve Ledger**"	The meaning given on page 192;
"**Supplemental Liquidity Reserve Maximum Amount**"	The meaning given on page 191;
"**Supplemental Liquidity Selected Loans**"	Loans and their Related Security to be sold by the LLP pursuant to the terms of the LLP Deed;
"**SVR Loans**"	The meaning given on page 32;
"**Swap Agreements**"	The Covered Bond Swap Agreements together with the Interest Rate Swap Agreements, and each a "Swap Agreement";
"**Swap Collateral**"	At any time, any asset (including, without limitation, cash and/or securities) which is paid or transferred by a Swap Provider to the LLP as collateral to secure the performance by such Swap Provider of its obligations under the relevant Swap Agreement together with any income or distributions received in respect of such asset and any equivalent of such asset into which such asset is transformed;
"**Swap Collateral Accounts**"	The Citi Swap Collateral Account and any additional or replacement account in the name of the LLP held with an Account Bank into which Swap Collateral in respect of an Interest Rate Swap or a Covered Bond Swap may be deposited in accordance with the terms of any applicable Swap Agreement;
"**Swap Collateral Available Amounts**"	At any time, the amount of Swap Collateral which under the terms of the relevant Swap Agreement may be applied in satisfaction of the relevant Swap Provider's obligations to the LLP following termination of a Swap to the extent that such obligations relate to payments made in connection with the Pre-Acceleration Priority of Payments or the Guarantee Priority of Payments;
"**Swap Collateral Excluded Amounts**"	At any time, the amount of Swap Collateral which may not be applied under the terms of the relevant Swap Agreement at that time in satisfaction of the relevant Swap Provider's obligations to the LLP, including Swap Collateral which is to be returned to the relevant Swap Provider from time to time in accordance with the terms of the Swap Agreements and ultimately upon termination of the relevant Swap Agreement;
"**Swap Collateral Ledger**"	The ledger (including any sub-ledgers) maintained by the Cash Manager pursuant to the Cash Management Agreement on the Swap Collateral Account, to record the crediting of any Swap Collateral and any debiting of the same;
"**Swap Provider Default**"	The occurrence of an Event of Default or Termination Event (each as defined in each of the Swap Agreements) where the relevant Swap Provider is the Defaulting Party or the sole Affected Party (each as defined in the relevant Swap Agreement), as applicable, other than a Swap Provider Downgrade Event;

"**Swap Provider Downgrade Event**"	The occurrence of an Additional Termination Event or an Event of Default (each as defined in the relevant Swap Agreement) following a failure by the Swap Provider to comply with the requirements of the ratings downgrade provisions set out in the relevant Swap Agreement;
"**Swap Providers**"	The Covered Bond Swap Providers and the Interest Rate Swap Providers, and each a "Swap Provider";
"**Swaps**"	The Covered Bond Swaps together with the Interest Rate Swap;
"**Talons**"	The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 107;
"**TARGET2 System**"	Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was connected on 19 November 2007, or any successor thereto;
"**Tax Credit**"	The meaning given in the relevant Swap Agreement;
"**Taxes**"	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, 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 "Tax" and "Taxation" shall be construed accordingly;
"**TEFRA**"	The United States Tax Equity and Fiscal Responsibility Act of 1982;
"**TEFRA C**"	U.S. Treasury Regulations §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended);
"**TEFRA D**"	U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended);
"**Temporary Global Covered Bond**"	The meaning given in "*Form of the Covered Bonds*" on page 91;
"**Term Advance**"	Each term advance made by the Issuer to the LLP from the proceeds of Covered Bonds pursuant to the Intercompany Loan Agreement;
"**Term Advance Interest Payment Date**"	In respect of any Term Advance, each Interest Payment Date in respect of the corresponding Series or Tranche of Covered Bonds that funded such Term Advance;

"**Third Party Account Bank**"	Any third party appointed by the LLP to provide a Transaction Account;
"**Third Party Amounts**"	Each of: (a) payments of insurance premiums, if any, due to the Seller in respect of any Seller Arranged Policy to the extent not paid or payable by the Seller (or to the extent such insurance premiums have been paid by the Seller in respect of any Further Advance which is not purchased by the Seller to reimburse the Seller); (b) amounts under an unpaid direct debit which are repaid by the Seller to the bank making such payment if such bank is unable to recoup that amount itself from its customer's account; (c) payments by the Borrower of any fees (including Early Repayment Charges) and other charges which are due to the Seller; (d) any amount received from a Borrower for the express purpose of payment being made or having been made to a third party for the provision of a service (including giving insurance cover) to any of that Borrower or the Seller or the LLP and any amounts due or arising from any mistaken overpayment by any person or arising from any reimbursement by any person of any such mistaken overpayment (including, for the avoidance of doubt, where arising from the failure of a direct debit); (e) (subject to any right to refuse or withhold payment or of set-off that has arisen by reason of the Borrower's breach of the terms of the relevant Mortgage or Loan) any amount payable to a Borrower under the terms of the Mortgage or the Loan to which that Borrower is a party (other than a Further Advance); (f) any amounts owed to the Seller pursuant to Clause 6 (*Trust of Monies*) of the Mortgage Sale Agreement; and (g) any amounts representing overpayments made on behalf of a Borrower by the Department for Work and Pensions which it subsequently seeks to recover, which amounts may be paid daily from monies on deposit in the LLP Accounts;
"**Third Party Bank Account Agreement**"	Any bank account agreement entered into between the LLP, the Cash Manager, the Security Trustee and a Third Party Account Bank in relation to a Third Party Transaction Account;

"**Third Party Transaction Account**"	Any transaction account in the name of the LLP held with a Third Party Account Bank and maintained subject to the terms of the relevant Third Party Bank Account Agreement and the Deed of Charge with the prior consent of the Security Trustee or such additional or replacement account as may from time to time be in place with the prior consent of the Security Trustee;
"**Title Information Documents**"	In relation to each Loan and its Related Security and the Property relating thereto, all conveyancing deeds and documents which make up the title to the Property and the security for the Loan and all searches and enquiries undertaken in connection with the grant by the Borrower of the related Mortgage;
"**Transaction Account**"	The Citi Transaction Account, the Skipton Transaction Account or a Third Party Transaction Account, as the context may require;
"**Transaction Documents**"	(a) Mortgage Sale Agreement (and any documents entered into pursuant to the Mortgage Sale Agreement, including, without limitation, each Scottish Declaration of Trust); (b) Servicing Agreement; (c) Asset Monitor Agreement; (d) Intercompany Loan Agreement; (e) LLP Deed; (f) Cash Management Agreement; (g) each Interest Rate Swap Agreement; (h) each Covered Bond Swap Agreement; (i) each Third Party Bank Account Agreement; (j) Citi Bank Account Agreement; (k) Skipton Bank Account Agreement; (l) any Custody Agreement; (m) Corporate Services Agreement; (n) Deed of Charge (and any documents entered into pursuant to the Deed of Charge, including, without limitation, each Scottish Trust Security and Scottish Sub-Security); (o) Trust Deed; (p) Agency Agreement; (q) Programme Agreement;

(r) each set of Final Terms (as applicable in the case of each issue of listed Covered Bonds subscribed pursuant to a subscription agreement);

(s) each Subscription Agreement (as applicable in the case of each issue of listed Covered Bonds subscribed pursuant to a subscription agreement);

(t) any Back-Up Servicing Agreement;

(u) any Back-Up Cash Management Agreement; and

(v) Master Definitions and Construction Agreement;

"**Transfer Agent**" The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 107;

"**Transfer Certificate**" The meaning given in Condition 2(e) in "*Terms and Conditions of the Covered Bonds*" on page 111;

"**Transfer Date**" Each of the Initial Transfer Date and the date of transfer of any New Portfolio to the LLP in accordance with the Mortgage Sale Agreement;

"**Trust Deed**" The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 107;

"**UK EMIR**" Regulation (EU) 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 domestic law by virtue of the EUWA (including, without limitation, any associated regulatory technical standards and advice, guidance or recommendations from relevant supervisory regulators), as amended or supplemented from time to time;

"**UK House Price Index**" The index of increases or decreases in house prices in relation to residential properties in the United Kingdom, as published by the Office for National Statistics;

"UK House Price Indexed Valuation" In relation to any Property, the Latest Valuation of that Property increased or decreased as appropriate by the increase or decrease in the UK House Price Index since the date of that Latest Valuation;

"**UTCCR**" Unfair Terms in Consumer Contracts Regulations 1999 as amended and the Unfair Terms in Consumer Contracts Regulations 1994;

"**Valuation Report**" The valuation report or reports for mortgage purposes, in the form of one of the pro-forma contained in the Standard Documentation, obtained by the Seller from a Valuer in respect of each Property or a valuation report in respect of a valuation made using a methodology which would be acceptable to a Reasonable, Prudent Mortgage Lender and which has been approved by the relevant officers of the Seller;

"**Valuer**"	An Associate or Fellow of the Royal Institute of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers who was at the relevant 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;
"**VAT**"	Value added tax as imposed by: (a) the United Kingdom under the Value Added Tax Act 1994 and legislation (whether delegated or otherwise) replacing the same or supplemental thereto; or (b) any primary or subordinate legislation promulgated by the European Union or any official body or agency thereof, and (in both cases) any similar turnover tax replacing or introduced in addition to any of the same;
"**Yield Shortfall Test**"	The meaning given in "*Summary of the Principal Documents*" on page 181; and
"**Zero Coupon Covered Bonds**"	Covered Bonds which will be offered and sold at a discount to their nominal amount and which will not bear interest.

ISSUER

Skipton Building Society

The Bailey

Skipton

North Yorkshire BD23 1DN

THE LLP

Skipton Covered Bonds Limited Liability Partnership

The Bailey

Skipton

North Yorkshire BD23 1DN

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Citigroup Centre

Canada Square

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