



Barclays Bank PLC

(incorporated with limited liability in England)

€15 billion

Global Covered Bond Programme

unconditionally and irrevocably guaranteed as to payments by

Barclays Covered Bonds LLP

(a limited liability partnership incorporated in England and Wales)

Under this €15 billion covered bond programme (the “**Programme**”), Barclays Bank PLC (the “**Issuer**”) may from time to time issue bonds (the “**Covered Bonds**”) denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below). The price and amount of the Covered Bonds to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

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

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 €15 billion (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Covered Bonds may be issued on a continuing basis to one or more of the Dealers specified under “*Programme Overview*” 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 Base Prospectus to the “**Relevant Dealers**” shall, in the case of an issue of Covered Bonds being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Covered Bonds.

Application will be made to the Financial Services Authority (the “**FSA**”) for the Issuer to be admitted to the register of issuers and for the Programme and for any Covered Bonds issued under the Programme prior to the date of admission to be admitted to the register of regulated covered bonds, under the Regulated Covered Bonds Regulations 2008 (Statutory Instrument 2008/346, as amended from time to time) (the “**Regulated Covered Bonds Regulations 2008**” or the “**RCB Regulations**”).

This Base Prospectus constitutes a “**Base Prospectus**” for the purposes of the Prospectus Directive (Directive 2003/71/EC). Application has been made to the Financial Services Authority which is the United Kingdom competent authority under the Financial Services and Markets Act 2000 for the purposes of the Prospectus Directive and relevant implementing measures in the United Kingdom (the “**UK Listing Authority**”), for approval of this Base Prospectus as a Base Prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of Covered Bonds issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of the UK Listing Authority (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for such Covered Bonds to be admitted to trading on the Regulated Market of the London Stock Exchange (which is a “**regulated market**” for the purposes of the Markets in Financial Instruments Directive 2004/39/EC) (the “**regulated market of the London Stock Exchange**”). Admission to the Official List together with admission to the regulated market of the London Stock Exchange constitutes official listing on the London Stock Exchange. References in this Base Prospectus to Covered Bonds being “**listed**” (and all related references) shall mean that such Covered Bonds have been admitted to trading on the Regulated Market of the London Stock Exchange and have been admitted to the Official List. Notice of the aggregate nominal amount of Covered Bonds, interest (if any) payable in respect of Covered Bonds, the issue price of Covered Bonds and any other terms and conditions not contained herein which are applicable to each 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 UK Listing Authority and the London Stock Exchange on or before the date of issue of such Tranche of Covered Bonds.

The Programme provides that Covered Bonds may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or regulated or unregulated markets as may be agreed between the Issuer, the LLP, the Bond Trustee (as defined below) and the relevant Dealer(s). The Issuer may also issue unlisted Covered Bonds and/or Covered Bonds not admitted to trading on any regulated or unregulated market.

The Covered Bonds and the Covered Bond Guarantee (as defined below) have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), and may not be offered or sold in the United States or to or for the benefit of U.S. persons unless such securities are registered under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See “*Form of the Covered Bonds*” for a description of the manner in which Covered Bonds will be issued. Registered Covered Bonds are subject to certain restrictions on transfer, see “*Subscription and Sale and Transfer and Selling Restrictions*”.

Please review and consider the risk factors beginning on page 18 in this Base Prospectus carefully before you purchase any Covered Bonds.

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 Covered Bonds issued under the Programme are expected on issue to be assigned an “**AAA**” rating by Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc., an “**AAA**” rating by Fitch Ratings Ltd. and an “**Aaa**” rating by Moody’s Investors Service Limited. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Arranger

Barclays Capital

Dealer

Barclays Capital

The date of this Base Prospectus is 30 June 2008.

The Issuer and the LLP each accept responsibility for the information contained in this Base Prospectus (the “**Base Prospectus**”). To the best of the knowledge and belief of each of the Issuer and the LLP (each having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The information in the section “THE LLP” has been provided by the Liquidation Member and each of the Issuer and the LLP confirms that such third party information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by the Liquidation Member, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Base Prospectus is given in compliance with the prospectus rules made by the UK Listing Authority under the Financial Services and Markets Act 2000 (“**FSMA**”) as amended by the Prospectus Regulations 2005 (the “**Prospectus Rules**”) and in compliance with the rules relating to the admission to the official list, in accordance with section 73(A)(2) of the FSMA (the “**Listing Rules**”) for the purposes of giving information about the Issuer and the Covered Bonds.

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

The information contained in this Base Prospectus was obtained from the Issuer, the Seller, the LLP and the Liquidation Member, but no assurance can be given by the Dealers, the Bond Trustee or the Security Trustee as to the accuracy or completeness of this information. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers, the Bond Trustee or the Security Trustee as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer, the Seller and the LLP in connection with the Programme. Neither the Dealers nor the Bond Trustee nor the Security Trustee accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer and the LLP in connection with the Programme.

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

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

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

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

This Base 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 Base Prospectus and the offer or sale of Covered Bonds may be restricted by law in certain jurisdictions. The Issuer, the LLP, the Dealers, the Bond Trustee and the Security Trustee do not represent that this Base 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 Dealers, the Bond Trustee or the Security Trustee which would permit a public offering of any Covered Bonds or distribution of this Base 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 Base 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 Base Prospectus or any Covered Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Covered Bonds. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Covered Bonds in the United States, the United Kingdom, the Republic of France and Japan, see “*Subscription and Sale and Transfer and Selling Restrictions*” below.

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

References in this Base Prospectus to “**£**”, “**Sterling**” and “**Pounds Sterling**” are references to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland. References in this Base Prospectus to “**€**” and “**euro**” are to the single currency introduced in the Member States of the European Community at the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended. References in this Base Prospectus to “**U.S. Dollars**”, “**dollars**”, “**\$**”, “**Dollars**” or “**US\$**” are references to the lawful currency for the time being of the United States of America.

The RCB Regulations

The Issuer has applied to the FSA for admission to the register of issuers and for the Programme and for the Covered Bonds issued under the Programme prior to the date of admission to be admitted to the register of regulated covered bonds, under the Regulated Covered Bonds Regulations 2008. As of the date of this Base Prospectus, neither the Issuer nor the Programme will be so registered or regulated. The timetable for recognition by the FSA is expected to take not more than six months from the date of the application being made or further information being provided at the request of the FSA. Covered Bondholders will promptly be notified by the Issuer upon receipt from the FSA of its final decision on the application.

Governing Law

The Programme documents are governed by, as applicable, the laws of England and Wales and/or Scotland and/or Northern Ireland.

The “**United Kingdom**” and “**UK**” are abbreviated references to the United Kingdom of Great Britain and Northern Ireland. The UK comprises three distinct legal systems, namely those of England and

Wales, Scotland and Northern Ireland, each with its own judicial process. However, leaving aside devolution of certain powers to Welsh, Scottish and Northern Irish legislative bodies, the legislative body for each of these three jurisdictions is the UK Parliament. Accordingly, references to UK law are to laws promulgated by the UK Parliament and which are binding on the United Kingdom.

The “United States”, “U.S.” and “US” are abbreviated references to the United States of America.

Important Notices

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 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 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 Base Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Base Prospectus. Any representation to the contrary is unlawful.

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

Notice to U.S. Investors

With respect to the issue and sale of the Covered Bonds in the United States, this Base Prospectus is highly confidential and has been prepared by the Issuer solely for use in connection with the issue of the Covered Bonds. In the United States, this Base Prospectus is personal to each person or entity to whom it has been delivered by the Issuer or a dealer or an affiliate thereof. Distribution in the United States of this Base Prospectus to any person other than such persons or entities and those persons or entities, if any, retained to advise such persons or entities is unauthorised and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited. Each prospective purchaser in the United States, by accepting delivery of this Base Prospectus, agrees to the foregoing and agrees not to reproduce all or any part of this Base Prospectus. This Base Prospectus is not a prospectus for the purposes of Section 12(a)(2) or any other provision of or rule under the Securities Act.

Additionally, each purchaser of any of the Covered Bonds will be deemed to have made the representations, warranties and acknowledgements that are described in the applicable Final Terms. The Covered Bonds have not been nor will be registered under the Securities Act, and such securities are subject to certain restrictions on transfer. If any Rule 144A Covered Bonds are issued, prospective investors are hereby notified that the seller of any Covered Bond may be relying upon the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain further restrictions on resale or transfer of the Covered Bonds, see the applicable Final Terms.

Offers and sales of the Covered Bonds in the United States will be made by the Dealer(s) through their affiliates which are registered broker-dealers under the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”), or in accordance with Rule 15a-6 thereunder.

Notice to residents of New Hampshire

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED (“RSA”), 1955 FOR THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDATION OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Available Information

If any Rule 144A Covered Bonds are issued, the Issuer will agree, for so long as any of the Covered Bonds are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, it will, during any period in which it is neither subject to and in compliance with the reporting requirements of Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act to any holder or beneficial owner of such restricted securities or to any prospective purchaser designated by such holder or beneficial owner of such restricted securities in order to permit compliance by such holder or beneficial owner with Rule 144A in connection with the resale of such restricted securities or any interest therein, in each case at the request of such holder, beneficial owner or prospective purchaser.

By requesting copies of the documents referred to herein or by making any other requests for additional information relating to the issue of the Covered Bonds or to the Issuer, each potential investor agrees to keep confidential the various documents and all written information which from time to time has been or will be disclosed to it, to the extent that such documents or information are not otherwise publicly available, and agrees not to disclose any portion of such information to any person except in connection with the proposed resale of the Covered Bonds or as required by law.

Rounding Adjustments

Certain monetary amounts and currency translations included in this document have been subject to rounding adjustments. Accordingly, figures shown as currency translations in certain tables may not be an arithmetic aggregation of the figures which preceded them.

Forward-Looking Statements

This Base Prospectus contains statements which constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Such statements appear in a number of places in this Base Prospectus and reflect significant assumptions and subjective judgments by the Issuer and/or the LLP that may or may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as “may”, “will”, “could”, “believes”, “expects”, “anticipates”, “continues”, “intends”, “plans”, or similar terms. Any projections, forecasts and estimates contained herein are

forward looking statements and are based upon certain assumptions. Projections are necessarily speculative in nature, and some or all of the assumptions underlying the projections may not materialize or may vary significantly from actual results. Consequently, future results may differ from the Issuer's and/or the LLP's expectations due to a variety of factors, including (but not limited to) the economic environment in the United Kingdom. Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the Covered Bonds are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer and/or the LLP. The dealers have not attempted to verify any such statements, nor do they make any representations, express or implied, with respect thereto.

None of the Dealers, the Issuer, the LLP, the Security Trustee, the Bond Trustee or any other party to the Transaction Document has any obligation to update or otherwise revise any projections, including any revisions to reflect changes in economic conditions or other circumstances arising after the date hereof or to reflect the occurrence of unanticipated events, even if the underlying assumptions do not come to fruition.

Capitalised terms used in this document, unless otherwise indicated, have the meanings set out in this document. A glossary of defined terms appears at the back of this document (see "*Glossary*").

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PRINCIPAL CHARACTERISTICS OF THE COVERED BOND PROGRAMME

The following synopsis does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus. For further information, namely regarding the Asset Coverage Test and the Amortisation Test please see "Summary of the Principal Documents".

Issuer:	Barclays Bank PLC
Guarantor:	Barclays Covered Bonds LLP
Regulated Covered Bonds:	The Issuer will on or before 30 April 2008 apply for the Issuer and for the Covered Bond Programme and for any Covered Bonds previously issued under the Covered Bond Programme to be registered under the RCB Regulations
Nature of eligible property:	Residential Mortgage Loans and their Related Security and Authorised Investments
Compliant with the Banking Consolidation Directive:	Yes, the Programme is intended to be compliant with the Banking Consolidation Directive once the Issuer has been accepted to the register of issuers and the Programme and any Covered Bonds previously issued under the Programme have been admitted to the register of regulated covered bonds under the RCB Regulations
Location of eligible residential property underlying Mortgages:	England, Wales, Northern Ireland and Scotland
Maximum Loan to Value Ratio given credit under the Asset Coverage Test:	75 per cent
Maximum Asset Percentage:	94 per cent
Asset Coverage Test:	
To be supported by:	<p>A. The lower of:</p> <ul style="list-style-type: none">(i) the sum over all Mortgage Accounts in the Portfolio of the lower of: (a) the outstanding Mortgage Account Balance of the relevant Mortgage Account as at the Determination Date preceding the relevant Calculation Date; <i>and</i> (b) the Indexed Valuation multiplied by M for that Mortgage Account (where: M= 0.75 for all Mortgage Accounts in the Portfolio that are not then Defaulted Mortgage Accounts; M = 0.4 for all Mortgage Accounts in the Portfolio that are then Defaulted Mortgage Accounts and that have an outstanding principal balance to Indexed Valuation ratio of less than or equal to 75%; and M= 0.25 for all Mortgage Accounts in the Portfolio that are then Defaulted Mortgage Accounts and that have an outstanding principal balance to Indexed Valuation ratio of greater than 75%); and(ii) the Asset Percentage multiplied by the Adjusted Mortgage Account Balance Amount; and <p>B. the aggregate amount of any Cash Capital Contributions made by the Members or proceeds of Term Advances which have not been applied as at the relevant Calculation Date; and</p> <p>C. the aggregate outstanding principal balance of any Substitution Assets; and</p> <p>D. the amount of any Principal Receipts standing to the credit of the GIC Account as at the relevant Calculation Date but excluding any amounts then due to be applied in accordance with the terms of the Transaction Documents; and</p>

E. the amount of any Sale Proceeds standing to the credit of the Pre-Maturity Liquidity Ledger as at the relevant Calculation Date.

But after making deductions in respect of:

V. The sum of 115 per cent. of the aggregate of the MRCLN Principal Amount Outstanding, as calculated on the relevant Calculation Date *minus* the amount of any collateral posted by the Seller pursuant to and in accordance with the terms of the MRCLN Collateral Agreement; and

X. zero, if the short term unsecured debt obligations of the Issuer are rated at least A-2 by S&P and the long term unsecured debt obligations of the Issuer are rated at least A- by Fitch and A3 by Moody's, provided that if the short term unsecured debt obligations of the Issuer are not rated at least A-2 by S&P and if the long term unsecured debt obligations are not rated at least A- by Fitch and A3 by Moody's, X shall be 4.2 per cent. (such percentage to be reviewed by the Issuer from time to time (and at least on an annual basis) and which may be altered by the Issuer subject to Rating Agency Confirmation in respect of such alteration being obtained from S&P and Fitch and Moody's at such time, however in the event that the Covered Bonds are not rated Aaa by Moody's such percentage may not be reduced below its then current value at such time) of the aggregate outstanding principal balance of the Mortgage Accounts, calculated as of the Determination Date immediately preceding the relevant Calculation Date; and

Y. the sum of any Further Advances where each such Further Advance was equal to or less than £25,000; and

Z. the weighted average remaining maturity of all Covered Bonds then outstanding calculated by the Cash Manager as at such date multiplied by the Sterling Equivalent of the then aggregate Principal Amount Outstanding of the Covered Bonds all multiplied by the then Negative Carry Factor.

Amortisation Test:

To be supported by:

A. the aggregate Amortisation Test Outstanding Principal Balance; and

B. the sum of the amount of any cash standing to the credit of the GIC Account and the principal amount of any Authorised Investments (excluding any Revenue Receipts received in the immediately preceding Calculation Period and any amounts due to be applied in accordance with the terms of the Transaction Documents); and

C. the aggregate outstanding principal balance of any Substitution Assets not taken into account elsewhere in this calculation; and

But after making deductions in respect of:

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.

Reserve Fund: A Reserve Fund (unless the Issuer's short term unsecured, unsubordinated and unguaranteed debt obligations are rated at least A-1+ by S&P, F1+ by Fitch and P-1 by Moody's) will be established in the GIC Account to trap Available Revenue Receipts.

Extendable Maturities: Available

Hard Bullet Maturities: Available

Asset Monitor: PricewaterhouseCoopers LLP

Asset Segregation: Yes

DOCUMENTS INCORPORATED BY REFERENCE

The following information has been filed with the FSA and shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

- (a) the joint Annual Report of Barclays PLC and the Issuer, as filed with the SEC on Form 20-F in respect of the years ended 31 December 2006 and 31 December 2007 (the “**Joint Annual Report**”), with the exception of the information incorporated by reference in the Joint Annual Report referred to in the Exhibit Index of the Joint Annual Report, which shall not be deemed to be incorporated in this Base Prospectus and the Annual Reports of the Issuer containing the audited consolidated accounts of the Issuer in respect of the years ended 31 December 2006 (the “**2006 Issuer Annual Report**”) and 31 December 2007 (the “**2007 Issuer Annual Report**”), respectively; and
- (b) the Interim Management Statement of Barclays PLC issued on 15 May 2008, as filed with the SEC on Form 6-K on 15 May 2008 (the “**Interim Management Statement**”).

The above documents may be inspected as described in paragraph 7 of “*General Information*”.

The table below sets out the relevant page references for the information contained within the Joint Annual Report filed on Form 20-F:

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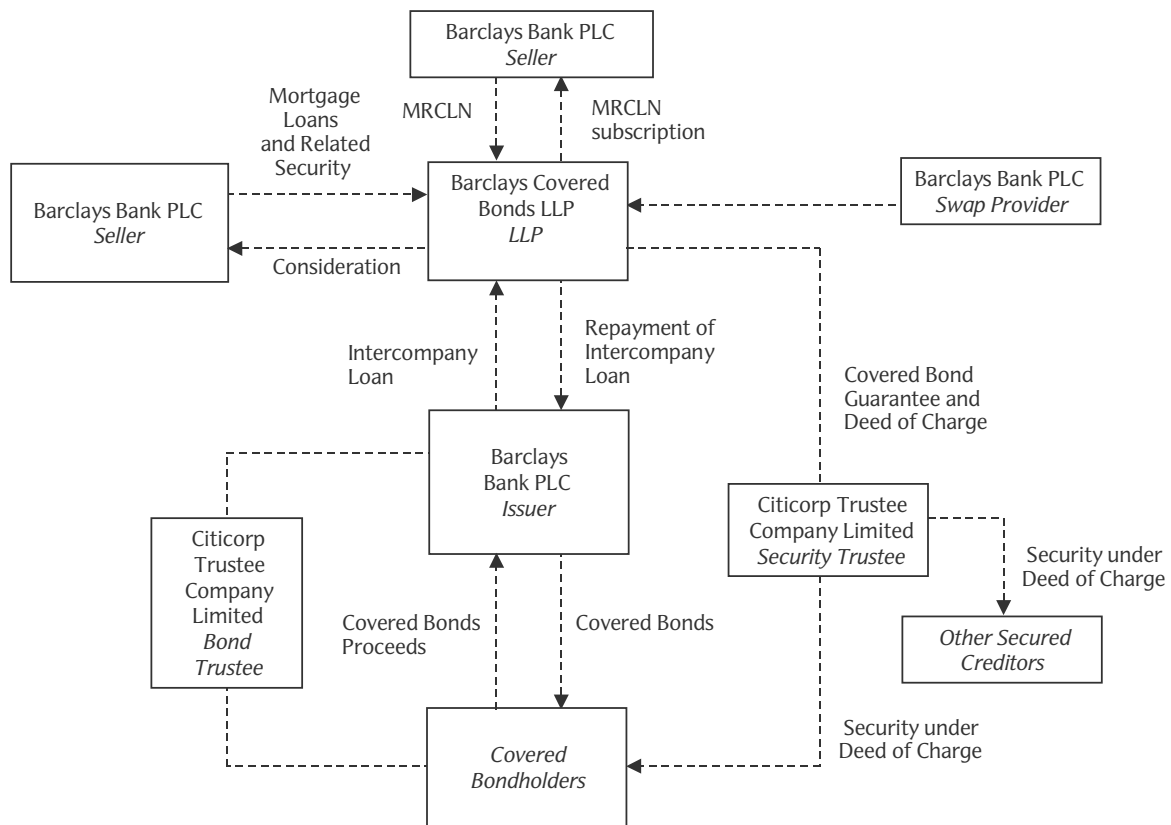
Barclays PLC and the Issuer have applied IFRS from 1 January 2004, with the exception of the standards relating to financial instruments (IAS 32 and IAS 39) and insurance contracts (IFRS 4) which were applied with effect from 1 January 2005. A summary of the significant accounting policies for each of Barclays PLC and the Issuer is included in each of the Joint Annual Report, the 2006 Issuer Annual Report and the 2007 Issuer Annual Report.

If at any time the Issuer shall be required to prepare a supplement to the Base Prospectus pursuant to Section 87 of the FSMA, or to give effect to the provisions of Article 16(1) of the Prospectus Directive, the Issuer will prepare and make available an appropriate amendment or supplement to this Base Prospectus or a further base prospectus which, in respect of any subsequent issue of Covered Bonds to be listed on the Official List and admitted to trading on the Regulated Market of the London Stock Exchange, shall constitute a supplemental base prospectus as required by the FSA and Section 87 of the FSMA.

STRUCTURE OVERVIEW

The following structure overview does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by, the more detailed information contained elsewhere in this Base Prospectus and the Conditions and the Transaction Documents (as defined in “Terms and Conditions of the Covered Bonds”). The information is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus. Words and expressions defined elsewhere in this Base Prospectus shall have the same meanings in this structure overview. A glossary of certain defined terms used in this document is contained at the end of this Base Prospectus.

Structural Diagram of the Transaction



The Programme

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

Pursuant to 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 (or, as applicable, the Sterling Equivalent thereof) on the Issue Date of each Series or, as applicable, each 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.

Pursuant to the terms of the Trust Deed, the LLP provides a guarantee as to payments of interest and principal under the Covered Bonds. The LLP agrees 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 occurrence of an Issuer Event of Default and the service of an Issuer Acceleration Notice on the Issuer 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 the service of an Issuer Acceleration Notice on the Issuer and the LLP

(whereupon the Covered Bonds will become immediately due and payable as against the Issuer but not at such time as against the LLP).

An LLP Acceleration Notice may be served by the Bond Trustee on the Issuer and the LLP following the occurrence of an LLP Event of Default. If an LLP Acceleration Notice is served, the Covered Bonds will become immediately due and payable as against the Issuer (if not already immediately due and payable as against the Issuer) and also against the LLP 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 LLP will use the proceeds of the Term Advances received under the Intercompany Loan Agreement from time to time, after swapping the same into Sterling under the relevant Swap Agreement (to the extent necessary): (i) to purchase the Initial Mortgage Loan Portfolio and each New Mortgage Loan Portfolio, consisting of Mortgage Loans and their Related Security, from the Seller in accordance with the terms of the Mortgage Sale Agreement; and/or (ii) to subscribe for and purchase the MRCLN from the Seller in accordance with the MRCLN Note Purchase Facility Agreement; and/or (iii) to invest in Substitution Assets in an amount not exceeding the prescribed limit (as specified in the LLP Deed) to the extent required to meet the requirements of Regulations 17(2)(b) and 24(1)(a)(ii) of the RCB Regulations and the Asset Coverage Test; and/or (iv) to grant an Additional MRCLN Advance in accordance with the terms of the MRCLN Note Purchase Facility Agreement; and thereafter the LLP may use such proceeds (a) (subject to complying with the Asset Coverage Test (as described below)) to make a Capital Distribution to a Member; and/or (b) 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 (c) to make a deposit of all or part of the proceeds in the GIC Account (including, without limitation, to fund the Reserve Fund to an amount not exceeding the prescribed limit). To protect the value of the Portfolio under the terms of the LLP Deed, the LLP and 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. The Seller will, subject to the satisfaction of certain conditions (including the Eligibility Criteria) be permitted to (a) assign and substitute further Mortgage Loans and (b) subject to receiving prior Rating Agency consent, assign non-mortgage assets to the LLP from time to time. The LLP in turn will be entitled to grant Additional MRCLN Advances from time to time.

Under the terms of the Mortgage Sale Agreement, the consideration payable to the Seller for the sale of Mortgage Loans and their Related Security to the LLP on any Transfer Date will be a combination of: (i) a cash payment paid by the LLP to the Seller; and/or (ii) the Seller being treated as having made a Capital Contribution to the LLP (in an amount up to the difference between the outstanding principal balance of the Mortgage Loans sold by the Seller as at the relevant Transfer Date and the cash payment (if any) paid by the LLP); and (iii) Deferred Consideration. Subject to meeting certain conditions precedent (including, but not limited to, written consent from each Rating Agency) set out in the Transaction Documents, New Sellers may accede to the Programme.

On the First Transfer Date, the Seller will issue the MRCLN to the LLP pursuant to the terms of the MRCLN Note Purchase Facility Agreement, the principal amount outstanding on which will be linked to the aggregate Mortgage Reserve Account Balance on all Reference Mortgage Reserves linked to Mortgage Loans in the Mortgage Loan Portfolio at any time. The MRCLN Principal Amount Outstanding will increase and decrease from time to time and will, on each Calculation Date, be calculated with reference to, *inter alia*, the Mortgage Reserve Account Balance on each Reference Mortgage Reserve, but only to the extent that the Mortgage Reserve Account Balance on such Reference Mortgage Reserve is equal to or less than the then Mortgage Reserve Credit Limit for such Reference Mortgage Reserve (when a Mortgage Reserve Account Balance of a Reference Mortgage Reserve is in excess of the applicable Mortgage Reserve Credit Limit other rules will apply, as described further herein). To the extent that a Borrower repays any amount outstanding on a Reference Mortgage Reserve, the Seller will be required to pay an equivalent amount on the MRCLN to the LLP. The Mortgage Loans in the Mortgage Loan Portfolio may or may not have an associated Reference Mortgage Reserve.

As at the date of this Base Prospectus, the collateral to be sold by the Seller to the LLP to support the LLP's obligations under the Covered Bond Guarantee will only comprise of residential mortgage loans originated by the Seller in England, Wales, Scotland or Northern Ireland and in addition the

MRCLN will provide further collateral. However, subject to prior written confirmation from the Rating Agencies that the then current ratings of all Series of Covered Bonds that are then outstanding shall not be adversely affected and subject to compliance with all applicable laws and regulations in force at such time, the Seller may sell to the LLP other forms of collateral as specified by way of update or supplement to this Base Prospectus.

To secure its obligations under the Covered Bond Guarantee and the Transaction Documents to which it is a party, the LLP will grant security over the Charged Property (which consists principally of the LLP's interest in the Mortgage Loan Portfolio, the Substitution Assets, the MRCLN, 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.

Prior to service of a Notice to Pay on the LLP and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP, under the Covered Bond Guarantee, the LLP will:

- (a) apply Available Revenue Receipts to pay interest due on the Term Advances (the proceeds of which the Issuer may apply to pay interest due on the Covered Bonds) and/or to make certain payments to the Members in accordance with their respective entitlements to income under the LLP Deed. 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 Swap Providers, amounts (if any) to be credited to the Reserve Fund and interest due and payable on the Term Advances); and
- (b) apply Available Principal Receipts towards making Capital Distributions to the Members but only after payment of certain items ranking higher in the Pre-Acceleration Principal Priority of Payments (including, but not limited to, funding any liquidity that may be required in respect of Hard Bullet Covered Bonds following any breach of the Pre-Maturity Test, acquiring New Mortgage Loans and their Related Security offered by the Seller to the LLP and making Additional MRCLN Advances).

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

Following the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice on the LLP and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP, the Covered Bonds will become immediately due and repayable (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 moneys received or recovered by the Security Trustee following enforcement of the Security created by the LLP in accordance with the Deed of Charge will be distributed according to the Post-Enforcement Priority of Payments.

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 Asset Amount will be in an amount equal to or in excess of the aggregate Principal Amount Outstanding of the Covered Bonds from time to time. The Asset Coverage Test will be tested by the Cash Manager on each Calculation Date prior to the service of a Notice to Pay on the LLP. A breach of the Asset Coverage Test on a Calculation Date which is not remedied by the immediately succeeding Calculation Date will result in an Issuer Event of Default 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.

In addition, following service of a Notice to Pay on the LLP (but prior to service of an LLP Acceleration Notice and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP) 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, the Amortisation Test Aggregate Asset Amount will be in an amount at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds from time to time. The Amortisation Test will be 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.

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 moneys 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 will be payable on the Original Due for Payment Date and on the Extended Due for Payment Date in accordance with Condition 4 (*Interest*).

The Programme provides that the Hard Bullet Covered Bonds are subject to a Pre-Maturity Test on each Business Day prior to the occurrence of an Issuer Event of Default and/or an LLP Event of Default which is intended to provide liquidity for such Covered Bonds when the Issuer's credit ratings fall to a certain level within a certain period prior to the maturity of such Series of Hard Bullet Covered Bonds. If the Pre-Maturity Test is breached within such specified period and certain actions are not taken, the Bond Trustee will serve a Notice to Pay on the LLP to require it to sell and/or refinance Selected Mortgage Loans.

In its capacity as Administrator, Barclays Bank PLC has entered into the Administration Agreement with the LLP and the Security Trustee, pursuant to which the Administrator has agreed to provide administrative services in respect of, *inter alia*, the Mortgage Loans and their Related Security sold by Barclays Bank PLC (in its capacity as Seller) to the LLP and to also perform certain administrative functions in respect of the Reference Mortgage Reserves.

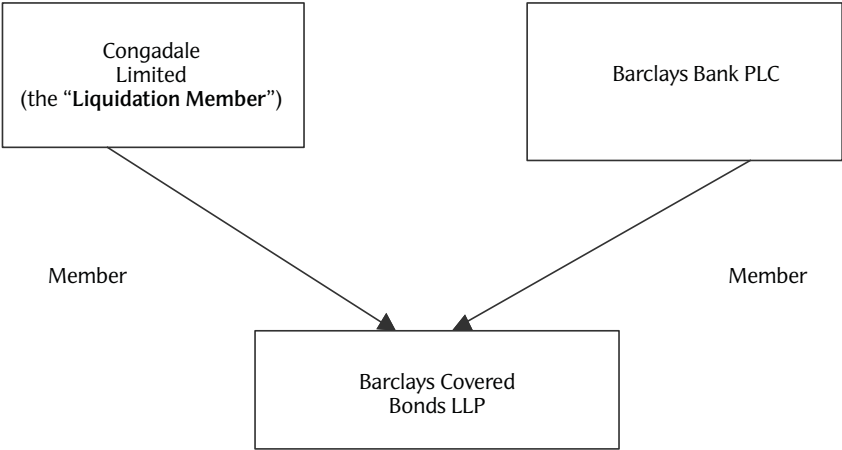
The Issuer has applied to the FSA for admission to the register of issuers and for the Programme and for any Covered Bonds issued under the Programme prior to the date of admission to be admitted to the register of regulated covered bonds, under the Regulated Covered Bonds Regulations 2008. As of the date of this Base Prospectus, neither the Issuer nor the Programme will be so registered or regulated. The timetable for recognition by the FSA is expected to take not more than six months from the date of the application being made or further information being provided. Covered Bondholders will promptly be notified by the Issuer upon receipt from the FSA of its final decision on the application.

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

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 (comprised 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.

Structural Diagram of the LLP



As at the Programme Date, the entire issued share capital of the Liquidation Member is held by SFM Corporate Services Limited as share trustee on trust for charitable purposes.

PROGRAMME OVERVIEW

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of a particular Series of Covered Bonds, the applicable Final Terms. No civil liability attaches to the Issuer solely on the basis of the overview, including any translation thereof, unless it is materially misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus or if applicable terms of a supplementary prospectus. Where a claim relating to the information contained in this Base Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated. Words and expressions defined elsewhere in this Base Prospectus shall have the same meanings in this overview. An index of certain defined terms is contained at the end of this Base Prospectus.

The Parties

Arranger: Barclays Capital, the investment banking division of Barclays Bank PLC (“Barclays Capital”).

Dealers: Barclays Capital and any other Dealers appointed from time to time in accordance with the Dealer Agreement or as specified in the relevant Final Terms in relation to a Tranche of Covered Bonds.

Issuer: Barclays Bank PLC (“Barclays”). The Issuer is a public limited company registered in England and Wales under number 1026167. This Issuer was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Act 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, Barclays Bank was re-registered as a public limited company and its name was changed from “Barclays Bank International Limited” to “Barclays Bank PLC”.

The whole of the issued ordinary share capital of the Issuer is beneficially owned by Barclays PLC, which is the ultimate holding company of the Barclays Group and one of the largest financial services companies in the world by market capitalisation.

For a more detailed description of the Issuer see “*The Issuer*”, below.

The LLP: Barclays Covered Bonds LLP, a limited liability partnership incorporated in England and Wales (registered number OC332284). The Members of the LLP on the Programme Date are Barclays (in its capacity as a Seller) and the Liquidation Member. The LLP is a special purpose vehicle whose business is, *inter alia*, to acquire Mortgage Loans and their Related Security from the Seller pursuant to the terms of the Mortgage Sale Agreement, to subscribe for the MRCLN pursuant to the term of the MRCLN Note Purchase Facility Agreement and to guarantee the Covered Bonds pursuant to the Covered Bond Guarantee in the Trust Deed.

The LLP will hold the Mortgage Loan Portfolio and the MRCLN and the other Charged Property in accordance with the terms of the Transaction Documents. The LLP will provide a guarantee covering all Guaranteed Amounts when the same shall become Due for Payment, but only following the service on the LLP of a Notice to Pay or an LLP Acceleration Notice. The obligations of the LLP under such guarantee and the other Transaction Documents to which it is a party will be 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:	<p>Barclays will be the Seller pursuant to the terms of the Mortgage Sale Agreement entered into on the Programme Date between, <i>inter alios</i>, Barclays in its capacity as Seller, the Security Trustee and the LLP.</p> <p>Each of the Mortgage Loans to be sold by Barclays in its capacity as Seller on any Transfer Date, in accordance with the terms of the Mortgage Sale Agreement, will have been originated by the Seller.</p> <p>The Seller will also issue the MRCLN to the LLP on the First Transfer Date, pursuant to and in accordance with the terms of the MRCLN Note Purchase Facility Agreement. The MRCLN Principal Amount Outstanding is calculated on each Calculation Date with reference to, <i>inter alia</i>, the then aggregate Mortgage Reserve Account Balance as at the preceding Determination Date on the Reference Mortgage Reserves linked to the Mortgage Loans in the Mortgage Loan Portfolio at such time.</p> <p>For a more detailed description of Barclays see “<i>The Issuer</i>”, below.</p>
New Sellers:	<p>Any other member of the Barclays Group which accede to, among other things, the Mortgage Sale Agreement, the LLP Deed and the Programme Agreement from time to time subject to, <i>inter alia</i>, the prior written consent of the Rating Agencies.</p>
Administrator:	<p>Barclays has been appointed as the Administrator pursuant to the terms of an Administration Agreement between, <i>inter alios</i>, Barclays in its capacity as Administrator, the Security Trustee and the LLP.</p> <p>Pursuant to the terms of the Administration Agreement, the then Administrator agrees with, <i>inter alios</i>, the LLP and the Seller:</p> <ul style="list-style-type: none"> (i) on behalf of the LLP, to perform certain administrative functions in respect of the Mortgage Loans in the Mortgage Loan Portfolio, including collecting payments under the Mortgage Loans and taking steps to recover arrears; and (ii) on behalf of the Seller, to perform (unless the Seller is at such time insolvent) certain administrative functions in respect of the Reference Mortgage Reserves, including collecting payments from Borrowers and taking steps to recover arrears. <p>It should be noted that if Barclays, in its capacity as Seller and Administrator, is at any time the subject of an Insolvency Event, any replacement administrator appointed pursuant to the terms of the Administration Agreement will only be required to continue to administer the Mortgage Loans in the Mortgage Loan Portfolio and not to perform any administrative functions in relation to the Mortgage Reserves.</p>
Cash Manager:	<p>Barclays has also been appointed 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 entered into on the Programme Date between, <i>inter alios</i>, Barclays in its capacity as Cash Manager, the Security Trustee and the LLP.</p>
Principal Paying Agent and Agent Bank:	<p>Citibank, N.A., London Branch, acting through its offices at Citigroup Centre, Canada Square, London E14 5LB will be appointed pursuant to the Agency Agreement as issuing and principal paying agent and agent bank.</p>
Exchange Agent and Transfer Agent:	<p>Citibank, N.A., London Branch, acting through its offices at Citigroup Centre, Canada Square, London E14 5LB will be appointed pursuant to the Agency Agreement as Exchange Agent and Transfer Agent.</p>

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 holders of the Covered Bonds in respect of the Covered Bonds and holds the benefit of, <i>inter alia</i> , the Covered Bond Guarantee on behalf of the holders of the Covered Bonds pursuant to the terms of the Trust Deed.
Registrar:	Citibank, N.A., London Branch, acting through its offices at Citigroup Centre, Canada Square, London E14 5LB, 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, will be appointed to act as Security Trustee to hold the benefit of the security granted by the LLP to the Security Trustee (for itself, the holders of the Covered Bonds and other Secured Creditors) under the Deed of Charge.
Asset Monitor:	PricewaterhouseCoopers LLP, whose registered office is at 1 Embankment Place, London WC2N 6RH acting through its office at Hay's Galleria, 1 Hays Lane, London SE1 2RD, has been 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.
Swap Providers:	<p>In order to hedge certain interest rate, currency or other risks in respect of amounts received by the LLP under the Mortgage Loans and the MRCLN and amounts payable by the LLP under the Intercompany Loan Agreement to Barclays Bank PLC and/or amounts payable by the LLP under the Covered Bond Guarantee to Covered Bondholders in respect of the Covered Bonds in issue, the LLP will, on the First Transfer Date or the First Issue Date, as applicable, enter into certain swap transactions with a swap provider ("Swap Provider"), including but not limited to, a total return swap transaction and currency and/or interest rate swap transactions.</p> <p>In the event the ratings of any Swap Provider fall below specified ratings levels, that Swap Provider will be required to take remedial action, including but not limited to posting appropriate collateral or obtaining a guarantee of its obligations from an appropriately rated guarantor or putting in place some other arrangement in order to maintain the then current ratings of the Covered Bonds. For more details on the Swaps or Swap Agreements, see "<i>Summary of the Principal Documents – The Swap Agreements</i>" below.</p>
TRS Provider:	<p>On the First Issue Date or (if earlier) the First Transfer Date, the LLP will enter into a total return swap transaction (the "TRS") with a Swap Provider ("TRS Provider"). Barclays will agree to act as the TRS Provider.</p> <p>For a more detailed description of the TRS Provider, see "<i>The Issuer</i>" below.</p>
Covered Bond Swap Provider:	On any Issue Date, the LLP may enter into one or more swap transactions with Swap Providers (the " Covered Bond Swap Providers ") and each one a " Covered Bond Swap Provider ") with respect to one or more Series of Covered Bonds issued by the Issuer (the " Covered Bond Swaps " and each one a " Covered Bond Swap "). The LLP will enter into Covered Bond Swap(s) with respect to a Series of Covered Bonds (i) if the currency of the related Term Advance under the Intercompany Loan is not Sterling, or (ii) if the currency of a Series of Covered Bonds is not Sterling but the related Term Advance under the Intercompany Loan is denominated in

Sterling (in which case there will be a currency swap for that Series of Covered Bonds with an effective start date on the service of a Notice to Pay or, if earlier, an LLP Acceleration Notice).

Barclays will agree to act as a Covered Bond Swap Provider and may enter into one or more Covered Bond Swaps with the LLP.

For a more detailed description of Barclays in the capacity of a Covered Bond Swap Provider, see "*The Issuer*" below.

For a more detailed description of the Swap Provider, see "*The Issuer*" below.

Account Bank: Barclays has been appointed as the Account Bank to the LLP pursuant to the terms of the Account Bank Agreement.

Liquidation Member: Congadale Limited, a special purpose vehicle incorporated in England and Wales as a private limited company with registered number 6386365 whose registered address is at 35 Great St. Helen's, London EC3A 6AP. The Liquidation Member is 100 per cent. owned by the Share Trustee.

All the Liquidation Member's share capital is held by (or by nominees for) the Share Trustee. The shares held by the Share Trustee are pursuant to the terms of a trust established under English law held pursuant to the terms of a declaration of trust (the "**Share Trust**") dated 15 October 2007, for any trust foundation or company established exclusively for charitable purposes and relating to homelessness in London, England.

Share Trustee: SFM Corporate Services Limited, having its registered office at 35 Great St. Helen's, London EC3A 6AP.

Corporate Services Provider: Structured Finance Management Limited, having its registered office at 35, Great St. Helen's, London EC3A 6AP, has been appointed to provide certain corporate services to the Liquidation Member, pursuant to the Corporate Services Agreement.

The Covered Bonds

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 €15 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).

Redenomination: The applicable Final Terms may provide that certain Covered Bonds may be redenominated in euro. If so, the redenomination provisions will be set out in the applicable Final Terms.

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 “ <i>Form of the Covered Bonds</i> ”. 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:	<p>Floating Rate Covered Bonds will bear interest at a rate determined:</p> <ul style="list-style-type: none"> (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions; or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer(s), <p>in each case as set out in the applicable Final Terms.</p> <p>The margin (if any and as specified in the relevant Final Terms, 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.</p>
Index Linked Covered Bonds:	Payments of principal in respect of Index Linked Redemption Covered Bonds or of interest in respect of Index Linked Interest Covered Bonds will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer(s) may agree (as set out in the applicable Final Terms).
Other provisions in relation to Floating Rate Covered Bonds and Index Linked Interest Covered Bonds:	Floating Rate Covered Bonds and Index Linked Interest 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 and Index Linked Interest 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).
Dual Currency Covered Bonds:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Covered Bonds will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer(s) may agree (as set out in the applicable Final Terms).
Zero Coupon Covered Bonds:	Zero Coupon Covered Bonds may be offered and sold at a discount to their nominal amount and will not bear interest except in the case of late payment unless otherwise specified in the applicable Final Terms.
Partly-Paid Covered Bonds:	Covered Bonds may be issued on a partly-paid basis in which case interest will accrue on the paid-up amount of such Covered Bonds or on such other basis as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).
Rating Agency Confirmation:	The issuance of certain types of Covered Bonds (namely, Zero Coupon Covered Bonds, Index Linked Covered Bonds, Dual Currency Covered Bonds, and Partly-Paid Covered Bonds, in each case as

specified in the relevant Final Terms) shall be subject to confirmation by the Rating Agencies that the then current ratings for any outstanding Covered Bonds will not be adversely affected by the issuance of such types of 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 in specified instalments, if applicable, or for taxation reasons or if it becomes unlawful for any Term Advance to remain outstanding or following an Issuer Event of Default or an LLP Event of Default) or that such Covered Bonds will be redeemable at the option of the Issuer upon giving notice to the holders of the Covered Bonds, 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).

Maturities:

Covered Bonds may be issued with any maturity as specified in the relevant Final Terms, subject to compliance with all applicable legal, regulatory and/or central bank requirements.

Final Redemption:

If any Covered Bonds have not already been redeemed in full in accordance with the relevant terms and conditions, those Covered Bonds will be finally redeemed at their respective Principal Amount Outstanding (plus any accrued interest thereon) on the Final Maturity Date as specified in the relevant Final Terms.

Mandatory Redemption:

Each series will be subject to mandatory early redemption in part or in full in accordance with the terms and conditions of the relevant Covered Bonds.

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 moneys 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 moneys to pay in part the Final Redemption Amount, such partial payment shall be made by the LLP on any Interest Payment Date up to and including the relevant Extended Due for Payment Date as described in Condition 6(a) (*Final Redemption*). Interest will continue to accrue and be payable on the unpaid amount up to the Extended Due for Payment Date in accordance with Condition 4 (*Interest*) and the LLP will make payments of Guaranteed Amounts constituting Scheduled Interest on each relevant Due for Payment Date and Extended Due for Payment Date.

Denomination of Covered Bonds:

Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms save that except in certain limited circumstances, the minimum denomination of each Covered

Bond will be at least €50,000 (or, if the Covered Bonds are denominated in a currency other than euro, at least the equivalent amount in such currency) or as otherwise specified in the related Final Terms (as applicable to the currency of each Series of Covered Bonds).

- 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 payable by the Issuer under Condition 7 (*Taxation*).
- Cross Default:** If an LLP Acceleration Notice is served in respect of any one Series of Covered Bonds, then the obligation of the LLP to pay Guaranteed Amounts in respect of all Series of Covered Bonds outstanding will be accelerated.
- Status of the Covered Bonds:** The Covered Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank *pari passu* without any preference among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer, from time to time outstanding.
- Covered Bond Guarantee:** Payment of Guaranteed Amounts in respect of the Covered Bonds when Due for Payment will be irrevocably guaranteed by the LLP. The obligations of the LLP to make payment in respect of the Guaranteed Amounts when Due for Payment are subject to the condition that an Issuer Event of Default occurs, an Issuer Acceleration Notice is served on the Issuer and a Notice to Pay is served on the LLP or, if earlier, an LLP Event of Default occurs and an LLP Acceleration Notice is served on the LLP. The obligations of the LLP under the Covered Bond Guarantee will accelerate against the LLP upon the service of an LLP Acceleration Notice. The obligations of the LLP under the Covered Bond Guarantee constitute direct obligations of the LLP secured against the assets from time to time of the LLP and recourse against the LLP is limited to such assets.
- Ratings:** Covered Bonds to be issued under the Programme are expected to be rated “AAA” by S&P, “AAA” by Fitch and “Aaa” by Moody’s unless otherwise specified in the relevant Final Terms.
- Each Series of Covered Bonds is expected on issue to be assigned a rating by each Rating Agency. The ratings expected to be assigned to each Series of Covered Bonds will be stated in the Final Terms for that Series of Covered Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning Rating 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 regulated market of the London Stock Exchange. Covered Bonds may be unlisted or may be listed on such other or further stock exchanges or regulated or unregulated markets, as may be agreed between the Issuer, the LLP, the Bond Trustee and the relevant Dealer(s) in relation to each issue. The Final Terms relating to each Tranche of the Covered Bonds will state whether or not the Covered Bonds are to be listed and/or admitted to trading and, if so, on which stock exchange(s) and/or markets.

**Regulated Covered Bonds
Application:**

Application will be made to the FSA for the Issuer and the Programme and for any Covered Bonds issued under the Programme prior to the date of admission to be admitted to the register of issuers and the register of regulated covered bonds, as appropriate, under the Regulated Covered Bonds Regulations 2008.

Governing Law:

The Covered Bonds will be governed by, and construed in accordance with, English law.

RISK FACTORS

This section describes the principal risk factors associated with an investment in the Covered Bonds. Prospective purchasers of Covered Bonds should consider carefully all the information contained in this Base Prospectus, including the considerations set out below, before making any investment decision.

General Investment Considerations

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 amongst themselves and (subject to applicable law and any applicable statutory provisions) equally with all other present and future direct, unsecured, unconditional and unsubordinated obligations (save for any obligations to be preferred by law).

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

Obligations under the Covered Bonds

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

Covered Bonds issued under the Programme

Save in respect of the first issue of Covered Bonds, Covered Bonds issued under the Programme will either be fungible with an existing Series of Covered Bonds (in which case they will form part of such Series) or have different terms to an existing Series of Covered Bonds (in which case they will constitute a new Series).

All Covered Bonds issued from time to time will rank *pari passu* with each other in all respects and will share in the security granted by the LLP under the Deed of Charge. If an Issuer Event of Default occurs in respect of a particular Series of Covered Bonds, then, following the service of an Issuer Acceleration Notice the Covered Bonds of all Series outstanding will accelerate at the same time against the Issuer but will be subject to, and have the benefit of, payments made by the LLP under the Covered Bond Guarantee (following service of a Notice to Pay). 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 existing holders of the Covered Bonds:

- (a) the Issuer will be obliged to apply the proceeds of any issue of Covered Bonds to make a Term Advance to the LLP. The LLP will use the proceeds of such Term Advance (after swapping the same into Sterling pursuant to the Swap Agreements if necessary) (i) to purchase the Initial Portfolio and each New Mortgage Loan Portfolio, consisting of Mortgage Loans and their Related Security, from the Seller in accordance with the terms of the Mortgage Sale Agreement; and/or (ii) to subscribe for and purchase the MRCLN from the Seller in accordance with the MRCLN Note Purchase Facility Agreement; and/or (iii) to invest in Substitution Assets in an amount not exceeding the prescribed limit to the extent required

to meet the requirements of Regulations 17(2)(b) and 24(1)(a)(ii) of the RCB Regulations and the Asset Coverage Test; and/or (iv) to grant an Additional MRCLN Advance in accordance with the terms of the MRCLN Note Purchase Facility Agreement; and thereafter the LLP may use such proceeds (a) (subject to complying with the Asset Coverage Test (as described below)) to make a Capital Distribution to a Member; and/or (b) 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 (c) to make a deposit of all or part of the proceeds in the GIC Account (including, without limitation, to fund the Reserve Fund to an amount not exceeding the prescribed limit) and the Seller will, subject to the satisfaction of certain conditions (including the Eligibility Criteria) be permitted to (a) assign and substitute further Mortgage Loans and (b) assign non-mortgage assets to the LLP from time to time; and

- (b) the Asset Coverage Test will be required to be met both before and immediately after any further issue of Covered Bonds; and
- (c) on or prior to the date of issue of any further Covered Bonds, the Issuer will be obliged to obtain written confirmation from the Rating Agencies that such further issue would not adversely affect the then current ratings of the existing Covered Bonds.

Security Trustee's powers may affect the interests of the holders of the Covered Bonds

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

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

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:

- (i) 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 Base Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Covered Bonds and the impact the Covered Bonds will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the 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;
- (iv) understand thoroughly the terms of the Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

Risks related to the structure of a particular issue of Covered Bonds

A wide range of Covered Bonds may be issued under the Programme. A number of these Covered Bonds may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Covered Bonds subject to Optional Redemption by the Issuer

An Optional Redemption feature of Covered Bonds is likely to limit their market value. During any period when the Issuer may elect to redeem Covered Bonds, the market value of those Covered Bonds generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Covered Bonds when its cost of borrowing is lower than the interest rate on the Covered Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate which is 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.

Index linked Covered Bonds and dual currency Covered Bonds

The Issuer may issue Covered Bonds with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a “**Relevant Factor**”). In addition, the Issuer may issue Covered Bonds with principal or interest payable in one or more currencies which may be different from the currency in which the Covered Bonds are denominated. Potential investors should be aware that:

- (i) the market price of such Covered Bonds may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency from that expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Covered Bonds in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on payments of principal or interest may, or is likely to be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any index linked Covered Bonds. Accordingly, an investor should consult its own financial, tax and legal advisers about the risk entailed by an investment in any index linked Covered Bonds and the suitability of such Covered Bonds in light of their particular circumstances.

Partly-paid Covered Bonds

The Issuer may issue Covered Bonds where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Variable rate Covered Bonds with a multiplier or other leverage factor

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

Inverse floating rate Covered Bonds

Inverse floating rate Covered Bonds have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Covered Bonds typically are more

volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse floating rate Covered Bonds are more volatile because an increase in the reference rate not only decreases the interest rate of the Covered Bonds, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Covered Bonds.

Fixed/floating rate Covered Bonds

Fixed/floating rate Covered Bonds may 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 fixed/floating rate Covered Bonds may be less favourable than then 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 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. 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 moneys available to pay in part the Guaranteed Amounts corresponding to the relevant Final Redemption Amount in respect of the relevant Series of Covered Bonds, the LLP shall make such partial payment in accordance with the Guarantee Priority of Payments and as described in Condition 6(a) (*Final Redemption*) on any Interest Payment Date up to and including the relevant Extended Due for Payment Date. Payment of the unpaid amount shall be deferred automatically until the applicable Extended Due for Payment Date (where the relevant Series of Covered Bonds are subject to an Extended Due for Payment Date). The Extended Due for Payment Date will fall one year after the Final Maturity Date, 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. This may result in a delay of payments of principal on the relevant Covered Bonds.

Banking (Special Provisions) Act 2008

Under the Banking (Special Provisions) Act 2008 the UK Treasury has been given certain powers in relation to authorised UK deposit takers. These comprise entities incorporated in or formed under

the laws of any part of the United Kingdom who have permission to accept deposits under Part 4 of FSMA 2000 (or their UK subsidiaries). These powers last until 21st February 2009 and are capable of having retrospective effect. They can only be exercised in certain circumstances namely: (i) to maintain the stability of the UK financial system in circumstances where the Treasury considers that there would be a serious threat to its stability; or (ii) to protect the public interest in circumstances where financial assistance has been provided by the Treasury to the deposit taker for the purpose of maintaining the stability of the UK financial system.

The powers are wide ranging and may entail divesting the authorised UK deposit-taker of its assets or transferring ownership of any securities issued by the authorised UK deposit-taker irrespective of any encumbrance or trust over them. Accordingly the enforceability of the obligations of the Issuer, the Seller, the Administrator, the Account Bank and/or the Hedge Providers could be affected if the Treasury were to exercise such powers.

If such powers were to be exercised the Treasury is required to make provision for compensation or consideration (depending upon whether a public or private entity has acquired the asset) to be paid, in the case of securities, to the holder of the assets, which may not be the encumbrancer.

Absence of secondary market; lack of liquidity

There is not, at present, 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 develop. The Covered Bonds have not been, and will not be, registered under the Securities Act or any other applicable securities laws and are subject to certain restrictions on the resale and other transfer thereof as set forth under “*Subscription and Sale and Transfer and Selling Restrictions*”. If a secondary market does develop, it may not continue for the life of the Covered Bonds or it may not provide holders of the Covered Bonds with liquidity of investment with the result that a holder of the Covered Bonds may not be able to find a buyer to buy its Covered Bonds readily or at prices that will enable the holder of the Covered Bonds to realise a desired yield.

In addition, Covered Bondholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date hereof), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Covered Bonds. As a result of the current liquidity crisis, there exist significant additional risks to the Issuer and the investors which may affect the returns on the Covered Bonds to investors.

In addition, the current liquidity crisis has stalled the primary market for a number of financial products including instruments similar to the Covered Bonds. While it is possible that the current liquidity crisis may soon alleviate for certain sectors of the global credit markets, there can be no assurance that the market for securities similar to the Covered Bonds will recover at the same time or to the same degree as such other recovering global credit market sectors.

Ratings of the Covered Bonds

The ratings assigned to the Covered Bonds address:

- (a) the likelihood of full and timely payment to holders of the Covered Bonds of all payments of interest on each Interest Payment Date; and
- (b) the likelihood of ultimate payment of principal in relation to Covered Bonds on (i) the Final Maturity Date thereof or (ii) if the Covered Bonds are subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee in accordance with the applicable Final Terms, on the Extended Due for Payment Date thereof.

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. If any rating assigned to the Covered Bonds is lowered or withdrawn, the market value of the Covered Bonds may be reduced. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time.

The Bond Trustee and the Security Trustee may agree to modifications to the Transaction Documents without, respectively, the holders of the Covered Bonds or other Secured Creditors' prior consent

Pursuant to the terms of the Trust Deed and the Deed of Charge, the Bond Trustee and the Security Trustee may, without the consent or sanction of any of the holders of the Covered Bonds

or any of the other Secured Creditors, concur with any person in making or sanctioning any modifications to the Transaction Documents:

- (a) provided that (i) the Bond Trustee is of the opinion that such modification, waiver or authorisation will not be materially prejudicial to the interest of any of the holders of the Covered Bonds, and (ii) the Security Trustee is of the opinion that such modification, waiver or authorisation will not be materially prejudicial to the interests of any of the holders of the Covered Bonds; or
- (b) which in the opinion of the Bond Trustee and the Security Trustee (i) is made to correct a manifest error (or an error established as such to the satisfaction of the Bond Trustee and the Security Trustee) or (ii) is of a formal, minor or technical nature or is made to comply with mandatory provisions of law,

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

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

Certain decisions of holders of the Covered Bonds taken at Programme level

Any Extraordinary Resolution to direct the Bond Trustee to serve an Issuer Acceleration Notice or a Notice to Pay following an Issuer Event of Default, to direct the Bond Trustee to serve an LLP Acceleration Notice following an LLP Event of Default and any direction to the Bond Trustee or Security Trustee to take any enforcement action must be passed at a single meeting of the holders of all Covered Bonds of all Series then outstanding and therefore the holders of a single Series of Covered Bonds may not be able to give any directions to the Bond Trustee or the Security Trustee without the agreement of the holders of other outstanding Series of Covered Bonds.

European Monetary Union

If the United Kingdom joins the European Monetary Union prior to the maturity of the Covered Bonds, there is no assurance that this would not adversely affect the realisable value of the Mortgage Loan Portfolio or any part thereof or pending such realisation (or if the Mortgage Loan Portfolio or any part thereof cannot be sold), the ability of the LLP to make payments of interest and principal on the Covered Bonds.

It is possible that prior to the maturity of the Covered Bonds the United Kingdom may become a participating member state in the European Monetary Union and that the euro may become the lawful currency of the United Kingdom. In that event, (a) all amounts payable in respect of any Covered Bonds denominated in pounds Sterling may become payable in euro; (b) applicable provisions of law may allow or require the Covered Bonds to be re-denominated into euro and additional measures to be taken in respect of such Covered Bonds; and (c) the introduction of the euro as the lawful currency of the United Kingdom may result in the disappearance of published or displayed rates for deposits in pounds Sterling used to determine the rates of interest on such Covered Bonds or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the euro could also be accompanied by a volatile interest rate environment which could adversely affect a Borrower's ability to repay its Loan as well as adversely affect investors. It cannot be said with certainty what effect, if any, adoption of the euro by the United Kingdom will have on investors in the Covered Bonds.

Changes of law and/or regulatory, accounting and/or administrative practices

The structure of the issue of the Covered Bonds and the ratings which are to be assigned to them are based on English law, regulatory, accounting and administrative practice in effect as at the date of this Base Prospectus, and having due regard to the expected tax treatment of all relevant entities under United Kingdom tax law and the published practice of the United Kingdom HM Revenue & Customs in force or applied in the United Kingdom as at the date of this Base

Prospectus. No assurance can be given as to the impact of any possible change to English law, regulatory, accounting or administrative practice in the United Kingdom or to United Kingdom tax law, or the interpretation or administration thereof, or to the published practice of the United Kingdom HM Revenue & Customs as applied in the United Kingdom after the date of this Base 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 when due or the ability of the LLP to make payments under the Covered Bonds Guarantee when due.

The Regulated Covered Bonds Regulations 2008

The Issuer has applied to the FSA for admission to the register of issuers and for the Programme and for any Covered Bonds issued under the Programme prior to the date of admission to be admitted to the register of regulated covered bonds under the Regulated Covered Bonds Regulations 2008. As at the date of this Base Prospectus, neither the Issuer nor the Programme will be so registered or regulated. The exact timetable for assessment by the FSA of the Issuer's application is unknown and although the RCB Regulations provide that the FSA must notify its decision on an application within six months of the application being made, there is no assurance that the assessment process will not take longer. Furthermore, where the FSA requests additional information from the Issuer within such six month period, the FSA is permitted six months from the date of receipt of such additional information to notify its decision on an application. The Issuer considers that its application for admission should be accepted by the FSA, however, the FSA holds considerable discretion in this regard and certain aspects of the new regime are unclear and therefore, no assurance can be given that the FSA will accept the Issuer's application.

Furthermore, while the Regulated Covered Bonds Regulations 2008 are intended to meet the requirements set out in Article 22(4) of the UCITS Directive, it is not certain that the Regulated Covered Bonds Regulations 2008 meet such requirements. Accordingly, there is no guarantee that admission of the Programme and/or any Covered Bonds previously issued under the Programme to the register of covered bonds kept by the FSA will confer on Covered Bondholders any of the benefits associated with UCITS Directive-compliant covered bonds.

While the Regulated Covered Bonds Regulations 2008 have been tailored to accommodate certain aspects of existing UK covered bond structures, certain changes are required to such structures to meet the requirements of the Regulated Covered Bonds Regulations 2008. Covered Bondholders should be aware that the structural features included in the Programme resulting from the Regulated Covered Bonds Regulations 2008 depart from the market standard of covered bonds issued to date by issuers of this type.

In addition, the Regulated Covered Bonds Regulations 2008 and the RCB Sourcebook impose certain new ongoing obligations and liabilities on both the Issuer and the LLP. In this regard, the LLP is required to, amongst other things, following the insolvency of the Issuer, make arrangements for the maintenance and administration of the asset pool, to ensure compliance with certain asset capability and quality related requirements. Following an Issuer Event of Default, Mortgage Loans and their Related Security will not be transferred to the LLP. This may affect the ability of the LLP to comply with such asset quality related requirements.

The FSA has the authority to 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 and/or imposing a financial penalty of such amount as it considers appropriate in respect of the Issuer or the LLP. Additionally, the FSA 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). To date there is no example and/or clarity as to how the FSA will apply the discretionary powers that it has been given under the RCB Regulations. There is a risk that any such enforcement actions by the FSA may reduce the amounts available to pay Covered Bondholders. A winding-up of the LLP, in particular prior to the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice, may have an adverse effect on the ability of the Issuer to make payments under the Covered Bonds.

With respect to the risks referred to above, see also the sections "*Cashflows*" and "*Description of the Regulated Covered Bonds Regulations 2008*" below for further details.

Expenses of insolvency officeholders

Under the Regulated Covered Bonds Regulations 2008, certain costs and expenses of an insolvency officeholder in respect of the LLP (including a liquidator, administrator or an administrative

receiver) rank ahead of the claims of the Covered Bondholders with respect to both fixed and floating charge realisations. While the Regulated Covered Bonds Regulations 2008 are not clear as to the scope of these permitted costs and expenses, it appears that these costs and expenses would include costs incurred by the officeholder in relation to certain senior service providers and also general expenses incurred in a winding up, administration, administrative receivership or receivership of the LLP (which could include any corporation tax charges). This is a departure from the general position under English or Scots law which provides that the expenses of any administration (and, following the implementation of new section 176ZA of the Insolvency Act 1986 on 6 April 2008, the expenses of any liquidation) only rank ahead of unsecured debts and floating chargee's claims.

While 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 each Secured Creditor agrees that if it receives any amounts in respect of any secured liabilities owed to it other than in accordance with the provisions of the Deed of Charge (including the Post-Enforcement Priority of Payments set out therein) then such amounts will be held on trust for the Security Trustee and paid over to the Security Trustee immediately upon receipt so that such amounts may be applied in accordance with the Post-Enforcement Priority of Payments set out in the Deed of Charge and referred to under the section "*Cashflows*" below, there is a risk that in certain circumstances the relevant provisions of the Regulated Covered Bonds Regulations 2008 may result in a reduction in the amounts available to pay Covered Bondholders.

Integral multiples of less than €50,000

Although Covered Bonds which are admitted to trading on a regulated market in the European Economic Area or offered to the public in a member state of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive are required to have a minimum denomination of €50,000 (or, where the Specified Currency is not Euro, its equivalent in the Specified Currency) that are not integral multiples of €50,000 (or its equivalent in alternate currencies). In relation to any issue of Covered Bonds which have a denomination consisting of the Minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the Covered Bonds may be traded in amounts in excess of €50,000 (or its equivalent) that are not integral multiples of €50,000 (or its equivalent). In such a case a Covered Bondholder who, as a result of trading such amounts, holds a principal amount of less than the Minimum Specified Denomination may not receive Definitive Covered Bonds (should Definitive Covered Bonds be printed) and may need to purchase a principal amount of Covered Bonds such that, its holding is an integral multiple of the Minimum Specified Denomination.

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

Investment Considerations Relating To The Issuer and the Barclays Group

Competition in the UK residential mortgage industry

The residential mortgage industry in the United Kingdom is highly competitive. Both traditional and new lenders use heavy advertising, targeted marketing, aggressive pricing competition and loyalty schemes in an effort to expand their presence in or to facilitate their entry into the market and compete for customers. For example, lenders have implemented aggressive pricing policies (via discount mortgages, fixed rate and tracker style mortgage products) to attract borrowers to re-mortgage with such lender.

This competitive environment may affect the rate at which the Issuer originates new Mortgage Accounts and may also affect the level of attrition of the Issuer's existing borrowers and consequently the Mortgage Loans held by the LLP.

Business Conditions and General Economy

The profitability of the Issuer and the Barclays Group's businesses could be adversely affected by a worsening of general economic conditions in the United Kingdom, globally or in certain individual markets such as the United States or South Africa. Factors such as interest rates, inflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and the level and volatility of equity prices could significantly affect the activity level of customers. For example:

- (a) an economic downturn or significantly higher interest rates could adversely affect the credit quality of the Barclays Group's on-balance sheet and off-balance sheet assets by increasing the risk that a greater number of the Barclays Group's customers would be unable to meet their obligations;
- (b) a market downturn or worsening of the economy could cause the Barclays Group to incur mark to market losses in its trading portfolios;
- (c) a market downturn could reduce the fees the Barclays Group earns for managing assets. For example, a higher level of domestic or foreign interest rates or a downturn in trading markets could affect the flows of assets under management; and
- (d) a market downturn would be likely to lead to a decline in the volume of transactions that the Barclays Group executes for its customers and, therefore, lead to a decline in the income it receives from fees and commissions and interest.

Credit Risk

Credit risk is the risk of suffering financial loss, should any of the Barclays Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Barclays Group. Credit risk may also arise where the downgrading of an entity's credit rating causes the fair value of the Barclays Group's investment in that entity to fall. The credit risk that the Barclays Group faces arises mainly from commercial and consumer loans and advances, including credit card lending.

Credit risk may also be manifested as country risk where difficulties may arise in the country in which the exposure is domiciled thus impeding or reducing the value of the assets or where the counterparty may be the country itself. Another form of credit risk is settlement risk, which is the possibility that the Barclays Group may pay a counterparty – for example, a bank in a foreign exchange transaction – but fail to receive the corresponding settlement in return.

Market Risk

Market risk is the risk that the Barclays Group's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates. The main market risk arises from trading activities. The Barclays Group is also exposed to interest rate risk in the banking book and market risk in the pension fund.

Operational Risk

Operational risk is the risk of direct or indirect losses resulting from human factors, external events, and inadequate or failed internal processes and systems. Operational risks are inherent in the Barclays Group's operations and are typical of any large enterprise. Major sources of operational risk include operational process reliability, IT security, outsourcing of operations, dependence on key suppliers, implementation of strategic change, integration of acquisitions, fraud, human error, customer service quality, regulatory compliance, recruitment, training and retention of staff, and social and environmental impacts.

Notwithstanding anything in this risk factor, this risk factor should not be taken to imply that the Issuer will be unable to comply with its obligations as a company with securities admitted to the Official List or as a supervised firm regulated by the FSA.

Capital Risk

Capital risk is the risk that the Barclays Group has insufficient capital resources to:

- (a) meet minimum regulatory capital requirements in the UK and in other markets such as the United States and South Africa where regulated activities are undertaken. The Barclays Group's authority to operate as a bank is dependent upon the maintenance of adequate capital resources;
- (b) support its strong credit rating. In addition to capital resources the Barclays Group's rating is supported by a diverse portfolio of activities, an increasingly international presence, consistent profit performance, prudent risk management and a focus on value creation. A weaker credit rating would increase the Barclays Group's cost of funds; and
- (c) support its growth and strategic options.

During periods of market dislocation, increasing the Barclays Group's capital resources may prove more difficult or costly. This could constrain the Barclays Group's planned activities and contribute to adverse impacts on the Barclays Group's earnings.

Liquidity Risk

This is the risk that the Barclays Group is unable to meet its obligations when they fall due and to replace funds when they are withdrawn with consequent failure to repay depositors and fulfil commitments to lend. The risk that it will be unable to do so is inherent in all banking operations and can be imparted by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

The Barclays Group's liquidity risk management has several components:

- (a) intra-day monitoring to maintain sufficient liquidity to meet all settlement obligations;
- (b) mismatch limits to control expected cashflows and maturing liabilities;
- (c) monitoring of undrawn lending commitments, overdrafts and contingent liabilities; and
- (d) diversification of liquidity sources by geography and provider.

During periods of market dislocation, such as those experienced recently, the Barclays Group's ability to manage liquidity requirements may be impacted by a reduction in the availability of wholesale term funding for market participants, as well as an increase in the cost of raising wholesale funds.

Business Risk

Business risk is the risk of adverse outcomes resulting from a weak competitive position or from poor choice of strategy, markets, products, activities or structures. Major potential sources of business risk include revenue volatility due to factors such as macroeconomic conditions, inflexible cost structures, uncompetitive products or pricing and structural inefficiencies.

Insurance Risk

Insurance risk is the risk that the Barclays Group will have to make higher than anticipated payments to settle claims arising from its long-term and short-term insurance businesses.

Legal Risk

The Barclays Group is subject to a comprehensive range of legal obligations in all countries in which it operates. As a result, the Barclays Group is exposed to many forms of legal risk, which may arise in a number of ways. Primarily:

- (a) the Barclays Group's business may not be conducted in accordance with applicable laws around the world;
- (b) contractual obligations may either not be enforceable as intended or may be enforced against the Barclays Group in an adverse way;
- (c) the intellectual property of the Barclays Group (such as its trade names) may not be adequately protected; and
- (d) the Barclays Group may be liable for damages to third parties harmed by the conduct of its business.

The Barclays Group faces risk where legal proceedings are brought against it. Regardless of whether such claims have merit, the outcome of legal proceedings is inherently uncertain and could result in financial loss. Defending legal proceedings can be expensive and time-consuming and there is no guarantee that all costs incurred will be recovered even if the Barclays Group is successful. Although the Barclays Group has processes and controls to manage legal risks, failure to manage these risks could impact the Barclays Group adversely, both financially and by reputation.

Tax Risk

The Barclays Group is subject to the tax laws in all countries in which it operates. A number of bilateral double taxation agreements entered between two countries also impact on the taxation of the Barclays Group. The Barclays Group is also subject to European Community tax law. Tax risk is the risk associated with changes in tax law or in the interpretation of tax law. It also includes the risk of changes in tax rates and the risk of failure to comply with procedures required by tax authorities. Failure to manage tax risks could lead to an additional tax charge. It could also lead to

a financial penalty for failure to comply with required tax procedures or other aspects of tax law. If, as a result of a particular tax risk materialising, the tax costs associated with particular transactions are greater than anticipated, it could affect the profitability of those transactions.

The Barclays Group takes a responsible and transparent approach to the management and control of its tax affairs and related tax risk:

- (a) tax risks are assessed as part of the Barclays Group's formal governance processes and are reviewed by the Executive Committee, Barclays Group Finance Director and the Board Risk Committee;
- (b) the tax charge is also reviewed by the Board Audit Committee;
- (c) the tax risks of proposed transactions or new areas of business are fully considered before proceeding;
- (d) the Barclays Group takes appropriate advice from reputable professional firms;
- (e) the Barclays Group employs high-quality tax professionals and provides ongoing technical training;
- (f) the tax professionals understand and work closely with the different areas of the business;
- (g) the Barclays Group uses effective, well-documented and controlled processes to ensure compliance with tax disclosure and filing obligations; and
- (h) where disputes arise with tax authorities with regard to the interpretation and application of tax law, the Barclays Group is committed to addressing the matter promptly and resolving the matter with the tax authority in an open and constructive manner.

Effect of Governmental Policy and Regulation

The Barclays Group's businesses and earnings can be affected by the fiscal or other policies and other actions of various governmental and regulatory authorities in the UK, the European Union (EU), the United States, South Africa and elsewhere.

Other areas where changes could have an impact include:

- (a) the monetary, interest rate and other policies of central banks and regulatory authorities;
- (b) general changes in government or regulatory policy that may significantly influence investor decisions in particular markets in which the Barclays Group operates;
- (c) general changes in the regulatory requirements, for example, prudential rules relating to the capital adequacy framework and rules designed to promote financial stability and increase depositor protection;
- (d) changes in competition and pricing environments;
- (e) further developments in the financial reporting environment;
- (f) expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; and
- (g) other unfavourable political, military or diplomatic developments producing social instability or legal uncertainty which in turn may affect demand for the Barclays Group's products and services.

Regulatory compliance risk

Regulatory compliance risk arises from a failure or inability to comply fully with the laws, regulations or codes applicable specifically to the financial service industry. Non compliance could lead to fines, public reprimands, damage to reputation, enforced suspension of operations or, in extreme cases, withdrawal of authorisations to operate.

Details of the current regulatory proceedings in which the Barclays Group is involved are set out below under "*The Issuer - Competition and regulatory matters*". It is not possible for the Barclays Group to predict what other similar regulatory proceedings may arise in the future.

Notwithstanding anything in this risk factor, this risk factor should not be taken to imply that the Issuer will be unable to comply with its obligations as a supervised firm regulated by the FSA.

Impact of Strategic Decisions taken by the Barclays Group

The Barclays Group devotes substantial management and planning resources to the development of strategic plans for organic growth and identification of possible acquisitions, supported by substantial expenditure to generate growth in customer business. If these strategic plans do not deliver as anticipated, the Barclays Group's earnings could grow more slowly or decline.

Competition

The global financial services markets in which the Barclays Group operates are highly competitive. Innovative competition for corporate, institutional and retail clients and customers comes both from incumbent players and a steady stream of new market entrants. The landscape is expected to remain highly competitive in all areas, which could adversely affect the Barclays Group's profitability if the Barclays Group fails to retain and attract clients and customers.

Investment Considerations Relating To The LLP

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

Following service of an Issuer Acceleration Notice on the Issuer, a Notice to Pay will be served by the Bond Trustee on the LLP. Subsequent to a failure by the Issuer to make a payment in respect of one or more Series of Covered Bonds, the Bond Trustee may, but is not obliged to, serve an Issuer Acceleration Notice unless and until requested or directed by the holders of at least 25 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 holders of the Covered Bonds in accordance with Condition 9(a) (*Issuer Events of Default*). Following service of a Notice to Pay on the LLP, under the terms of the Covered Bond Guarantee the LLP will be obliged to pay Guaranteed Amounts as and when the same are Due for Payment. In these circumstances, the LLP will not be obliged to pay any other amounts which become payable for any other reason.

A Notice to Pay will also be served by the Bond Trustee on the LLP following a breach of the Pre-Maturity Test, if certain actions are not taken within a specified period. However, service of a Notice to Pay under such circumstances will not oblige the LLP to make payment under the Covered Bond Guarantee until an Issuer Event of Default has occurred or an Issuer Acceleration Notice has been served.

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. Prior to service on the LLP of an LLP Acceleration Notice, the LLP will not be obliged to make any payments in respect of broken funding indemnities, penalties, premiums, default interest or interest on interest which may accrue on or in respect of the Covered Bonds. In addition, the LLP will not be obliged at any time to make any payments in respect of additional amounts which may become payable by the Issuer under Condition 7 (*Taxation*).

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

Excess Proceeds received by the Bond Trustee

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

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

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

Following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice on the Issuer, all amounts payable under the Covered Bonds will be accelerated by the Bond Trustee as against the Issuer following which a Notice to Pay will be served by the Bond Trustee on the LLP. A Notice to Pay will also be served by the Bond Trustee on the LLP following a breach of the Pre-Maturity Test, if certain actions are not taken within a specified period. However, service of a Notice to Pay under such circumstances will not oblige the LLP to make payment under the Covered Bond Guarantee until an Issuer Event of Default has occurred or an Issuer Acceleration Notice has been served. The LLP's ability to meet its obligations under the Covered Bond Guarantee will depend on (i) the realisable value of Selected Mortgage Loans and their Related Security in the Mortgage Loan Portfolio, (ii) the ability to recover amounts owing from the Seller under the MRCLN and/or (as applicable) the extent to which the MRCLN has been cash-collateralised or otherwise supported at such time pursuant to the terms of the MRCLN Collateral Agreement, (iii) the amount of Revenue Receipts and Principal Receipts generated by the Mortgage Loan Portfolio and the MRCLN and the timing thereof, (iv) amounts received from the Swap Providers, (v) the realisable value of Substitution Assets held by it and (vi) the receipt by it of credit balances and interest on credit balances on the GIC Account. Recourse against the LLP under the Covered Bond Guarantee is limited to the aforementioned assets and the LLP will not have any other source of funds available to meet its obligations under the Covered Bond Guarantee.

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

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

Holders of the Covered Bonds should note that the Asset Coverage Test has been structured to ensure that the Adjusted Aggregate Asset Amount is greater than the Sterling Equivalent of aggregate Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding, which should reduce the risk of there ever being a shortfall (although there is no assurance of this – in particular, the sale of further Mortgage Loans and Related Security by the Seller to the LLP may be required to avoid or remedy a breach of the Asset Coverage Test). The LLP and the Seller (in its capacity as member) must ensure that, following the occurrence of an Issuer Event of Default, the Amortisation Test is met on each Calculation Date and a breach of the Amortisation Test will constitute an LLP Event of Default and will entitle the Bond Trustee to serve an LLP Acceleration Notice on the LLP. The Asset Coverage Test, the Amortisation Test and the Pre-Maturity 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 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 in fact generate sufficient amounts for such purposes. (see “*Summary of the Principal Documents – LLP Deed – Asset Coverage Test and Credit Structure – Asset Coverage Test*”, and “*Summary of Principal Documents – LLP Deed – Asset Coverage Test and Credit Structure – Amortisation Test*”).

Reliance of the LLP on third parties

The LLP has entered into agreements with a number of third parties, which will agree to perform services for the LLP. In particular, but without limitation, the Administrator has been appointed to

service Mortgage Accounts 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 Asset Monitor has been appointed to report on the accuracy of the Cash Manager's calculations and the GIC Account and the Transaction Accounts will be held with the Account Bank. In the event that any of those parties fails to perform its obligations under the relevant agreement to which it is a party, the realisable value of the Mortgage Accounts 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 Administrator fails to adequately administer the Mortgage Account, this may lead to higher incidences of non-payment or default by Borrowers. The LLP will also be reliant on the Swap Providers to provide it with the funds matching its obligations under the Intercompany Loan Agreement and the Covered Bond Guarantee, as described below.

If an Administrator Event of Default occurs pursuant to the terms of the Administration Agreement, then the LLP (with the consent of the Security Trustee) will be entitled to terminate the appointment of the Administrator and appoint a new Administrator in its place. There can be no assurance that a replacement administrator with sufficient experience of administering mortgages of residential properties would be found who would be willing and able to service:

- (a) the Mortgage Loans in the Mortgage Loan Portfolio; or
- (b) the Reference Mortgage Reserves (although it should also be noted that at all times any administrator will be able to delegate its role in servicing the Reference Mortgage Reserves to Barclays and if Barclays is at such time insolvent, such administrator will no longer have any duty to service the Reference Mortgage Reserves),

on the terms of the Administration Agreement.

In addition, as described below, any replacement administrator will be required to be authorised under the FSMA. The ability of a replacement administrator to perform fully 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 replacement administrator may affect payments on the Mortgage Loans in the Mortgage Loan Portfolio or collections on the Reference Mortgage Reserves, and/ or the ability of the LLP to make payments under the Covered Bond Guarantee (although it should be noted that the obligation on the Seller to repay the MRCLN (as supported by the MRCLN Collateral) will not be affected or discharged by reason of a failure of the then administrator to service the Reference Mortgage Reserves in accordance with the required servicing standards).

Pursuant to the Administration Agreement, if the Administrator ceases to be assigned a long-term unsecured, unguaranteed and unsecured debt obligation rating by Moody's of at least Baa3 or by S&P of at least BBB- or by Fitch of at least BBB- the LLP will use reasonable efforts to enter into an alternative administration agreement with a third party who has the required ratings within 60 days of such downgrade.

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

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

Change of counterparties

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

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

Reliance on Swap Providers

In order to hedge certain interest rate, currency or other risks in respect of amounts received by the LLP under the Mortgage Loans, the MRCLN, the amounts standing to the credit of the GIC Account, any Substitution Assets and any other assets that the LLP may hold from time to time, and amounts payable by the LLP under the Intercompany Loan Agreement to Barclays Bank PLC and/or amounts payable by the LLP under the Covered Bond Guarantee to Covered Bondholders in respect of the Covered Bonds in issue, the LLP will enter into certain swap transactions with a swap provider (“**Swap Provider**”), including but not limited to, a total return swap transaction and currency and/or interest rate swap transactions.

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 relevant Swap Provider is not obliged to make payments or if it defaults in its obligations to make payments of amounts in the relevant currency equal to the full amount to be paid to the LLP on the payment date under the Swap Agreements, the LLP will be exposed to changes in the relevant currency exchange rates to Sterling (where relevant) and to any changes in the relevant rates of interest. Unless a replacement swap is entered into, the LLP may have insufficient funds to make payments under the Intercompany Loan Agreement or Covered Bond Guarantee.

If a Swap Agreement terminates, then the LLP may be obliged to make a termination payment to the relevant Swap Provider. There can be no assurance that the LLP will have sufficient funds available to make a termination payment under the relevant Swap Agreement, nor can there be any assurance that the LLP will be able to find a replacement swap counterparty which has both sufficiently high ratings as may be required by any of the Rating Agencies and which agrees to enter into a replacement swap agreement on similar commercial terms.

If the LLP is obliged to pay a termination payment under any Swap Agreement, any such termination payment will, prior to enforcement, rank senior to amounts due to the Issuer under the Intercompany Loan Agreement or amounts due to the Covered Bondholders on the Covered Bonds or post-enforcement will rank *pari passu* with such amounts, 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.

Limited description of the Portfolio

Holders of the Covered Bonds will not receive detailed statistics or information in relation to the Mortgage Accounts in the Portfolio because it is expected that the constitution of the Portfolio will frequently change due to, for instance:

- (a) the Seller selling additional Mortgage Loans and their Related Security (or New Loan Types and their Related Security) to the LLP with, as applicable, a corresponding Additional MRCLN Advance being made by the LLP to the Seller at such time in relation to any associated Reference Mortgage Reserve (and in any amount equal to the then Mortgage Reserve Account Balance on such Reference Mortgage Reserve);
- (b) New Sellers acceding to the Transaction and selling Mortgage Loans and their Related Security to the LLP (or New Loan Types and their Related Security);
- (c) payments by the Borrowers on those Mortgage Loans and/or associated Reference Mortgage Reserve; and
- (d) the Seller repurchasing Mortgage Loans and their Related Security in accordance with the Mortgage Sale Agreement and applicable repayment of the MRCLN in an amount equal to the associated Reference Mortgage Reserves.

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

Fixed charges may take effect under English law as floating charges

Pursuant to the terms of the Deed of Charge, the LLP has purported to grant fixed charges over, amongst other things, its interests in the English Mortgage Loans and their Related Security, the Substitution Assets, the MRCLN 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, ordinarily as a matter of law, certain claims would have priority over the claims of the Security Trustee in respect of the floating charge assets.

This distinction is of less importance if the RCB Regulations apply because their effect is to prioritise the claims of regulated covered bondholders, other specified parties and certain expenses of the relevant insolvency officeholder regardless of whether the security is fixed or floating in nature. Such prioritised claims and expenses will not however include preferential debts or a “prescribed part” of realisations for unsecured creditors because the duty of the relevant insolvency officeholder to make such payments is disapplied by the RCB Regulations (as described in more detail below under “*Enterprise Act 2002*”).

Liquidation Expenses

For all liquidations commenced after 6 April 2008, the costs and expenses of the liquidation (including certain tax charges) will be payable out of floating charge assets in priority to the claims of a floating charge holder. This change has been brought about by s1252 of the Companies Act 2006 which reverses the decision of the House of Lords in the case of *Leyland Daf* [2004] UKHL 9. For those liquidation expenses that are categorised as litigation expenses, approval from those creditors who have a claim in the property comprised in or subject to a floating charge will be required or alternatively, in some cases, approval will be required from the court. Floating charge realisations upon the enforcement of the floating charge security granted by the LLP would be reduced by the amount of any liquidation expenses.

Maintenance of Portfolio

Pursuant to the terms of the Mortgage Sale Agreement, the Seller agrees to use all reasonable efforts to transfer Mortgage Loans and their Related Security to the LLP in order to ensure that the Mortgage Loan Portfolio is in compliance with the Asset Coverage Test, (after also taking into account any associated increase in the principal amount outstanding under the MRCLN due to further Reference Mortgage Reserves also potentially becoming subject to the MRCLN, which will also have an associated impact on the compliance by the Issuer with the Asset Coverage Test). The consideration payable to the Seller for the sale of the Mortgage Loans and Related Security to the LLP will be a combination of (i) a cash payment paid by the LLP and/or (ii) the Seller being treated as having made a Capital Contribution to the LLP (in an amount up to the difference between the outstanding principal balance of the Mortgage Loans sold by the Seller to the LLP as at the relevant Transfer Date and the cash payment (if any) paid by the LLP for such Mortgage Loans) and (iii) Deferred Consideration and in addition, the LLP will grant Additional MRCLN

Advances with such advances being made either by way of a cash advance by the LLP and/or the Seller being treated as having made a Capital Contribution to the LLP (in an amount equal to the size of the increase in the MRCLN Principal Amount Outstanding as a result of such requirement to advance such further monies to the Seller pursuant to the terms of the MRCLN Note Purchase Facility Agreement and the actual cash payment, if any, made by the LLP to the Seller at such time in respect of such Additional MRCLN Advance).

Alternatively, Barclays (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 by the next Calculation Date, an Issuer Event of Default will occur. There is no specific recourse by the LLP to the Seller in respect of the failure to sell Mortgage Loans and their Related Security to the LLP nor is there any specific recourse to Barclays if it does not make Cash Capital Contributions to the LLP.

Pursuant to the LLP Deed, the LLP and Barclays (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 realisation of the Security and/or the commencement of winding-up proceedings against the LLP, the Amortisation Test Aggregate Asset Amount is in an amount at least equal to the Sterling Equivalent of the aggregate of the Principal Amount Outstanding under the Covered Bonds. The Amortisation Test is intended to ensure that the assets of the LLP do not fall below a certain threshold to ensure that the assets of the LLP are sufficient to meet its obligations under the Covered Bond Guarantee and senior expenses that rank in priority to or *pari passu* with amounts due on the Covered Bonds.

If the aggregate collateral value of the Mortgage Loan Portfolio and the MRCLN (and any associated collateral required to be posted pursuant to terms of the MRCLN Collateral Agreement) has not been maintained in accordance with the terms of the Asset Coverage Test or the Amortisation Test (or the MRCLN Collateral Agreement), then that may affect the realisable value of the Mortgage Loan Portfolio, the MRCLN or any part thereof (both before and after the occurrence of an LLP Event of Default) and/or the ability of the LLP to make payments under the Covered Bond Guarantee. However, failure to satisfy the Amortisation Test on any Calculation Date following an Issuer Event of Default will constitute an LLP Event of Default, thereby entitling the Bond Trustee to accelerate the Covered Bonds against the Issuer (to the extent not already accelerated against the Issuer) and also against the LLP 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 First Issue Date and more frequently in certain circumstances. Following the occurrence of an Issuer Event of Default, the Asset Monitor will be required to test the calculations performed by the Cash Manager in respect of the Amortisation Test. See further "*Summary of the Principal Documents – Asset Monitor Agreement*".

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

Sale of Selected Mortgage Loans and their Related Security following Service of Notice to Pay

If a Notice to Pay is served on the LLP, then the LLP will be obliged to sell Selected Mortgage Loans (selected on a random basis) and their Related Security and the Reference Mortgage Reserves associated to the Selected Mortgage Loans will, on the next Determination Date, become Non-Reference Mortgage Reserves. Accordingly, the Seller will be required to repay the MRCLN in an amount equal to the then Mortgage Reserve Account Balance of such Mortgage Reserve (less an amount equal to any Aggregate Potential MRCLN Interest in respect of such Mortgage Reserve) plus pay interest on the MRCLN in an amount equal to, *inter alia*, the then Aggregate Potential MRCLN Interest in respect of such Mortgage Reserve. The proceeds of the sale of the Selected Mortgage Loans and their Related Security and the payments under the MRCLN will be used by the LLP in order to make payments to the LLP's creditors, including payments under the Covered Bond Guarantee (see "*Summary of the Principal Documents – LLP Deed – Sale of Selected Mortgage Loans and their Related Security following a Notice to Pay*").

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

Sale of Selected Mortgage Loans and their Related Security if Pre-Maturity Test is breached

If the Pre-Maturity Test is breached and certain actions are not taken within a specified time period, a Notice to Pay will be served on the LLP, and the LLP will be obliged to sell Selected Mortgage Loans and their Related Security in order to make funds available to make payments to its creditors including under the Covered Bond Guarantee in the event of the occurrence of an Issuer Event of Default and the service of an Issuer Acceleration Notice.

There is no guarantee (i) that a suitable buyer will be found to acquire Selected Mortgage Loans and their Related Security, or (ii) that the Selected Mortgage Loans and their related Security may be refinanced, in each case, at the times required and there can be no guarantee or assurance as to the price which may be able to be obtained, such circumstances may affect payments under the Covered Bond Guarantee.

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

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

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

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

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

- (a) representations or warranties not being given by the LLP or (unless otherwise agreed with the Seller) the Seller;
- (b) default by Borrowers of amounts due on their Mortgage Accounts;
- (c) the Mortgage Loans of New Sellers being included in the Mortgage Loan Portfolio;
- (d) changes to the lending criteria of the Seller;
- (e) the LLP not having legal title to the Mortgage Loans in the Mortgage Loan Portfolio;
- (f) the inability to correctly ascertain the proper market value for a Mortgage Loan required to be sold by the LLP (or any receiver appointed to it) which is linked to an associated Mortgage Reserve, due to the aggregate predicted loan to value of the combined Mortgage

Loan and Mortgage Reserve being, on an ongoing basis, uncertain due to the potential ability for the relevant Borrower to increase the aggregate level of debt secured against the relevant Mortgaged Property supporting such Mortgage Loan and Mortgage Reserve by way of such Borrower making withdrawals from the relevant Mortgage Reserve from time to time, including after the relevant Mortgage Loan has been sold to a third party, and the fact that any enforcement proceeds from the enforcement of the Related Security are intended to first be applied in discharging the relevant Borrower's obligations under its associated Reference Mortgage Reserve and thereafter in discharging the relevant Borrower's obligations under the associated Mortgage Loan;

- (g) risks in relation to some types of Mortgage Loans which may adversely affect the value of Portfolio or any part thereof;
- (h) limited recourse to the Seller;
- (i) possible regulatory changes by the Office of Fair Trading, the Financial Services Authority and other regulatory authorities;
- (j) regulations in the United Kingdom that could lead to some terms of the Mortgage Accounts being unenforceable; and
- (k) other issues which impact on the enforceability of the Mortgage Accounts.

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

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

Following a breach of the Pre-Maturity Test and/or the occurrence of an Issuer Event of Default, service on the Issuer of an Issuer Acceleration Notice and service on the LLP of a Notice to Pay (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 LLP will be obliged to sell Selected Mortgage Loans and their Related Security to third party purchasers, subject to a right of pre-emption enjoyed by the Seller pursuant to the terms of the Mortgage Sale Agreement (see "*Summary of the Principal Documents – LLP Deed – Method of Sale of Selected Mortgage Loans and their Related Security*"). In respect of any sale of Selected Mortgage Loans and their Related Security to third parties, however, the LLP will not be permitted to give warranties or indemnities in respect of those Selected Mortgage Loans and their Related Security (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 Mortgage Loans and their Related Security. Any Representations or Warranties previously given by the Seller in respect of the Mortgage Loans in the Mortgage Loan Portfolio may not have value for a third party purchaser if the Seller is then insolvent. Accordingly, there is a risk that the realisable value of the Selected Mortgage Loans and their Related Security could be adversely affected by the lack of representations and warranties which in turn could adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee.

Default by Borrowers in paying amounts due on their Mortgage Accounts

Borrowers may default on their obligations due under the Mortgage Accounts. Defaults may occur for a variety of reasons. The Mortgage Accounts are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Other factors in Borrowers' individual, personal or financial circumstances may affect the ability of Borrowers to repay the Mortgage Accounts. Loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by and bankruptcies of Borrowers, and could ultimately have an adverse impact on the ability of Borrowers

to repay the Mortgage Accounts. In addition, the ability of a Borrower to sell a property given as security for a Mortgage Accounts at a price sufficient to repay the amounts outstanding under that Mortgage Account will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the time.

The outstanding principal balance of any Defaulted Mortgage Accounts in the Mortgage Loan Portfolio will be given a reduced weighting for the purposes of any calculation of the Asset Coverage Test and the Amortisation Test.

If any new Mortgage Loans and any associated Reference Mortgage Reserves have been originated under revised Lending Criteria and the Mortgage Loans are then sold to the LLP in accordance with and pursuant to the terms of the Mortgage Sale Agreement and the associated Mortgage Reserves (if any) become Reference Mortgage Reserves and become linked to the MRCLN in accordance with and pursuant to the terms of the MRCLN Note Purchase Facility Agreement, the characteristics of the Portfolio could at such time change. This could adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee.

Seller to initially retain legal title to the Mortgage Loans

The sale of the English Mortgage Loans and the Northern Irish Mortgage Loans and their Related Security to the LLP (until transfer of legal title) will take effect in equity only. The sale of the Scottish Mortgage Loans and their Related Security to the LLP will be given effect by Scottish Declarations of Trust by the Seller. In each case, this means that legal title to the Mortgage Loans and their Related Security will remain with the Seller until such time as certain additional steps have been taken including the giving of notices of the sale to the Borrowers. In addition, it may not be possible for there to be a legal assignment of the benefit of those Insurance Policies in relation to which the LLP has acquired only an equitable interest or interest as beneficiary under a Scottish Declaration of Trust.

In relation to Mortgages of registered land in England, Wales and Northern Ireland and any land in Scotland, until such time as transfers or, in respect of Scottish Mortgages, assignation of such mortgages in favour of the LLP have been completed and registered at HM Land Registry, the Land Registry of Northern Ireland and the Registers of Scotland (as applicable), the sale of the Mortgages to the LLP will take effect in equity or in relation to any Mortgages of land in Scotland the sale will be effected by means of grant of a declaration of trust, under which the LLP is the sole beneficiary. In the case of Mortgages of unregistered land in England, Wales and Northern Ireland, in order for legal title to pass to the LLP, conveyances of the relevant Mortgages would have to be completed in favour of the LLP.

In accordance with the terms of the Mortgage Sale Agreement, none of the Seller, the LLP or the Security Trustee will require notification of such sales to the Borrowers or the execution and completion of such transfers and conveyances in favour of the LLP or the registration of such transfers in order to effect the transfer of legal title to the Mortgage Loans and their Related Security (including, where appropriate, their registration), except in the limited circumstances described below.

The Seller will be required to perfect the transfer of legal title to the Mortgage Loans and their Related Security to the LLP and to notify the Borrowers of the sale of the Mortgage Loans within 20 Business Days of receipt of written notice from the LLP and/or the Security Trustee, requesting that the Seller take such actions. Each of the LLP and the Security Trustee has undertaken that it will not make such a request unless, *inter alia*, any of the following events occur:

- (a) the occurrence of an Issuer Event of Default and service on the Issuer of an Issuer Acceleration Notice and the service on the LLP of a Notice to Pay;
- (b) the Seller and/or the LLP being required to perfect the transfer of legal title to the Mortgage Loans by an order of a court of competent jurisdiction or by a regulatory authority or organisation whose members comprise (but are not necessarily limited to) mortgage lenders of with whose instructions it is customary for the Seller to comply, to perfect legal title to the Mortgage Loans;
- (c) the occurrence of an Insolvency Event in relation to the Seller; or
- (d) the Seller requesting a transfer by way of assignment or assignation (as appropriate) by giving written notice to the LLP and the Security Trustee,

see "*Transfer of Title to the Mortgage Loans to the LLP*" below.

If the Seller ceases to have a long term unsecured, unsubordinated and unguaranteed credit rating by S&P of at least BBB-, by Fitch of at least BBB- and by Moody's of at least Baa3 (unless each of the Rating Agencies confirm in writing that the then current ratings of any existing series of Covered Bonds will not be adversely affected), the Seller will be obliged to give notice only of the transfer of the equitable and beneficial interest in the Mortgage Loans and their Related Security to the Borrowers but will not be required to complete any other steps necessary to perfect legal title to the Mortgage Loans and their Related Security in favour of the LLP.

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

Value of the Mortgage Loan Portfolio and the MRCLN

The guarantee granted by LLP in respect of the Covered Bonds, will, *inter alia*, consist of the LLP's interest in the Mortgage Loan Portfolio. Since the economic value of the Mortgage Loan Portfolio and the economic value of the MRCLN may increase or decrease, the value of the LLP's assets may decrease (for example if there is a general decline in property values). The Issuer makes no representation, warranty or guarantee that the value of a Mortgaged Property and/or the associated Reference Mortgage Reserves and thus also the MRCLN will remain at the same level as it was on the date of the origination of the related Mortgage Account or at any other time. If the residential property market in England, Wales, Northern Ireland and/or Scotland experiences an overall decline in property values, the value of the Mortgage Accounts could be significantly reduced and, ultimately, may result in losses to the Covered Bondholders if such security is required to be enforced.

Payments on the Mortgage Loans and the associated Reference Mortgage Reserves

Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal on the Mortgage Loans and in relation to any associated Reference Mortgage Reserves (and thus also the MRCLN). These factors include changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, increasing utility costs and other day to day expenses, political developments and government policies. Other factors in Borrowers' personal or financial circumstances may also affect the ability of Borrowers to repay Mortgage Loans and the associated reference Mortgage Reserves. Loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by, and bankruptcies of, Borrowers, and could ultimately have an adverse impact on the ability of Borrowers to repay Mortgage Loans. In addition, any natural or other disasters including terrorist attacks and outbreaks of pandemic influenza may adversely affect the ability of a Borrower to make scheduled payments on a loan.

Covered Bondholders should also note that in the recent past the United Kingdom has generally benefited from a low interest rate climate with high property prices and low levels of unemployment, Borrowers (and in particular first time Borrowers) with Mortgage Loans in the Mortgage Loan Portfolio and the associated Reference Mortgage Reserves may not yet have experienced a more adverse economic climate and the arrears and default history of the Seller is, in part, reflective of the recent economic climate.

In addition, the ability of a Borrower to sell the Mortgaged Property relating to the relevant Mortgage Account at a price sufficient to repay the amounts outstanding under such Mortgage

Loans and, if applicable, the associated Reference Mortgage Reserves will depend upon a number of factors, including the availability of buyers for that property, the value of the property and property values and the property market in general at the time of such proposed sale.

If the timing and payment of the Mortgage Loans and the repayment of any associated Reference Mortgage Reserves (and thus also the MRCLN) is adversely affected by any of the risks described above, the ability of the LLP to make payments under the Covered Bond Guarantee could be reduced or delayed.

Repayment of a Mortgage Reserve

There is no obligation on a Borrower to repay any outstanding Mortgage Reserve Account Balance prior to the end of the term of the associated Mortgage Loan. In addition, whilst interest is charged by the Seller on a Mortgage Reserve (thereby increasing the size of the outstanding Mortgage Reserve Account Balance) there is no obligation on a Borrower to pay any such interest on any scheduled date prior to the end of the term of the Mortgage Loan (provided that the Mortgage Reserve Account Balance remains below the then applicable Mortgage Reserve Credit Limit).

The ability of a Borrower to repay the outstanding Mortgage Reserve Account Balance on the maturity of the associated Mortgage Loan depends on, *inter alia*: (i) such Borrower ensuring that sufficient funds will be available from an investment plan (for example, individual savings accounts, pension policies, personal equity plans or endowment policies); (ii) the financial condition of the Borrower; (iii) tax laws during the term of the Mortgage Loan and on its maturity; and (iv) general economic conditions at the time. There can be no assurance that there will be sufficient funds from any investment plan of the Borrower to repay the outstanding Mortgage Reserve Account Balance on a Mortgage Reserve.

The Issuer does not (and in certain circumstances cannot) take security over the investment plans of a Borrower. Consequently, in the case of a Borrower in poor financial condition any investment plan of the Borrower will be an asset available to meet the claims of other creditors. The Issuer also recommends the Borrower to take out term life insurance cover in relation to the Mortgage Reserve, although the Issuer again does not take security over such policies.

There can therefore be no assurance that the Borrower will have the funds required to repay the outstanding Mortgage Reserve Account Balance at the end of the term of the associated Mortgage Loan. If a Borrower cannot repay the amount owed on the Mortgage Reserve and thus as a result a Mortgage Reserve Principal Loss Reduction on the MRCLN occurs, then this may affect the ability of the LLP to make guarantee payments under the Covered Bond Guarantee.

Reference Mortgage Reserves and the Related Security

The Related Security that is assigned to the LLP pursuant to the Mortgage Sale Agreement is also security over amounts owing to the Seller under the associated Reference Mortgage Reserves. The LLP shall hold the Related Security, to the extent the Related Security secures amounts owing to the Seller under the associated Reference Mortgage Reserves, on trust for the Seller. Given that the LLP shall not be able to directly apply such security enforcement proceeds to the amounts owing under the associated Mortgage Reserves (as such amounts are owed by the related Borrower directly to the Seller), in the event the LLP exercises its rights to enforce the Related Security, the Administrator on behalf of the LLP will distribute such enforcement proceeds when received to the Seller for the Seller to apply the same in reducing the Mortgage Reserve Account Balance of the associated Reference Mortgage Reserves. To the extent that the Seller fails to recover the full amount outstanding on a Mortgage Reserve Account, such shortfall will lead to a Mortgage Reserve Principal Loss Reduction.

Pursuant to the terms of the Mortgage Sale Agreement and the MRCLN Note Purchase Facility Agreement, any proceeds recovered from the enforcement of any Related Security of a Mortgage Account are intended to be applied first in discharging the relevant Borrower's obligations under its associated Reference Mortgage Reserve and thereafter in discharging the relevant Borrower's obligations under the associated Mortgage Loan.

It should be noted that the Seller's obligations to the LLP under the MRCLN and the MRCLN Note Purchase Facility Agreement are unsecured debt obligations of the Seller.

Prospective Covered Bondholders should also note that the LLP will have no direct contractual right to require any repayment by the Borrower of any debt outstanding on any Reference Mortgage

Reserve as the Seller's rights (and obligations) under a Reference Mortgage Reserve are not at any time transferred to the LLP and are therefore at all times owed to the Seller.

The Lending Criteria

Each of the Mortgage Accounts was originated in accordance with the Seller's Lending Criteria applicable at the time of origination. The Seller's Lending Criteria consider a variety of factors such as a potential borrower's credit history, employment status and repayment ability, as well as the value of the Property to be mortgaged. In the event of the sale of any new Mortgage Loans and their Related Security to the LLP, representations and warranties will at such time be given to the LLP and the Security Trustee that those new Mortgage Loans (and any associated Reference Mortgage Reserves) and their Related Security were originated in accordance with the Seller's Lending Criteria then applicable at the time of the origination of such new Mortgage Loans. The Lending Criteria applicable to Related Security included in the Mortgage Loan Portfolio as of an Issue Date is anticipated to be the same as or substantially similar to the criteria described in the Mortgage Sale Agreement. However, the Seller retains the right to revise its Lending Criteria as determined from time to time, and so the Lending Criteria applicable to any new Mortgage Loan at the time of its origination may not be the same as those set out in this Base Prospectus.

Limited recourse to the Seller

The LLP, the Bond Trustee and the Security Trustee will not undertake any investigations, searches or other actions on any Mortgage Loan or its Related Security and will rely instead on the Representations and Warranties given in the Mortgage Sale Agreement by the Seller in respect of the Mortgage Loans sold by them to the LLP.

If any Mortgage Loan sold by the Seller does not materially comply with any of the Representations and Warranties made by the Seller as at the Transfer Date of that Loan, then the Seller will be required to remedy the breach within 28 Business Days of the Seller becoming aware of the same or of receipt by it of a notice from the LLP requiring the Seller to remedy the breach.

If the Seller fails to remedy the breach of a Representation and Warranty within 28 Business Days, then the Seller will be required (but only prior to the occurrence of an Issuer Event of Default) to repurchase on or before the next following LLP Payment Date (or such other date that may be agreed between the LLP and the Seller) the relevant Mortgage Loan and its Related Security and any other Mortgage Loans of the relevant Borrower that are included in the Mortgage Loan Portfolio, at their outstanding principal balance as of the date of repurchase or, if applicable, the previous Determination Date, and the Seller will be required to repay the MRCLN in an amount equal to the Mortgage Reserve Account Balance of such Mortgage Reserve (less an amount equal to any Aggregate Potential MRCLN Interest in respect of such Mortgage Reserve) plus pay any interest on the MRCLN equal to, *inter alia*, the then Aggregate Potential MRCLN Interest in respect of such Mortgage Reserve as of such previous Determination Date in accordance with the terms of the Mortgage Sale Agreement.

There can be no assurance that the Seller, in the future, will have the financial resources to repurchase a Mortgage Loan or Mortgage Loans and its or their Related Security. However, if the Seller does not repurchase those Mortgage Loans and their Related Security which are in breach of the Representations and Warranties then the outstanding principal balance of those Mortgage Loans will be excluded from the calculation of the Asset Coverage Test and the MRCLN Principal Amount Outstanding will be adjusted accordingly. There is no further recourse to the Seller or the Issuer in respect of a breach of a Representation or Warranty.

Legal and Other Considerations

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another member state details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other member state; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also, a number of non-EU countries, and certain dependent or associated territories of certain member states have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a member state. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a member state to, or collected by such a person for, an individual resident in one of those territories.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the issuer nor any paying agent nor any other person would be obliged to pay additional amounts to the Covered Bondholders or to otherwise compensate the Covered Bondholders for the reduction in the amounts that they will receive as a result of the imposition of such withholding tax. However, the issuer is required to maintain a paying agent in a member state that will not be obliged to withhold or deduct tax pursuant to the directive (if such a state exists).

Insolvency Act 2000

The Insolvency Act 2000 which amends the Insolvency Act 1986 (as amended from time to time) (the “**Insolvency Act**”) allows certain “small” companies to seek protection from their creditors for a period of 28 days for the purposes of putting together a company voluntary arrangement with the option for creditors to extend the moratorium for a further two months. Prior to 1 October 2005, the moratorium provisions of the Insolvency Act 2000 did not expressly state that they applied to limited liability partnerships such as the LLP. On 1 October 2005, the Limited Liability Partnership (Amendment) Regulations 2005 confirmed that the moratorium provisions apply to limited liability partnerships subject to certain modifications.

A “small” company is defined as one which satisfies two or more of the following criteria: (i) its turnover is not more than £6.5 million, (ii) its balances sheet total is not more than £3.26 million and (iii) the number of employees is not more than 50. The position as to whether or not a company is a “small” company may change from time to time and consequently no assurance can be given that the LLP will not, at any given time, be determined to be a “small” company. The United Kingdom Secretary of State for Trade and Industry may by regulation modify the eligibility requirements for “small” companies and can make different provision for different cases. No assurance can be given that any such modification or different provision will not be detrimental to the interest of the holders of the Covered Bonds.

Certain special purpose companies in relation to capital markets transactions are excluded from the optional moratorium provisions. Such exclusions include (a) a company which, at the time of filing for a moratorium, is a party to an agreement which is or forms part of a “capital market arrangement” (as defined in paragraph 4D of Schedule A1 of the Insolvency Act 1986) under which a party has incurred, or when the agreement was entered into was expected to incur, debt of at least £10 million and which involves the issue of a “capital market investment” (also defined but generally a rated, listed or traded bond) and (b) a company which, at the time of filing for a moratorium, has incurred a liability (including a present, future or contingent liability and a liability payable wholly or partly in a foreign currency) of at least £10 million. While the LLP is expected to fall within one of the exceptions there is no guidance as to how the legislation will be interpreted and the Secretary of State for Trade and Industry may by regulation modify the exceptions. No assurance can be given that any modifications of the exceptions will not be detrimental to the interest of the holders of the Covered Bonds. Correspondingly, if the LLP is determined to be a “small” company and determined not to fall within one of the exceptions, then certain actions in respect of the LLP may, for a period, be prohibited by the imposition of a moratorium.

Enterprise Act 2002

On 15 September 2003, the corporate insolvency provisions of the Enterprise Act 2002 came into force, amending certain provisions of the Insolvency Act and, in particular, the administration provisions which were reformed by introducing a new Schedule B1 to the Insolvency Act. These provisions introduced significant reforms to corporate insolvency law. In particular, the reforms restrict the right of the holder of a floating charge to appoint an administrative receiver (unless the floating charge was created prior to 15 September 2003 or an exception applies) and instead give primacy to collective insolvency procedures (in particular, administration). Previously, the holder of a floating charge over the whole or substantially the whole of the assets of a company had the

ability to block the appointment of an administrator by appointing an administrative receiver, who would act primarily in the interests of the floating charge holder.

From 1 October 2005, the Limited Liability Partnership (Amendment) Regulations 2005 have applied the new administration provisions of Schedule B1 of the Insolvency Act to limited liability partnerships (such as to the LLP) with certain modifications.

The Insolvency Act contains provisions which continue to allow for the appointment of an administrative receiver in relation to certain transactions in the capital markets. These provisions apply to the LLP as if it were a company. The relevant exception provides that the right to appoint an administrative receiver is retained for certain types of security (such as the Security) which form part of a capital market arrangement (as defined in the Insolvency Act), which would include the issue of covered bonds, and which involves indebtedness of at least £50 million (or, when the relevant security document (being in respect of the transactions described in this Base Prospectus, the Deed of Charge) was entered into, a party to the relevant transaction (such as the Issuer) was expected to incur a debt of at least £50 million) and the arrangement involves the issue of a capital market investment (also defined but generally a rated, listed or traded bond). The Secretary of State may, by secondary legislation, modify the capital market exception and/or provide that the exception shall cease to have effect. No assurance can be given that any such modification or provision in respect of the capital market exception, or its ceasing to be applicable to the transactions described in this Base Prospectus, will not be detrimental to the interests of the holders of the Covered Bonds.

The Insolvency Act also contains a new out-of-court route into administration for a qualifying floating charge-holder, the relevant company itself or its directors. These provisions have been applied to limited liability partnerships (such as the LLP) with certain modifications from 1 October 2005. The relevant provisions provide for a notice period during which the holder of the floating charge can either agree to the appointment of the administrator proposed by the directors or the company or appoint an alternative administrator, although a moratorium on enforcement of the relevant security will take effect immediately after notice is given. If the qualifying floating charge-holder does not respond to the directors' or company's notice of intention to appoint, the directors' or, as the case may be, the company's appointee will automatically take office after the notice period has elapsed. Where the holder of a qualifying floating charge which was created prior to 15 September 2003 or within the context of a capital market transaction retains the power to appoint an administrative receiver, such holder may prevent the appointment of an administrator (either by the new out-of-court route or by the court based procedure) by appointing an administrative receiver prior to the appointment of the administrator being completed.

The new administration provisions of the Insolvency Act give primary emphasis to the rescue of a company as a going concern and achieving a better result for the creditors as a whole. The purpose of realising property to make a distribution to secured creditors is secondary. As noted above, these new administration provisions will now apply to limited liability partnerships (such as the LLP) and have done so from 1 October 2005. From this date, no assurance could be given that the primary purpose of the new provisions would not conflict with the interests of the holders of the Covered Bonds were the LLP ever subject to administration.

In addition to the introduction of a prohibition on the appointment of an administrative receiver as set out above, section 176A of the Insolvency Act provides that any receiver (including an administrative receiver), liquidator or administrator of a company is required to make a "prescribed part" of the company's "net property" available for the satisfaction of unsecured debts in priority to the claims of the floating charge holder. These provisions apply to the LLP as if it were a company. The company's "net property" is defined as the amount of the chargor's property which would be available for satisfaction of debts due to the holder(s) of any debentures secured by a floating charge and so refers to any floating charge realisations less any amounts payable to the preferential creditors or in respect of the expenses of the liquidation or administration. The "prescribed part" is defined in the Insolvency Act 1986 (Prescribed Part) Order 2003 (SI 2003/2097) to be an amount equal to 50 per cent. of the first £10,000 of floating charge realisations plus 20 per cent. of the floating charge realisations thereafter, provided that such amount may not exceed £600,000.

This obligation does not apply if the net property is less than a prescribed minimum and the relevant officeholder is of the view that the cost of making a distribution to unsecured creditors would be disproportionate to the benefits. The relevant officeholder may also apply to court for an

order that the provisions of section 176A of the Insolvency Act should not apply on the basis that the cost of making a distribution would be disproportionate to the benefits. It should however be noted that the RCB Regulations disapply the provisions of section 176A of the Insolvency Act.

Mortgage Loans regulated by the Consumer Credit Act 1974

Mortgage loans and further advances that finance the purchase of land or the provision of dwellings on any land and which are secured by a land mortgage on that land are treated as exempt agreements under Section 16 of the Consumer Credit Act 1974 (as amended) (the "CCA"). Such mortgage loans and further advances are not subject to the origination, documentation or ongoing compliance requirements of the CCA. However they are subject to the unfair relationship provisions under sections 140A to 140D CCA. Mortgage Loans and further advances which are regulated under the Financial Services and Markets Act 2000 are, by reason of section 16(6C) CCA exempt from the origination, documentation and ongoing compliance requirements of the CCA as well as from the unfair relationship provisions of the CCA.

Each mortgage reserve constitutes a debtor creditor agreement enabling the debtor to overdraw on a current account that falls within the scope of Section 74(1)(b) of the CCA. Such an agreement is excluded from the application of Part V of the CCA (the origination and documentation requirements of the CCA). Insofar as the Mortgage Loan finances the supply of insurance under arrangements with the supplier of the insurance, that part of the Mortgage Loan may fall to be treated as a regulated agreement under the CCA and may give rise to liability under Section 56 and/or Section 75 of the CCA (liability of creditor for misrepresentations and breaches of contract by supplier). Part V of the CCA sets requirements for the format, content and execution of regulated agreements and for the procedures to be taken by the lender when originating a CCA regulated agreement. For further details of these requirements, see "*Mortgage Loans regulated by the Consumer Credit Act 1974*" below.

Where the origination or documentation of a CCA regulated agreement does not comply with the requirements of the CCA, then to the extent that it is regulated or to be treated as such:

- (a) loans entered into prior to 6 April 2007 cannot be enforced by the creditor without a court order (section 65(1)) or in respect of certain breaches, the court would be prevented from making an enforcement order (section 127(3)) and the agreement will be automatically unenforceable; and
- (b) as from 6 April 2007, the CCA 2006 abolished the mandatory unenforceability provisions. This change came into effect on 6 April 2007, but only for agreements entered into on or after that date and is not retrospective.

Where the court is able to exercise its discretion, the court will take into account any prejudice suffered by the borrower and any culpability by the Seller.

The court has the power, if it appears just to do so, to amend the regulated agreement or any further advance that may fall within the scope of CCA regulation or to impose conditions upon its performance or to make a time order (for example, giving extra time for arrears to be cleared).

Pursuant to the terms of the Mortgage Sale Agreement, the Seller will represent and warrant to, *inter alios*, the LLP that no agreement for any Mortgage Loan to be included in the Loan Portfolio is, or has ever been, wholly or partly regulated by the CCA (other than in relation to Sections 137 to 140 of the CCA) or constitutes an extortionate credit bargain under Sections 137 to 140 of the CCA or, to the extent that it is so regulated or partly regulated, such Mortgage Loan is a valid and binding obligation on the borrower and enforceable upon order of a court.

Recent reforms to the Consumer Credit Act 1974 and subordinate legislation

The Consumer Credit Act 2006 was enacted in March 2006. Recent reforms which came into force on 6 April 2008 include:

- (i) the removal of the financial limit from the CCA in respect of credit for non-business lending;
- (ii) the exemption from the CCA regime of high net worth debtors and credit above the value of £25,000 where such credit is entered into by the debtor predominantly for the purposes of a business carried on, or intended to be carried on, by him;
- (iii) the creation of an independent ombudsman service, allowing consumers to challenge agreements without court proceedings and the creation of a Consumer Credit Appeals Tribunal;

- (iv) the extension of the unfair relationship test to all existing credit agreements (except for those regulated by the FSA);
- (v) the strengthening of the powers of the Office of Fair Trading (“OFT”) in relation to CCA licence holders;
- (vi) new provisions relating to the licensing of consumer credit businesses.

It is anticipated that the CCA 2006 is expected to be fully implemented by October 2008. However, the new Consumer Credit Directive which is expected to be implemented by 2010, may result in further amendment of the CCA and secondary legislation (see “*Consumer Credit Directive*” below).

These amendments in the Consumer Credit Act 2006 (a) would make all Mortgage Loans subject to some form of regulation (unless an exemption applies); (b) may increase the possibility of a challenge to agreements on the basis of “unfairness” (with some retrospective application to existing agreements); (c) would set out proportionality principles for courts in their enforcement of consumer credit agreements; and (d) may result in more restrictions being placed upon the activities of consumer credit licence holders.

Mortgage Loans regulated by the Financial Services Authority under the Financial Services and Markets Act 2000

As from 31 October 2004, a number of activities relating to “regulated mortgage loans” (as defined in Article 61(3) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (the “**Order**”) became “regulated activities” under section 19 of FSMA and these activities require authorisation from the Financial Services Authority (“FSA”). These activities are: (a) entering into a regulated mortgage loan as lender; (b) administering a regulated mortgage loan (administering in this context means notifying borrowers of changes in payments, interest rates or other notifiable matters and/or collecting payments due); (c) advising on regulated mortgage loans; (d) arranging regulated mortgage loans; and (e) agreeing to do any of the foregoing.

Barclays is authorised by the FSA to carry out such regulated activities and is registered by the FSA with registration number 122702. The LLP is of the view that it does not require to be authorised since its activities are such that they either do not fall within the regulated activities as defined in the Order or they benefit from a specific exclusion in respect of those activities.

In addition, on or after 31 October 2004 no variation has been or will be made to the Mortgage Loans, and no further advance or product switch has been or will be made under the Mortgage Loans, where it would result in the LLP arranging or advising in respect of administering or entering into a regulated Mortgage Loan.

Authorisation by the FSA subjects the Seller to the full regulatory regime imposed by FSMA and the FSA. In particular, the Seller is required to have in place full systems and controls, to ensure that those carrying out controlled functions are authorised by the FSA, to maintain prescribed prudential ratios, and its activities and regulated Mortgage Loans will be subject to the Financial Ombudsman Scheme. In addition, the regulated activities relating to regulated Mortgage Loans will be subject to mortgage conduct of business rules set out in the FSA Handbook (“**MCOB**”).

Failure to comply with the provisions of MCOB will not render any regulated Mortgage Loans unenforceable. However, breach of the rules in MCOB are actionable by borrowers who suffer loss as a result of the contravention. A breach could therefore give rise to a claim by a borrower to set off sums due under a regulated Mortgage Loan. However, regulated Mortgage Loans will be unenforceable if they are advised upon, arranged, entered into or administered by a company which is not authorised. The Seller is authorised by the FSA to carry out such regulated activities (other than advising on regulated Mortgage Loans) as stated above. Regulated Mortgage Loans will also be unenforceable if they are originated as a result of financial promotion in relation to which there has been a contravention of Section 21(1) of the FSMA. In both cases a court may allow the regulated Mortgage Loan in question to be enforced against the borrower if it considers it just and equitable to do so in the circumstances of the particular case.

The FSA has significant regulatory flexibility to alter its rules and to provide guidance on existing rules. No assurance can be given that the FSA will not change its rules or guidance or take a particular regulatory approach which may adversely affect the Seller’s particular sector in the mortgage market or the Seller specifically. Any such development may have a material adverse effect on the LLP and/or the Issuer and/or the Administrator, as applicable, and their respective businesses and operations.

Unfair Terms in Consumer Contracts Regulations 1994 and 1999

In the United Kingdom, the Unfair Terms in Consumer Contracts Regulations 1994 apply to all of the Mortgage Loans that were subject to standard terms and entered into during the period 1 July 1995 to 30 September 1999, and the Unfair Terms in Consumer Contracts Regulations 1999 apply to all of the Mortgage Loans that are subject to standard terms and have been entered into since 1 October 1999. The effect of these regulations (collectively, the “UTCCR”) on the Mortgage Loans is that:

- (a) a borrower may challenge a term in an agreement on the basis that it is an “unfair” term within the meaning of the UTCCR. An unfair term will not be binding on the borrower, although the contract itself will continue to bind the parties if it is capable of continuing in existence without the unfair term; and
- (b) the OFT, the FSA and any “qualifying body” (as defined in the UTCCR) may take court proceedings to injunct (or in Scotland, interdict) the Seller from using and relying on unfair terms.

This will not generally affect “core terms” which set out the main subject matter of the contract provided that they are written in plain and intelligible language (such as the borrower’s obligation to repay principal) but may affect terms deemed to be ancillary terms, which may include, *inter alia*, interest variation provisions and other terms the application of which are in the Seller’s discretion. For example, if a term permitting the Seller to vary the interest rate is found to be unfair, the borrower will not be liable to pay the increased rate or, to the extent that she or he has paid it, will be able, as against the Seller or the LLP, to claim repayment of the extra interest amounts paid or to set off the amount of such claim against the amount owing by the borrower under the Mortgage Loan. Any such non-recovery, claim or set off ultimately may adversely affect the ability of the LLP to make payments under the Covered Bond Guarantee.

On 24 February 2000, the OFT issued a guidance note on what the OFT considers to be fair and unfair terms for interest variation in mortgage contracts. The guidance note accepts the principle of a term linking an interest rate to an external rate which is outside the lender’s control. It provides that, generally, the OFT and Consumers’ Association will not regard such a term as unfair if the lender explains at the outset how the interest rate is linked to the external rate and, if the link does not provide for precise and immediate tracking, the maximum margin of difference, and the time limits within which charges will be made. Where the interest variation term does not provide for precise and immediate tracking of an external rate outside the lender’s control, and if the borrower could be considered to be locked in by an early repayment charge, the OFT indicated that it considered the term would be open to challenge as unfair under the UTCCR unless the lender (i) notifies the borrower in writing at least 30 days before the rate change and (ii) permits the borrower to repay the whole loan during the next three months after the rate change, without paying the early repayment charge. The Seller has reviewed the guidance note and believes that the Mortgage Loans and its business in general complies with the guidance note.

The guidance note was withdrawn from the OFT website a number of years ago. Prior to regulation by the FSA of regulated Mortgage Loans, the FSA agreed with the OFT to take responsibility for the enforcement of the UTCCR in mortgage agreements. Following this understanding, the FSA published guidance on interest rate variation practices in May 2005. The FSA also published a general FSA fact sheet entitled “*Challenging unfair contract terms*” in January 2005. The FSA guidance is not materially different from the withdrawn OFT guidance.

On 31 July 2006 a Concordat between the OFT and FSA became effective. The purpose of the Concordat is to ensure co-ordination of enforcement action and co-operation in delivery of consumer protection in relation to the UTCCR and the Enterprise Act 2002. The FSA published the Unfair Contract Terms Regulatory Guide in August 2007, which explains how the FSA utilises its powers under the UTCCR. Both the FSA and the OFT have issued guidance and undertakings specific to or relevant to mortgage contracts.

In August 2002 the Law Commission for England and Wales and the Scottish Law Commission published a Joint Consultation Paper proposing changes to the UTCCR, including harmonising provisions of the UTCCR and the Unfair Contract Terms Act 1977, applying the UTCCR to business to business contracts and revising the UTCCR to make it “clearer and more accessible”. A final report was published in 2005. In July 2006, the Law Commission stated that the government accepted the recommendations subject to a regulatory impact statement. No assurances can be

given that changes to the UTCCR, if implemented, will not have an adverse effect on the Seller, the issuer and/or the administrator.

Compliance with Non Status Lending Guidelines and responsible lending requirements for lenders and brokers

On 18 July 1997, the OFT issued Non Status Lending Guidelines for lenders and brokers, which were revised in November 1997. These guidelines apply to all residential mortgage loans made to non status borrowers, which are defined for the purposes of these guidelines as individuals with a low or impaired credit rating. These guidelines regulate the activities of lenders in areas such as advertising and marketing, loan documentation and contract terms, the relationship between lenders and brokers, selling methods, underwriting, dual interest rates and early repayment charges. None of the Mortgage Loans in the Mortgage Loan Portfolio will have been made to non status borrowers but, in any event, the Seller believes that it currently complies with these guidelines.

The actions of a lender and of any broker or other intermediary involved in marketing a lender's products can jeopardise a lender's fitness to hold a consumer credit licence. These guidelines make clear that lenders must take all reasonable steps to ensure that such brokers and other intermediaries comply with the guidelines and all relevant statutory requirements, even if the lender has no formal or informal control or influence over the broker or other intermediary.

The guidelines provide that lenders must carry on responsible lending, with all underwriting decisions being subject to a proper assessment of the borrower's ability to repay, taking into account all relevant circumstances, such as the purpose of the loan, the borrower's income, outgoings, employment and credit history. Lenders must take all reasonable steps to verify the accuracy of information provided by borrowers on or in support of the loan application, and all underwriting staff must be properly trained and supervised.

Ability to charge and recover fees on the Mortgage Loans

Charges payable on any early repayment (in whole or in part) are restricted under the Non Status Lending Guidelines. Part repayments must be permitted, and any early repayment charges must do no more than cover the costs reasonably incurred by the lender in processing the payments. A formula for calculating the maximum amount payable on early settlement is prescribed by the CCA and applies to the extent that a credit agreement is regulated by the CCA or to be treated as such. These guidelines state that, for other credit agreements, the current formula prescribed by the CCA is unfair and oppressive, and that lenders must discontinue its use at the earliest opportunity.

In January 2007, the FSA issued a Statement of Good Practice relating to Mortgage Exit Administration Fees ("MEAFs"). The FSA set out where it considered MEAFs to be contractually unfair under the UTCCR, and under the "Treating Customers Fairly" principles. The FSA stated that lenders could consider five options for the treatment of past and current customers, and all lenders had to decide which options to adopt and put this into practice by 28 February 2007. For new customers, lenders were required to decide whether to amend their terms and conditions by 31 July 2007.

In August 2007 the FSA updated the statement after analysing the responses of a sample of firms, comprising a significant proportion of the mortgage market, on the outcome of their reviews of how to treat future customers. The results of this review found that most major lenders have opted either to charge a fee that would not be varied during the lifetime of the mortgage or to remove the MEAF altogether. Other lenders have decided to charge a MEAF which will reflect the administrative costs of exiting the mortgage and can only be varied for valid reasons clearly explained at the outset.

Prior to 28 February 2007, Barclays confirmed that it would continue to apply its policy of charging the mortgage exit administration fee as it was set out to the relevant borrower at the time that the original contract was taken out, in line with the FSA Statement of Good Practice. This course of action is in line with the vast majority of other mortgage lenders.

In addition, the OFT carried out investigations into the level of late and over limit fees on credit cards as a result of which many credit card providers, including Barclays, reduced such fees.

In September 2006, the OFT announced that it had decided to undertake a fact find on the application of its statement on credit card fees to current account unauthorised overdraft fees. The fact find was completed in March 2007, and on 26 April 2007, the OFT announced its decision to conduct a market study of personal current accounts ("PCAs") in the United Kingdom which it will

conduct alongside a formal investigation into the fairness of charges for unauthorised overdrafts and returned items. In addition, on 15 November 2007, the OFT announced that the findings of the market study would not be published in advance of the test case (in relation to which see below). When they are published, there will be a consultation with stakeholders before the final recommendations are published.

Like other UK financial services institutions, Barclays faces numerous County Court claims and complaints by customers who allege that its unauthorised overdraft charges either contravene the UTTCRs or are unenforceable penalties or both.

In July 2007, by agreement with all parties, the OFT commenced proceedings against seven banks and one building society, including Barclays, to resolve the matter by way of a “test case” process (the “test case”). A preliminary issues hearing took place in January and February 2008. The Judge found in favour of the banks on the issue of the penalty doctrine, and in favour of the OFT on the issue of the applicability of the Unfair Terms in Consumer Contract Regulations 1999 (“UTCCRs”). Further hearings will be required and, if appeals are pursued, the proceedings may take a significant period of time to conclude.

Pending resolution of the test case process, existing and new claims in the County Courts remain stayed, and there is an FSA waiver of the complaints handling process and a standstill of Financial Ombudsman Service decisions. Barclays is defending the test case vigorously. It is not practicable to estimate Barclays’ possible loss in relation to these matters, nor the effect that they may have upon operating results in any particular financial period. Barclays intends to comply with its obligations as a company admitted to the Official List in connection with further disclosures in relation to this litigation.

No assurances can be given as to the eventual final outcome of either the test case or the market study and whether these will have any adverse effect on the Seller’s ability to charge fees on any Reference Mortgage Reserve.

No assurance can be given that additional regulations from the OFT, the FSA or any other regulatory authority will not arise with regard to the mortgage market in the United Kingdom generally, the Seller’s particular sector in that market or specifically in relation to the Seller (including, without limitation, in the ability to charge, or the level of, early repayment fees or other types of fees and charges payable in respect of the mortgage assets). Any such action or developments or compliance costs may have a material adverse effect on the mortgage assets, the Seller, the LLP, the Issuer and/or the Administrator and their respective businesses and operations.

This may adversely affect the LLP’s ability to make payments in relation to the Covered Bond Guarantee when due.

Consumer Credit Directive

In September 2002, the European Commission published a proposal for a directive of the European Parliament and of the Council on the harmonisation of the laws, regulations and administrative provisions of the member states of the European Union (the “Member States”) concerning credit for consumers and surety agreements entered into by consumers.

There was significant opposition from the European Parliament to the original form of the proposed directive, and to an amended form of the proposed directive published in October 2004. In October 2005, the European Commission published a second revised proposal for the directive.

On 7 April 2008, the Consumer Credit Directive was deemed to have been adopted by the European Council. The directive will enter into force shortly after its publication in the Official Journal of the European Union. Thereafter, Member States will have two years (2010) in which to implement its provisions.

The new legislation will cover consumer loans between €200 and €75,000 which are not required to be repaid within a month. It will only cover credit contracts, not guarantors and other aspects of credit agreement law. The directive will apply only to loan contracts on which interest is paid, and not products such as deferred payment cards (charge cards) and will not cover the granting of credit secured on land or made to finance the acquisition or retention of property rights.

The main points of the new directive are: the standardisation of information to be provided in advertising, the requirement for pre-contractual and contractual information, consumer cancellation rights, the right to early repayment and rules for the calculation of compensation and requirement to specify the annual percentage rate of charge (APRC).

Until the final details of United Kingdom implementing legislation are published, it is not certain what effect the adoption and implementation of the directive would have on the Seller, the Issuer and/or the Administrator and their respective businesses and operations.

Proposed Mortgage Credit Directive

In July 2005, the European Commission published a Green Paper on mortgage credit, in which it announced its intention that loans secured by a mortgage on land will be excluded from the proposed consumer credit directive but will be covered by any initiatives resulting from the Green Paper process in relation to mortgage credit.

It is uncertain what effect the adoption and implementation of any initiatives resulting from the Green Paper process in relation to mortgage credit, would have on the Mortgage Loans, the Issuer and its businesses and operations. The European Commission published feedback in May 2006 on its July 2005 Green Paper and subsequently undertook preliminary consultation with stakeholders which resulted in the publication of the reports of two expert groups in January 2007. The White Paper on the Integration of EU Mortgage Credit Markets was published on 18 December 2007. In the paper, the Commission has stated that it is yet to be determined as to whether legislation is the most appropriate way forward. The Commission is therefore undertaking further assessments and cost-benefit analyses during 2008. The Commission has stated that no directive will be tabled if the costs of legislative measures outweigh their benefits.

On 14 March 2008, the European Commission published a notice, requesting tenders to undertake a study on the costs and benefits of the different policy options for mortgage credit. Tenders are required to be made by the 13 May 2008. The tender anticipates that the study should take 9 months to complete.

No assurance can be given that the finalised directive or initiatives will not adversely affect the ability of the LLP to make payments under the Covered Bond Guarantee.

Financial Ombudsman Service

Under the FSMA, the Financial Ombudsman Service (the “**Ombudsman**”) is required to make decisions on, *inter alia*, complaints relating to activities and transactions under its jurisdiction on the basis of what, in the Ombudsman’s opinion, would be fair and reasonable in all circumstances of the case, taking into account, *inter alia*, law and guidance. Complaints brought before the Ombudsman for consideration must be decided on a case by case basis, with reference to the particular facts of any individual case. Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman. The Ombudsman may order a money award to a borrower, which may adversely affect the value at which the Mortgage Loans could be realised and accordingly the ability of the LLP to make payments under the Covered Bond Guarantee and may have an adverse effect on the Issuer and its businesses and operations.

Consumer Protection from Unfair Commercial Practices Regulations

In May 2005, the European Parliament and the Council adopted a directive on unfair business to consumer commercial practices (the “**Unfair Practices Directive**”). Generally, this directive applies full harmonisation, which means that member states may not impose more stringent provisions in the fields to which full harmonisation applies. By way of exception, this directive permits member states to impose more stringent provisions in the fields of financial services and immoveable property, such as mortgage loans.

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

The Unfair Practices Directive was implemented by Member States on 12 June 2007. The implementing provisions were due to come into force by 12 December 2007, subject to transitional provisions until 2013.

On 3 March 2008, the draft Consumer Protection from Unfair Commercial Practices Regulations (“**CPR**”) were laid before Parliament and are expected to come into force on 26 May 2008. If enacted in their present form, the CPR would prohibit those practices deemed “unfair” by the CPR. Such practices include certain misleading actions and omissions and engaging in “aggressive” behaviour. Additionally, a practice will be unfair if it contravenes the requirements of professional

diligence in circumstances where it distorts (or is likely to distort) the economic behaviour of the average consumer. The CPR also contains a list of miscellaneous practices which it deems unfair. Should an entity engage in such unfair practices, and in the absence of the availability of a statutory defence, the entity will commit an offence to which a fine and/or imprisonment may apply. Whilst a breach of the CPR does not, of itself, render an agreement void or unenforceable by reason only of a breach of the CPR, the possible liabilities for misrepresentation or breach of contract, in relation to an underlying credit or charge card agreement, may result in unrecoverable losses on accounts to which such agreements apply.

It is too early to predict what effect the CPR implementation of this directive would have on the Mortgage Loans, the Seller or the LLP and their respective businesses and operations. It should be noted that the FSA has stated that it considers that its rules already address unfair commercial practices in financial services and anticipates that no or only minimal changes will be required to be compliant. It is proposed that the CPR will be added to the instruments that can be enforced pursuant to the Enterprise Act 2002 which will enable the FSA to apply for injunctive relief should circumstances arise where the FSA were not able to enforce through FSMA.

No assurance can be given that the CPR will not adversely affect the ability of the LLP to make payments under the Covered Bond Guarantee.

Distance Marketing of Financial Services

With effect from 31 October 2004, the Distance Marketing of Financial Services Directive (the “DMD”) has been implemented in the United Kingdom by way of the Financial Services (Distance Marketing) Regulations 2004 (the “Regulations”) and amendments to MCOB. In essence the regulations require that in respect of distance contracts, consumers have the right to receive certain information and, for some financial services, a right to cancel.

For the purposes of the Regulations, a distance contract means “any contract concerning one or more financial services concluded between a supplier and a consumer under an organised distance sales or service provision scheme run by the supplier or by an intermediary, who, for the purposes of that contract, makes exclusive use of one or more means of distance communication up to and including the time at which the contract is concluded”. A similar definition is adopted in MCOB.

The Regulations and MCOB 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 supply of the financial services in question and includes, but is not limited to, general information in respect of the supplier and the financial service; contractual terms and conditions; and whether or not there is a right of cancellation. In general, consumers of distance contracts have a right to cancel contracts for financial services during a set period after commencement of the contract. However, cancellation rights will not apply, amongst others, in the case of contracts for financial services where (i) the price of the service depends on fluctuations in the financial market outside the supplier’s control (such as interest rate changes); (ii) the supplier provides credit to a consumer and the consumer’s obligation to repay is secured by a legal mortgage on land; or (iii) it is a restricted use credit agreement (within the meaning of the CCA) to finance the purchase of land or an existing building, or an agreement for a bridging loan in connection with the purchase of land or an existing building. The above provisions may be enforced by way of injunction (interdict in Scotland) and any breach may render the Seller and possibly its officers liable to a fine.

Any term in a distance contract will be void and unenforceable if, and to the extent that, it is inconsistent with the application of a provision of the regulations.

Basel Capital Accord

The EU Capital Requirements Directive (“CRD”) will affect risk weighting of the Covered Bonds for investors. Consequently, Covered Bondholders should consult their own advisers as to the consequences to and effect on them of the application of the CRD as implemented by their own regulator, to their holding of any Covered Bonds. The Issuer is not responsible for informing Covered Bondholders of the effects of the changes to risk-weighting which will result for investors from the adoption by their own regulator of the CRD.

Pensions Act 2004

Under the Pensions Act 2004 a person that is connected with or an “associate” of an employer under an occupational pension scheme, can be subject to either a contribution notice or a financial

support direction. As the LLP is a member of the Barclays Group, it may be treated as connected to an employer under an occupational pension scheme which is within the Barclays Group.

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

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

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

Limited Liability Partnerships

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

USE OF PROCEEDS

The gross proceeds from each issue of Covered Bonds will be used by the Issuer to make available Term Advances to the LLP pursuant to the terms of the Intercompany Loan Agreement, which in turn shall be used by the LLP (after swapping the proceeds of the Term Advances into Sterling, to the extent necessary) either:

- (i) to purchase the Initial Mortgage Loan Portfolio and each New Mortgage Loan Portfolio consisting of Mortgage Loans and their Related Security or to invest the same in Substitution Assets up to the prescribed limit to the extent required to meet the requirements of Regulations 17(2)(b) and 24(1)(a)(ii) of the RCB Regulations and the Asset Coverage Test; and/or
- (ii) to subscribe for and purchase the MRCLN from the Seller and/or to grant Additional MRCLN Advances to the Seller;

and thereafter the LLP may use such proceeds:

- (i) if an existing Series, or part of an existing Series, of Covered Bonds is being refinanced by such issue of Covered Bonds, to repay the Term Advance(s) corresponding to the Covered Bonds being so refinanced; and/or
- (ii) subject to complying with the Asset Coverage Test, to make a Capital Distribution to a Member; and/or
- (iii) to deposit all or part of the proceeds into the GIC Account (including, without limitation, to fund the Reserve Amount to an amount not exceeding the prescribed limit).

THE ISSUER

The Issuer is a public limited company registered in England and Wales under number 1026167. The liability of the members of the Issuer is limited. It has its registered head office at 1 Churchill Place, London, E14 5HP (telephone number +44 (0) 20 7116 1000). The Issuer was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Act 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, the Issuer was re-registered as a public limited company and its name was changed from “Barclays Bank International Limited” to “Barclays Bank PLC”.

The Issuer and its subsidiary undertakings (taken together, the “**Barclays Group**”) is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. The whole of the issued ordinary share capital of the Issuer is beneficially owned by Barclays PLC, which is the ultimate holding company of the Barclays Group and one of the largest financial services companies in the world by market capitalisation.

The short term unsecured obligations of the Issuer are related A-1+ by S&P, P-1 by Moody's and F1+ by Fitch Ratings Limited and the long-term obligations of the Issuer are rated AA by Standard & Poor's, Aa1 by Moody's and AA by Fitch Ratings Limited.

Based on the Barclays Group's audited financial information for the year ended 31 December 2007, the Barclays Group had total assets of £1,227,583 million (2006: £996,503 million), total net loans and advances¹ of £385,518 million (2006: £313,226 million), total deposits² of £386,395 million (2006: £336,316 million), and total shareholders' equity of £31,821 million (2006: £27,106 million) (including minority interests of £1,949 million (2006: £1,685 million)). The profit before tax of the Barclays Group for the year ended 31 December 2007 was £7,107 million (2006: £7,197 million) after impairment charges on loans and advances and other credit provisions of £2,795 million (2006: £2,154 million). The financial information in this paragraph is extracted from the audited 2007 Issuer Annual Report.

The principal trading market for Barclays PLC ordinary shares is the London Stock Exchange. Ordinary share listings were also obtained on the Tokyo Stock Exchange with effect from 1 August 1986 and the New York Stock Exchange (“**NYSE**”) with effect from 9 September 1986.

Trading on the NYSE is in the form of American Depositary Shares (“**ADS**”) under the symbol ‘**BCS**’. Each ADS represents four 25p ordinary shares and is evidenced by an American Depositary Receipt (“**ADR**”). The ADR depository is the Bank of New York. Details of trading activity are published in the stock tables of leading daily newspapers in the US.

Recent developments, competition and regulatory matters

Acquisitions

On 8 February 2007, the Issuer completed the acquisition of Indexchange Investment AG. Indexchange is based in Munich and offers exchanged traded fund products.

On 28 February 2007, the Issuer completed the acquisition of Nile Bank Limited. Nile Bank is based in Uganda with 18 branches and 228 employees.

On 30 March 2007, the Issuer completed the acquisition of Equifirst. Equifirst is a non-prime wholesale mortgage originator in the United States.

On 18 May 2007, the Issuer completed the acquisition of Walbrook Group Limited. Walbrook is based in Jersey, Guernsey, Isle of Man and Hong Kong where it serves high net worth private clients and corporate customers.

Disposals

On 4 April 2007, the Issuer completed the sale of part of Monument, a credit card business.

On 24 September 2007, the Issuer completed the sale of a 50% shareholding in Intelenet Global Services Pvt Ltd.

1 Total net loans and advances include balances relating to both banks and customers.

2 Total deposits include deposits from banks and customer accounts.

Recent developments

On 16 April 2007, the Issuer announced the sale of Barclays Global Investors Japan Trust & Banking Co. Ltd, a Japanese trust administration and custody operation. The sale completed on 31 January 2008.

On 5 October 2007, Barclays announced that as at 4 October 2007, not all of the conditions relating to its offer for ABN AMRO Holding N.V. were fulfilled and as a result Barclays was withdrawing its offer with immediate effect. Barclays PLC also announced that it was restarting the Barclays PLC share buyback programme to immunize the dilutive effect of the issuance of shares to China Development Bank and Temasek Holdings (Private) Limited on existing Barclays PLC shareholders. This programme was subsequently extended to 31 January 2008.

On 7 February 2008, the Issuer announced the purchase of Discover's UK credit card business for a consideration of approximately £35 million. The consideration is subject to an adjustment mechanism based on the net asset value of the business at completion. The purchase completed on 31 March 2008.

On 3 March 2008, the Issuer announced the purchase of Expobank, a Russian retail and commercial bank with 32 branches, for a consideration of approximately U.S.\$745 million. Completion is expected in summer 2008 after receipt of appropriate regulatory approvals.

On 25 June 2008 Barclays PLC announced a share issue to raise approximately £4.5 billion through the issue of 1,576 million new ordinary shares (the "Share Issue"). The Share Issue includes:

- (i) approximately £0.5 billion raised through a firm placing of 169 million new ordinary shares at 296 pence per new ordinary share to Sumitomo Mitsui Banking Corporation;
- (ii) approximately £4.0 billion raised through a placing of 1,407 million new ordinary shares at 282 pence per new ordinary share to Qatar Investment Authority, Challenger Universal Limited (a company representing the beneficial interests of His Excellency Sheikh Hamed Bin Jassim Bin Jabr Al-Thani, the chairman of Qatar Holding LLC, and his family), China Development Bank and Temasek Holdings (Private) Limited, which shares are available for clawback in full by means of an open offer to existing shareholders. Pursuant to such open offer, existing shareholders are being offered the opportunity to subscribe for up to a maximum of their *pro rata* entitlement on the basis of 3 open offer shares for every 14 ordinary shares they currently hold.

The new ordinary shares to be issues in connection with the firm placing are expected to be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities on 4 July 2008.

The deadline for acceptance of the open offer is 11 a.m. on 17 July 2008 and the admission of the new ordinary shares to the Official List and to trading on the London Stock Exchange's market for listed securities is scheduled to take place on 22 July 2008.

Competition and regulatory matters

The scale of regulatory change remains challenging, arising in part from the implementation of some key European Union ("EU") directives. Many changes to financial services legislation and regulation have come into force in recent years and further changes will take place in the near future. Concurrently, there is continuing political and regulatory scrutiny of the operation of the retail banking and consumer credit industries in the UK and elsewhere. The nature and impact of future changes in policies and regulatory action are not predictable and beyond the Barclays Group's control but could have an impact on the Barclays Group's businesses and earnings. In June 2005, an inquiry into retail banking in all of the then 25 Member States was launched by the European Commission's Directorate General for Competition. The inquiry looked at retail banking in Europe generally. In January 2007, the European Commission announced that the inquiry had identified barriers to competition in certain areas of retail banking, payment cards and payment systems in the EU. The European Commission indicated it will use its powers to address these barriers, and will encourage national competition authorities to enforce European and national competition laws where appropriate. Any action taken by the European Commission and national competition authorities could have an impact on the payment cards and payment systems businesses of the Barclays Group and on its retail banking activities in the EU countries in which it operates.

In September 2005, the Office of Fair Trading (“OFT”) received a super-complaint from the Citizens Advice Bureau relating to payment protection insurance (“PPI”). As a result, the OFT commenced a market study on PPI in April 2006. In October 2006 the OFT announced the outcome of the market study and the OFT referred the PPI market to the UK Competition Commission for an in-depth inquiry on 7 February 2007. The Competition Commission published its preliminary findings on 5 June 2008 in which it indicated that there was a lack of competition in the UK PPI market. The Commission will now consult on the provisional findings and remedies and intends to publish its final report at the end of 2008. Also in October 2006, the FSA published the outcome of its broad industry thematic review of PPI sales practices in which it concluded that some firms fail to treat customers fairly. The Barclays Group has cooperated fully with these investigations and will continue to do so.

In April 2006, the OFT commenced a review of the undertakings given following the conclusion of the Competition Commission inquiry in 2002 into the supply of banking services to Small and Medium Enterprises (“SMEs”). Based on the OFT’s report, the Competition Commission issued its final decision on 21 December 2007 and decided to release the UK’s four largest clearing banks (including the Issuer) from most of the transitional undertakings given by them in 2002.

The OFT has carried out investigations into Visa and MasterCard credit card interchange rates. The decision by the OFT in the MasterCard interchange case was set aside by the Competition Appeals Tribunal in June 2006. The OFT’s investigation in the Visa interchange case is at an earlier stage and a second MasterCard interchange case is ongoing. The outcome is not known but these investigations may have an impact on the consumer credit industry in general and therefore on the Barclays Group’s business in this sector. In February 2007 the OFT announced that it was expanding its investigation into interchange rates to include debit cards.

In April 2007, the UK consumer interest association known as Which? submitted a super-complaint to the OFT pursuant to the Enterprise Act 2000. The super-complaint criticizes the various ways in which credit card companies calculate interest charges on credit card accounts. In June 2007, the OFT announced a new programme of work with the credit card industry and consumer bodies in order to make the costs of credit cards easier for consumers to understand. This OFT decision follows the receipt by the OFT of the super-complaint from Which? This new work will explore the issues surrounding the costs of credit for credit cards including purchases, cash advances, introductory offers and payment allocation. On 11 February 2008, the OFT announced its recommendations, which include the introduction of an FSA price comparison website, improvements to customer information in summary boxes and the use of standard terminology.

In September 2006, the OFT announced that it had decided to undertake a fact find on the application of its statement on credit card fees to current account unauthorised overdraft fees. The fact find was completed in March 2007. On 29 March 2007, the OFT announced its decision to conduct a formal investigation into the fairness of bank current account charges. The OFT announced a market study into personal current accounts (“PCAs”) in the UK on 26 April 2007. The market study will look at: (i) whether the provision of “free if in credit” PCAs delivers sufficiently high levels of transparency and value for customers; (ii) the implications for competition and consumers if there were to be a shift away from “free if in credit” PCAs; (iii) the fairness and impact on consumers generally of the incidence, level and consequences of account charges; and (iv) what steps could be taken to improve customers’ ability to secure better value for money, in particular to help customers make more informed current account choices and drive competition. The study will focus on PCAs but will include an examination of other retail banking products, in particular savings accounts, credit cards, personal loans and mortgages in order to take into account the competitive dynamics of UK retail banking. The OFT is expected to publish its interim findings and recommendations for consultation in July 2008, with a final report by the end of 2008.

In January 2007, the FSA issued a statement of good practice relating to mortgage exit administration fees. Barclays will charge the fee applicable at the time the customer took out the mortgage, which is one of the options recommended by the FSA.

US laws and regulations require compliance with US economic sanctions, administered by the Office of Foreign Assets Control, against designated foreign countries, nationals and others. HM Treasury regulations similarly require compliance with sanctions adopted by the UK government. The Barclays Group has been conducting an internal review of its conduct with respect to US dollar payments involving countries, persons and entities subject to these sanctions and has been reporting to governmental authorities about the results of that review. The Barclays Group received

inquiries relating to these sanctions and certain US dollar payments processed by its New York branch from the New York County District Attorney's Office and the US Department of Justice, which along with other authorities, has been reported to be conducting investigations of sanctions compliance by non-US financial institutions. The Barclays Group has responded to those inquiries and is cooperating with the regulators, the Department of Justice and the District Attorney's Office in connection with their investigations of Barclays conduct with respect to sanctions compliance. Barclays has also been keeping the FSA informed of the progress of these investigations and Barclays internal review. Barclays review is ongoing. It is currently not possible to predict the ultimate resolution of the issues covered by Barclays review and the investigations, including the timing and potential financial impact of any resolution, which could be substantial.

Directors

The Directors of the Issuer, each of whose business address is 1 Churchill Place, London E14 5HP, their functions in relation to the Barclays Group and their principal outside activities (if any) of significance to the Barclays Group are as follows:

Name	Function(s) within the Barclays Group	Principal outside activity
Marcus Agius	Chairman	Non-Executive Director, British Broadcasting Corporation
John Varley	Group Chief Executive	Non-Executive Director, AstraZeneca PLC
Chris Lucas	Group Finance Director	—
Robert E. Diamond Jr.	President, Barclays PLC, CEO, Investment Banking and Investment Management	Chairman, Old Vic Productions PLC
Frederik (Frits) Seegers	Chief Executive, Global Retail and Commercial Banking	—
Gary Hoffman	Group Vice Chairman	Non-Executive Director, Trinity Mirror PLC, Director, Visa Europe Limited, Director, Visa Europe Services Inc.
Sir Nigel Rudd DL	Deputy Chairman, Non-Executive Director	Chairman, Pendragon PLC, Non-Executive Director, BAE Systems PLC, Chairman, BAA Limited
Sir Richard Broadbent	Senior Independent Director and Non-Executive Director	Chairman, Arriva plc
David Booth	Non-Executive Director	—
Leigh Clifford	Non-Executive Director	Chairman, Qantas Airways Limited
Fulvio Conti	Non-Executive Director	Chief Executive Officer, Enel SpA
Professor Dame Sandra Dawson	Non-Executive Director	KPMG Professor of Management Studies at the University of Cambridge
Sir Andrew Likierman	Non-Executive Director	Professor of Management Practice in Accounting, London Business School, Non-Executive Director, Bank of England
Sir Michael Rake	Non-Executive Director	Chairman, BT Group PLC, Chairman, UK Commission for Employment and Skills, Vice-President, RNIB, Director, The McGraw-Hill Companies, Director, Financial Reporting Council
Stephen Russell	Non-Executive Director	Non-Executive Director, Network Rail Limited
Sir John Sunderland	Non-Executive Director	Chairman, Cadbury Schweppes PLC, Director, Confederation of British Industry
Patience Wheatcroft	Non-Executive Director	Non-Executive Director, Shaftesbury PLC

No potential conflicts of interest exist between any duties to the Issuer of the Board of Directors listed above and their private interests or other duties.

Employees

The average number of persons employed by the Barclays Group worldwide during 2007, excluding agency staff, was 128,900 (2006: 118,600).

THE LLP

Introduction

The LLP was incorporated in England and Wales on 16 October 2007 as a limited liability partnership (registered number OC332284) with limited liability under the LLPA 2000 by Barclays and the Liquidation Member as its Members. The principal place of business of the LLP is at 1 Churchill Place, London E14 5HP (telephone number: +44(0) 20 7116 1000). The LLP has no subsidiaries.

Principal Activities

The principal objects of the LLP are set out in the LLP Deed and include, *inter alia*, the ability to carry on the business of acquiring the Mortgage Loans and their Related Security pursuant to the terms of the Mortgage Sale Agreement and subscribing for and purchasing the MRCLN and granting Additional MRCLN Advances from time to time in accordance with the provisions of the MRCLN Note Purchase Facility Agreement with a view to profit and to do all such things as are incidental or conducive to the carrying on of that business and to borrow money.

The LLP has not engaged since its incorporation, and will not engage whilst the Covered Bonds or any Term Advance remains outstanding, in any material activities other than activities incidental to its incorporation under the LLPA 2000, activities contemplated under the Transaction Documents to which it is or will be a party, applying for a standard licence under the Consumer Credit Act 1974, filing a notification under the Data Protection Act 1998 and other matters which are incidental or ancillary to the foregoing.

Members

The members of the LLP as at the date of this Base Prospectus are and their principal offices are:

<u>Name</u>	<u>Principal Office</u>
Barclays	1 Churchill Place, London E14 5HP
Liquidation Member	35 Great St. Helen's. London EC3A 6AP

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.

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
SFM Directors Limited	35 Great St. Helen's, London, EC3A 6AP	Acting as corporate company director of special purpose companies
SFM Directors (No.2) Limited	35 Great St. Helen's, London, EC3A 6AP	Acting as corporate company director of special purpose companies

The directors of SFM Directors Limited and SFM Directors (No. 2) Limited and their principal activities or business occupations are:

<i>Name</i>	<i>Business address</i>	<i>Principal Activities</i>
Jonathan Keighley	35 Great St. Helen's, London EC3A 6AP	Managing Director, Structured Finance Management Limited
James Macdonald	35 Great St. Helen's, London EC3A 6AP	Director, Structured Finance Management Limited
Robert Berry	35 Great St. Helen's, London EC3A 6AP	Director, Structured Finance Management Limited
Claudia Wallace (alternate director)	35 Great St. Helen's, London EC3A 6AP	Transaction Manager, Structured Finance Management Limited
Helena Whitaker (alternate director)	35 Great St. Helen's, London EC3A 6AP	Head of Operations, Structured Finance Management Limited
Annika Goodwille (alternate director)	35 Great St. Helen's, London EC3A 6AP	Chartered Secretary
John Paul Nowacki (alternate director)	35 Great St. Helen's, London EC3A 6AP	Transaction Manager, Structured Finance Management Limited
Cane Pickersgill (alternate director)	35 Great St. Helen's, London EC3A 6AP	Transaction Manager, Structured Finance Management Limited
Debra Parsall (alternate director)	35 Great St. Helen's, London EC3A 6AP	Transaction Manager, Structured Finance Limited

The directors of Barclays are set out under Board of Directors above.

No potential conflicts of interest exist between any duties owed to the LLP by the Directors of the Members, including SFM Directors Limited, SFM Directors (No. 2) Limited, the individual directors of SFM Directors Limited and SFM Directors (No. 2) Limited and the individual directors of Barclays as listed above, and their private interests or other duties.

The LLP has no loan capital, term loans, other borrowings or indebtedness or contingent liabilities or guarantees as at the Programme Date other than the Covered Bond Guarantee.

No statutory accounts have been prepared or delivered to the Registrar of Companies in England and Wales since incorporation. The LLP's accounting reference date is 31 December with the first statutory accounts being drawn up to 31 December 2008.

The information provided in this section has been obtained from the Liquidation Member.

SUMMARY OF THE PRINCIPAL DOCUMENTS

Trust Deed

The Trust Deed, entered into between the Issuer, the LLP, the Bond Trustee and the Security Trustee on the Programme Date, is the principal agreement governing the Covered Bonds. The Trust Deed contains provisions relating to, *inter alia*:

- (a) 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*” below);
- (b) the covenants of the Issuer and the LLP;
- (c) the terms of the Covered Bond Guarantee (as described below);
- (d) the enforcement procedures relating to the Covered Bonds and the Covered Bond Guarantee; and
- (e) the appointment, powers and responsibilities of the Bond Trustee and the circumstances in which the Bond Trustee may resign or retire or be removed.

The Covered Bond Guarantee

Pursuant to the terms of the Covered Bond Guarantee, if the Issuer defaults in the payment on the due date of any moneys due and payable under or pursuant to the Trust Deed or the Covered Bonds or any Receipts or Coupons, if any other Issuer Event of Default occurs (other than by reason of non-payment) or if an LLP Event of Default occurs, the LLP has agreed (subject as described below) to pay or procure to be paid (following service of an Issuer Acceleration Notice and Notice to Pay or, if applicable, an LLP Acceleration Notice) unconditionally and irrevocably to or to the order of the Bond Trustee (for the benefit of the holders of the Covered Bonds), 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. 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.

Service of a Notice to Pay on the LLP will follow (i) the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice or (ii) the breach of the Pre-Maturity Test (if certain actions are not taken within a specified period). However, a breach under (ii) above will not require the LLP to pay under the Covered Bond Guarantee until an Issuer Event of Default and an Issuer Acceleration Notice have also occurred. Payment by the LLP of the Guaranteed Amounts pursuant to the Covered Bond Guarantee will be made on the later of (a) the day which is two Business Days following service of a Notice to Pay on the LLP or (b) the day on which the Guaranteed Amounts are otherwise Due for Payment.

All payments of Guaranteed Amounts by or on behalf of the LLP will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature, unless the withholding or deduction of such taxes, assessments or other governmental charges are required by law or regulation or administrative practice of the United Kingdom or any political subdivision thereof or any authority therein or thereof having the power to tax. If any such withholding or deduction is required, the LLP will pay the Guaranteed Amounts net of such withholding or deduction and shall account to the appropriate tax authority for the amount required to be withheld or deducted. The LLP will not be obliged to pay any amount to the Bond Trustee or any holder of Covered Bonds in respect of the amount of such withholding or deduction.

Under the terms of the Covered Bond Guarantee, the LLP 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 or unenforceability of, or defect in, any provisions of the Trust Deed or the Covered Bonds or Receipts or Coupons or the absence of any action to enforce the same or the waiver, modification or consent by the Bond Trustee or any of the holders of the Covered Bonds, Receiptholders or Couponholders in respect of any provisions of the same or the obtaining of any judgment or decree against the Issuer or any action to enforce the same or any other circumstances which might otherwise constitute a legal or equitable discharge or defence of a guarantor.

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

The Trust Deed provides that the Excess Proceeds shall be paid by the Bond Trustee on behalf of the holders of the Covered Bonds of the relevant Series to the LLP for its own account, as soon as practicable, and shall be held by the LLP in the GIC Account and the Excess Proceeds shall thereafter form part of the Security and shall be used by the LLP in the same manner as all other moneys from time to time standing to the credit of the GIC Account. Any Excess Proceeds received by the Bond Trustee shall discharge *pro tanto* the obligations of the Issuer in respect of the Covered Bonds, Receipts and Coupons. However, the obligations of the LLP under the Covered Bond Guarantee are (following service of 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 holder of the Covered Bonds shall be deemed to have irrevocably directed the Bond Trustee to pay the Excess Proceeds to the LLP in the manner as described above.

The Trust Deed is governed by English law.

Intercompany Loan Agreement

On each Issue Date, the Issuer will use the proceeds of the Covered Bonds issued under the Programme to lend on that date an amount equal to the Principal Amount Outstanding (or its Sterling Equivalent) 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 either be made in the relevant currency of the Covered Bonds and (to the extent necessary) will be swapped into Sterling pursuant to the relevant Swap Agreement or its Sterling Equivalent. The Sterling Equivalent of each Term Advance will be used by the LLP (i) as consideration in part for the acquisition of the Initial Mortgage Loan Portfolio and each New Mortgage Loan Portfolio consisting of Mortgage Loans and their Related Security from the Seller in accordance with the terms of the Mortgage Sale Agreement; and/or (ii) to subscribe for and purchase the MRCLN from the Seller in accordance with the MRCLN Note Purchase Facility Agreement; and/or (iii) to invest in Substitution Assets in an amount not exceeding the prescribed limit to the extent required to meet the requirements of Regulations 17(2)(b) and 24(1)(a)(ii) of the RCB Regulations and the Asset Coverage Test; and/or (iv) to grant an Additional MRCLN Advance in accordance with the terms of the MRCLN Note Purchase Facility Agreement; and thereafter the LLP may use such proceeds (a) (subject to complying with the Asset Coverage Test) to make a Capital Distribution to a Member; and/or (b) 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 (c) to make a deposit of all or part of the proceeds in the GIC Account (including, without limitation, to fund the Reserve Fund to an amount not exceeding the prescribed limit).

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 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.

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(j) (*Cancellation*).

The Intercompany Loan Agreement is governed by English law.

Mortgage Sale Agreement

The Seller

Mortgage Loans and their Related Security will be sold to the LLP from time to time pursuant to the terms of the Mortgage Sale Agreement entered into on the Programme Date between Barclays (in its capacity as Seller), the LLP and the Security Trustee. As at the date of this Base Prospectus, the collateral to be sold by the Seller to the LLP to support the LLP's obligations under the Covered Bond Guarantee will only comprise of residential mortgage loans originated by the Seller in England, Wales, Scotland or Northern Ireland. However, subject to prior written confirmation from the Rating Agencies that the then current ratings of all Series of Covered Bonds that are then outstanding shall not be adversely affected and subject to compliance with all applicable laws and regulations in force at such time, the Seller may sell to the LLP other forms of collateral as specified by way of supplement to this base prospectus.

Sale by the Seller of Mortgage Loans and Related Security

The Mortgage Loan Portfolio will consist of Mortgage 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 Mortgage Loans forming part of the Mortgage Loan Portfolio will vary over time provided that, at the time the relevant Mortgage Loans are sold to the LLP, the Eligibility Criteria (as described below) in respect of such Mortgage Loans are met on the relevant Transfer Date. Accordingly, the Mortgage Loan Portfolio may, at any time, include Mortgage 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 Mortgage 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 Mortgage Loans and their Related Security from the Seller and subscribe for and purchase the MRCLN from the Seller or grant Additional MRCLN Advances to the Seller. In exchange for the sale of the Mortgage Loans and their Related Security to the LLP, the Seller will receive an amount equal to the outstanding principal balance of those Mortgage Loans sold by it as at the Transfer Date and the LLP will grant an Additional MRCLN Advance which will result in an increase in the MRCLN Principal Amount Outstanding, which will be satisfied by a combination of:
 - (i) a cash payment (if any) 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 Kind in an amount equal to the difference between the outstanding principal balance of the Mortgage Loans sold by the Seller and the MRCLN Advance as at the relevant Transfer Date and the cash payment (if any) made by the LLP,
(i) and (ii) above being the “**Initial Consideration**”); and
 - (iii) Deferred Consideration; and
- (b) *second*, prior to service of a Notice to Pay on the LLP, the LLP will use the Available Principal Receipts to acquire New Mortgage Loans and their Related Security from the Seller and/or Substitution Assets (in respect of any Substitution Assets, up to the prescribed limit) and grant Additional MRCLN Advances to the Seller; and
- (c) *third*, the LLP and the Seller are required to ensure that the Mortgage Loan Portfolio is maintained at all times in compliance with the Asset Coverage Test (as determined by the Cash Manager on each Calculation Date and after having had due regard to the then principal amount outstanding under the MRCLN). If on any Calculation Date there is a breach of the Asset Coverage Test the Seller will use all reasonable efforts to offer to sell sufficient New Mortgage Loans and their Related Security to the LLP and the LLP will grant Additional MRCLN Advances to the Seller in consideration of the Seller being treated as having made a Capital Contribution (in an amount equal to the outstanding principal balance of the New Mortgage Accounts) sold by the Seller as at the relevant Transfer Date and in consideration of the right to receive the Deferred Consideration.

The Initial Consideration for the Mortgage Loans and their Related Security shall be equal to the principal par value of such Mortgage Loans. However in return, on any Transfer Date, and as an incentive to the LLP: (i) purchasing such Mortgage Loans at their then principal par value (and in particular in respect of certain fixed rate loans whose market value may at such time be less than their then principal par value) and: (ii) entering into (or, as the case may be, increasing the hedging coverage under) the TRS with the TRS Provider at the relevant TRS Rate (which the Seller will have the indirect economic benefit of by way of potentially increased levels of Deferred Consideration), the Seller will pay an inducement fee to the LLP (a “**Mortgage Purchase Inducement Fee**”). Such Mortgage Purchase Inducement Fee payable by the Seller on each such Transfer Date will be in an aggregate amount equal to the then swap premium amount payable by the LLP to the TRS Provider pursuant to the terms of the TRS on such Transfer Date.

If Selected Mortgage Loans and their Related Security are sold by or on behalf of the LLP as described below under “*LLP Deed – Sale of Selected Mortgage Loans and their Related Security following service of a Notice to Pay*”, the obligations of the Seller insofar as they relate to those Selected Mortgage Loans and their Related Security will cease to apply and the Seller will be required to repay the MRCLN in an amount equal to the corresponding amount of Reference Mortgage Reserves becoming Non-Reference Mortgage Reserves as a result of the sale of such Selected Mortgage Loans and their Related Security.

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

Any “sale” or “assignment” of loans referred to in this Base Prospectus will, in relation to the Scottish Mortgage Loans, be given effect by a Scottish Declaration of Trust.

Eligibility Criteria

The sale of Mortgage Loans and their Related Security to the LLP will be subject to various conditions (the “**Eligibility Criteria**”) being satisfied on each relevant Transfer Date, including:

- (a) no Issuer Event of Default or LLP Event of Default under the Transaction Documents shall have occurred which is continuing as at the relevant Transfer Date or Calculation Date (as applicable);
- (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 Mortgage Loans and their Related Security, would adversely affect the then current ratings by Moody’s, S&P or Fitch of the Covered Bonds;
- (c) the weighted average yield on the TRS is at least 0.15 per cent. greater than LIBOR for one month Sterling deposits;
- (d) no Mortgage Account has an Aggregate Debt Limit of more than £1,500,000;
- (e) no Mortgage Loan relates to a Property which is not a residential Property;
- (f) no Mortgage Loan is in arrears for more than 90 days and no Reference Mortgage Reserve has a Mortgage Reserve Account Balance in excess of the Mortgage Reserve Credit Limit; and
- (g) no Mortgage Loan constitutes a New Loan Type, in respect of which no written confirmation has been received by the Issuer from each of the Rating Agencies, in accordance with the terms of the Mortgage Sale Agreement, that such New Loan Type may be sold to the LLP.

On the relevant Transfer Date and/or Calculation Date, the Representations and Warranties (described below in “*Representations and Warranties*”) will be given by the Seller in respect of the Mortgage Loans and their Related Security sold by the Seller to the LLP.

Transfer of Title to the Mortgage Loans to the LLP

English Mortgage Loans and Northern Irish Mortgage Loans will be sold by the Seller to the LLP by way of equitable assignment. Scottish Mortgage Loans will be sold by the Seller to the LLP by Scottish Declarations of Trust under which the beneficiary’s interest in such trust will be vested in the LLP. In relation to Scottish Mortgage Loans, references in this document to a “sale” or “assignment” of Mortgage Loans or to Mortgage Loans having been “sold” are to be read as references to the making of such Scottish Declarations of Trust. Such beneficiary’s interest (as opposed to the legal title) cannot be registered or recorded in H.M. Land Registry, Land Registry of Northern Ireland, the Registry of Deeds of Northern Ireland or the Registers of Scotland. As a result, legal title to Mortgage Loans and their Related Security will remain with the Seller until

legal assignments (in relation to English Mortgage Loans and Northern Irish Mortgage Loans) or assignments (in relation to Scottish Mortgage Loans) are delivered by the Seller to the LLP and notice of the sale is given by the Seller to the Borrowers. Legal assignment or assignment (as appropriate) of the Mortgage Loans and their Related Security (including, where appropriate, their registration or recording in the relevant property register) to the LLP will be deferred and will only take place in the limited circumstances described below.

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

- (a) the occurrence of an Issuer Event of Default and service on the Issuer of an Issuer Acceleration Notice and the service on the LLP of a Notice to Pay;
- (b) in respect of Selected Mortgage Loans only, at the request of the LLP following the acceptance of any offer to sell the Selected Mortgage Loans and their Related Security to any person who is not the Seller;
- (c) the Seller and/or the LLP being required to perfect legal title to the Mortgage Loans by an order of a court of competent jurisdiction, or by a regulatory authority of which the Seller is a member or any organisation whose members comprise (but are not necessarily limited to) mortgage lenders with whose instructions it is customary for the Seller to comply, to perfect legal title to the Mortgage Loans;
- (d) it becoming necessary by law to take any or all such actions;
- (e) the security under the Deed of Charge or any material part of that security being, in the opinion of the Security Trustee, in jeopardy;
- (f) unless otherwise agreed by the Security Trustee (such consent to be given if the Rating Agencies have confirmed to the Issuer that it would not adversely affect the then current ratings of the Covered Bonds), the termination of the Seller's role as Administrator under the Administration Agreement, unless as at the relevant date of termination any substitute servicer is a member of the Barclays Group;
- (g) the Seller calling for perfection by serving notice in writing to that effect on the LLP and the Security Trustee;
- (h) the Seller requesting a transfer by way of assignment or assignment (as appropriate) by giving notice in writing to the LLP and the Security Trustee;
- (i) the occurrence of an Insolvency Event in relation to the Seller; and
- (j) the Seller has been downgraded below BBB- by S&P, Baa3 by Moodys and BBB- by Fitch.

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

The Title Deeds and Loan Files relating to the Mortgage Loans in the Mortgage Loan Portfolio will be held by or to the order of the Seller or the Administrator, 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 Mortgage Loans and their Related Security. The Seller or the Administrator, as the case may be, will undertake that all the Title Deeds and Loan Files relating to the Mortgage Loans in the Mortgage Loan 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 Mortgage Loans and their Related Security to be sold to the LLP. Instead, each is relying entirely on the Representations and Warranties made 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 Agencies have confirmed it would not adversely affect the then current ratings of the Covered Bonds), amend the Representations and Warranties in the Mortgage Sale

Agreement. The Seller's material Representations and Warranties under the Mortgage Sale Agreement include, *inter alia*, substantially the following:

- (a) subject to completion of any registration which may be pending at H.M. Land Registry or the Registers of Scotland, or the Land Registry of Northern Ireland, or the Registry of Deeds of Northern Ireland, the Seller is the absolute legal and beneficial owner of the Mortgage Loans, the Related Security and all property to be sold and assigned by the Seller to the LLP pursuant to the Mortgage Sale Agreement;
- (b) each related Mortgage secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower under the relevant Mortgage Account in priority to any other charges registered against the relevant Property;
- (c) subject to completion of any registration or recording which may be pending at H.M. Land Registry or the Registers of Scotland, or the Land Registry of Northern Ireland, or the Registry of Deeds of Northern Ireland, each mortgage either constitutes, or will constitute, following registration or recording at H.M. Land Registry or the Registers of Scotland, or the Land Registry of Northern Ireland, or the Registry of Deeds of Northern Ireland (in England and Wales) a first ranking charge by way of legal mortgage or (in Scotland) a first ranking standard security over the relevant Mortgaged Property or (in Northern Ireland) a first ranking mortgage or charge in respect of the relevant Mortgaged Property;
- (d) each relevant Mortgaged Property is located in England, Wales, Northern Ireland or Scotland;
- (e) prior to making a Mortgage Loan, the Seller instructed or required to be instructed on its behalf solicitors or licensed conveyancers to carry out all investigations, searches and other actions in relation to the relevant Mortgaged Property that would have been undertaken by the Seller acting in accordance with standards consistent with those of a reasonable and prudent prime residential mortgage lender lending to borrowers in England, Wales, Northern Ireland and Scotland who generally satisfy the lending criteria of traditional sources of residential mortgage capital, when advancing money in an amount equal to such advance to an individual to be secured on a Mortgaged Property of the kind permitted under the Lending Criteria and a report or certificate on title was received by or on behalf of the Seller from such solicitors which, either internally or after further investigation revealed no material matter which would cause the Seller, acting reasonably, to decline the Mortgage Loan having regard to the Lending Criteria;
- (f) the Seller's Lending Criteria are consistent with the lending criteria that would be used by a Prudent Mortgage Lender;
- (g) in relation to each Mortgage Loan, the Borrower has a good and marketable title to the relevant Mortgaged Property;
- (h) prior to making a Mortgage Loan, an independent valuation may be carried out or instructed by one of the then Seller's current panel managers (which is currently only Esurv Limited (or, as applicable, an automated valuation was carried out as permitted under the lending criteria) on the relevant Mortgaged Property, and the results of any such obtained valuation would be acceptable to a Prudent Mortgage Lender;
- (i) prior to making a Mortgage Loan, the nature and amount of such Mortgage Loan, the circumstances of the relevant Borrower and nature of the relevant Mortgaged Property satisfied the Seller's Lending Criteria in force at that time in all material respects;
- (j) the Mortgage Reserve Account Balance of each Mortgage Reserve associated to the applicable Mortgage Loan is less than or equal to the Mortgage Reserve Credit Limit for the respective Mortgage Reserve;
- (k) so far as the Seller is aware, no Borrower is in material breach of the Mortgage Conditions of its Mortgage Loan;
- (l) the first payment due has been paid by the relevant Borrower in respect of each Mortgage Loan and each Mortgage Loan is fully performing;
- (m) so far as the Seller is aware, each insurance contract arranged by the Seller in respect of any Mortgaged Property is in full force and effect and all premiums which have become due and payable have been paid in full and the Seller is not aware of any circumstances giving the insurer under any such insurance contract the right to avoid or terminate such policy in so far as it relates to the Mortgaged Properties or the Mortgage Loans;

- (n) the Seller has procured that full and proper accounts, books and records have been kept showing clearly all material transactions, payments, receipts and any enforcement proceedings or any other correspondence relating to each Mortgage Loan and its Mortgage;
- (o) each Borrower is a natural legal person;
- (p) all formal approvals, consents and other steps necessary to permit an equitable or beneficial transfer of, and a transfer of servicing away from the Seller of, the Mortgage Loans and their related Mortgages to be sold under the Mortgage Sale Agreement whenever required under the transaction documents have been obtained or taken and there is no requirement in order for such transfer to be effective to notify the Borrower before, on, or after any such equitable or beneficial transfer;
- (q) no Mortgage Account has an Aggregate Debt Limit of more than £1,500,000;
- (r) each Mortgage Loan was originated by Barclays Bank PLC or one of its subsidiaries;
- (s) so far as the Seller is aware, no Mortgage Loan in the Mortgage Loan Portfolio was lent for the purpose of funding the acquisition of a Property that was intended to be used by the occupier on a continuous basis for a combined commercial and residential purpose;
- (t) each Mortgage Loan has a remaining term of less than 50 years;
- (u) so far as the Seller is aware, no Loan in the Mortgage Loan Portfolio was lent for the purpose of financing the construction of a property;
- (v) the Mortgage Loans and their Related Security comply with the definition of “Eligible Property” as set out in Regulation 2 (*Eligible Property*) of the RCB Regulations;
- (w) the MRCLN when issued by the Issuer and subscribed for by the LLP will form part of the “Asset Pool” in compliance with Regulation 3(1) (*Asset Pool*) of the RCB Regulations; and
- (x) subject to the Euro being adopted as the lawful currency of the United Kingdom of Great Britain and Northern Ireland, each Mortgage Loan was originated by the Seller in Sterling and is denominated in Sterling (or was originated and is denominated in Euro at any time when the Euro has been adopted as the lawful currency of the UK) and is currently repayable in Sterling (or Euro at any time when the Euro has been adopted as the lawful currency of the UK).

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, subject to the Rating Agencies confirming that such New Loan Type may be sold to the LLP. The prior written consent of the Covered Bondholders to the amendments will not be required.

Product Switches, Further Advances and Mortgage Reserve Credit and Aggregate Debt Limit Increases

The Seller has the right to agree or refuse a Borrower’s request for a Product Switch or Further Advance. If the Seller agrees to such request and if the Mortgage Loan which is the subject of the Product Switch or Further Advance (as applicable) is in the Mortgage Loan Portfolio at such time, the Seller will agree, pursuant to the terms of the Mortgage Sale Agreement, to repurchase such Mortgage Loan together with its Related Security from the LLP as of the Determination Date immediately following such Product Switch or Further Advance (as applicable) at a price (not less than zero) equal to the current balance on such Mortgage Loan as at such Determination Date, plus all Accrued Interest and Arrears of Interest and expenses payable on such Mortgage Loan as of such Determination Date and further, to repay the MRCLN in an amount equal to the then Mortgage Reserve Account Balance of such Mortgage Reserve (less an amount equal to any Aggregate Potential MRCLN Interest in respect of such Mortgage Reserve) plus pay interest on the MRCLN in an amount equal to, *inter alia*, the then Aggregate Potential MRCLN Interest in respect of such Mortgage Reserve.

Upon application by a Borrower, subject to certain conditions, the Seller may, from time to time, allow the Mortgage Reserve Credit and the Aggregate Debt Limit to increase. If the Seller in its sole discretion agrees to a Mortgage Reserve Credit and Aggregate Debt Limit Increase, the associated Reference Mortgage Reserve will, as of the next Determination Date, become a Non-Reference Mortgage Reserve. Accordingly, the Seller will be required to repurchase the associated Mortgage Loan (together with its Related Security) as of such Determination Date for an amount not less than the then current balance of such Mortgage Loan (together with all unpaid interest (including all Accrued Interest and Arrears of Interest) and other expenses payable on such Mortgage Loan) and, in addition, the Seller will be required to repay the MRCLN in an amount

equal to the then Mortgage Reserve Account Balance of such Mortgage Reserve (less an amount equal to any Aggregate Potential MRCLN Interest in respect of such Mortgage Reserve) plus pay interest on the MRCLN in an amount equal to, *inter alia*, the then Aggregate Potential MRCLN Interest in respect of such Mortgage Reserve.

Provided that the short-term unsecured, unguaranteed and unsubordinated debt obligations of the Seller have not been downgraded below A-1 by S&P, P-1 by Moody's and F1 by Fitch, the repurchase price for the relevant Mortgage Loan subject of a repurchase pursuant to a Product Switch, Further Advance or Mortgage Reserve Credit and Aggregate Debt Limit Increase (as applicable) shall be payable by the Seller to the LLP on the LLP Payment Date immediately following the Determination Date on which the relevant Mortgage Loan is to be repurchased as a result of a Product Switch, Further Advance or Mortgage Reserve Credit or Aggregate Debt Limit Increase (as applicable). If, however, the short term unsecured, unguaranteed and unsubordinated debt obligations of the Seller have been downgraded below A-1 by S&P, P-1 by Moody's and F1 by Fitch, the repurchase price for the relevant Mortgage Loan subject of a repurchase pursuant to a Product Switch, Further Advance or Mortgage Reserve Credit and Aggregate Debt Limit Increase (as applicable) shall be payable by the Seller to the LLP on the Determination Date immediately following such Product Switch, Further Advance or Mortgage Reserve Credit or Aggregate Debt Limit Increase.

Reference Mortgage Reserves and the Related Security

The Related Security that is assigned to the LLP pursuant to the Mortgage Sale Agreement is also security over amounts owing to the Seller under the associated Reference Mortgage Reserves. The LLP shall hold the Related Security, to the extent the Related Security secures amounts owing to the Seller under the associated Reference Mortgage Reserves, on trust for the Seller. Given that the LLP shall not be able to directly apply such security enforcement proceeds to the amounts owing under the associated Mortgage Reserves (as such amounts are owed by the related Borrower directly to the Seller), in the event the LLP exercises its rights to enforce the Related Security, the Administrator on behalf of the LLP or the LLP itself, shall be required to pay on the immediately following LLP Payment Date, such security enforcement proceeds it receives (such amounts being "Mortgage Reserve Security Enforcement Proceed Amounts") directly to the Seller for the Seller to apply the same in reducing the Mortgage Reserve Account Balance of the associated Reference Mortgage Reserves. Any such reduction in the Mortgage Reserve Account Balance shall, pursuant to the terms of the MRCLN and the MRCLN Note Purchase Facility Agreement, require the Seller to repay a corresponding amount under the MRCLN to the LLP. In addition, pursuant to the terms of the Mortgage Sale Agreement and the MRCLN Note Purchase Facility Agreement, the LLP shall be entitled to set-off the amounts payable to the Seller in relation to any such Mortgage Reserve Security Enforcement Proceed Amounts against the corresponding amounts then payable by the Seller under the MRCLN. To the extent that the Seller fails to recover the full amount outstanding on a Mortgage Reserve Account, such shortfall will lead to a Mortgage Reserve Principal Loss Reduction.

Pursuant to the terms of the Mortgage Sale Agreement and the MRCLN Note Purchase Facility Agreement, any proceeds recovered from the enforcement of any Related Security of a Mortgage Account will first be applied in discharging the relevant Borrower's obligations under its associated Reference Mortgage Reserve and thereafter in discharging the relevant Borrower's obligations under the associated Mortgage Loan.

Repurchase of Mortgage Loans

If the Seller receives a Mortgage Loan Repurchase Notice from the LLP identifying a Mortgage Loan or its Related Security in the Mortgage Loan Portfolio which did not, as at the relevant Transfer Date materially comply with the Representations and Warranties set out in the Mortgage Sale Agreement, then the Seller will be required to repurchase (i) any such Mortgage Loan and its Related Security and (ii) any other Mortgage Loans of the relevant Borrower and their Related Security that are included in the Mortgage Loan Portfolio in accordance with the terms of the Mortgage Sale Agreement. In addition, the associated Reference Mortgage Reserve will become a Non-Reference Mortgage Reserve. Accordingly, the Seller will be required to repay the MRCLN in an amount equal to the then Mortgage Reserve Account Balance of such Mortgage Reserve (less an amount equal to any Aggregate Potential MRCLN Interest in respect of such Mortgage Reserve) plus pay interest on the MRCLN in accordance with the terms of the Mortgage Sale Agreement

and in an amount equal to, *inter alia*, the then Aggregate Potential MRCLN Interest in respect of such Mortgage Reserve.

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

- (a) a Further Advance or Mortgage Reserve Credit and Aggregate Debt Limit Increase is made in respect of a Mortgage Loan or its associated Mortgage Reserve (and in these circumstances, the Seller will be able to offer to sell the affected Mortgage Loan together with the related Further Advance back to the LLP provided that the affected Mortgage Loan and the related Further Advance comply with the Eligibility Criteria); or
- (b) a Product Switch occurs (and in these circumstances, the Seller will be able to offer to sell the affected Mortgage Loan back to the LLP provided that the affected Mortgage Loan complies with the Eligibility Criteria following such Product Switch).

The repurchase price payable for each Mortgage Loan is an amount (not less than zero) equal to the outstanding principal balance thereof together with any Accrued Interest and Arrears of Interest and expenses as at the Determination Date preceding such repurchase. The repurchase proceeds received by the LLP will be applied (other than Accrued Interest and Arrears of Interest) in accordance with the Pre-Acceleration Principal Priority of Payments (see “Cashflows” below). If any Mortgage Loan is repurchased by the Seller, the associated Reference Mortgage Reserve in relation to such Mortgage Loan will become a Non-Reference Mortgage Reserve and the Seller will be required to repay the MRCLN in an amount equal to the then Mortgage Reserve Account Balance of such Mortgage Reserve as of the Determination Date that the relevant Mortgage Loan is repurchased (less an amount equal to any Aggregate Potential MRCLN Interest in respect of such Mortgage Reserve) plus pay interest on the MRCLN in an amount equal to, *inter alia*, the then Aggregate Potential MRCLN Interest in respect of such Mortgage Reserve. Provided that the short-term unsecured, unguaranteed and unsubordinated debt obligations of the Seller have not been downgraded below A-1 by S&P, P-1 by Moody’s and F1 by Fitch, the repurchase price for the relevant Mortgage Loan subject of a repurchase shall be payable by the Seller to the LLP on the LLP Payment Date immediately following the Determination Date on which the relevant Mortgage Loan is to be repurchased. If, however, the short-term unsecured, unguaranteed and unsubordinated debt obligations of the Seller have been downgraded below A-1 by S&P, P-1 by Moody’s and F1 by Fitch, the repurchase price for the relevant Mortgage Loan subject of a repurchase (as applicable) shall be payable by the Seller to the LLP on the Determination Date on which the relevant Mortgage Loan is to be repurchased.

Defaulted Mortgage Accounts

If a Mortgage Account becomes a Defaulted Mortgage Account, then that Defaulted Mortgage Account will be attributed a reduced weighting in the calculation of the Asset Coverage Test and the Amortisation Test as at the relevant Calculation Date. In addition, the Seller may, at its option, repurchase a Defaulted Mortgage Account for an amount equal to its outstanding principal balance together with any Accrued Interest and Arrears of Interest as at the next Determination Date after such Mortgage Account becomes a Defaulted Mortgage Account and the associated Mortgage Reserve shall cease to be a Reference Mortgage Reserve and the Seller will be required to repay the MRCLN in an amount equal to the then Mortgage Reserve Account Balance of such Mortgage Reserve (less an amount equal to any Aggregate Potential MRCLN Interest in respect of such Mortgage Reserve) plus pay interest on the MRCLN in an amount equal to, *inter alia*, the then Aggregate Potential MRCLN Interest in respect of such Mortgage Reserve.

General ability to repurchase

Prior to the occurrence of an Issuer Event of Default, the Seller may from time to time offer to repurchase a Mortgage Loan and its Related Security from the LLP for a purchase price of not less than the aggregate outstanding principal balance of the relevant Mortgage Loan together with any Accrued Interest and Arrears of Interest. The LLP may accept such offer at its discretion. In such cases, the associated Mortgage Reserve shall cease to be a Reference Mortgage Reserve and the Seller will be required to repay the MRCLN in an amount equal to the then Mortgage Reserve Account Balance of such Mortgage Reserve (less an amount equal to any Aggregate Potential MRCLN Interest in respect of such Mortgage Reserve) plus pay interest on the MRCLN in an

amount equal to, *inter alia*, the then Aggregate Potential MRCLN Interest in respect of such Mortgage Reserve.

Right of Pre-emption

Under the terms of the Mortgage Sale Agreement, the Seller has a right of pre-emption in respect of any sale, in whole or in part, of Selected Mortgage Loans and their Related Security.

The LLP will serve on the Seller a Selected Mortgage Loan Offer Notice offering to sell those Selected Mortgage Loans and their Related Security for an offer price equal to the greater of (i) the outstanding principal balance of the Selected Mortgage Loans and (ii) the Adjusted Required Redemption Amount less the balance of the associated Reference Mortgage Reserves, 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 (for the avoidance of doubt, if a liquidator or an administrator has been appointed the Seller will have no pre-emption rights). If the Seller rejects the LLP's offer or fails to accept it in accordance with the foregoing, the LLP will offer to sell the Selected Mortgage Loans and their Related Security to other Purchasers (as described under "*LLP Deed – Sale of Selected Mortgage Loans and their Related Security following the occurrence of a Notice to Pay*", below).

If the Seller validly accepts the LLP's offer to sell the Selected Mortgage Loans and their Related Security to the Seller, the LLP will serve a Selected Mortgage Loan Repurchase Notice on the Seller and the Seller will repurchase from the LLP free from the Security created by and pursuant to the Deed of Charge the relevant Selected Mortgage Loans and their Related Security (and any other Loan secured or intended to be secured by that Related Security or any part of it) referred to in the relevant Selected Mortgage Loan Repurchase Notice. Completion of the purchase of the Selected Mortgage Loans and their Related Security by the Seller will take place on the LLP Payment Date after receipt of the Selected Mortgage Loans Repurchase Notice(s) or such date as the LLP may direct in the Selected Mortgage Loans Repurchase Notice (provided that such date is not later than the earlier to occur of the date which is (a) 20 Business Days after returning the Selected Mortgage Loan Repurchase Notice to the LLP and (b) the Final Maturity Date of the Earliest Maturing Covered Bonds). In addition, the associated Reference Mortgage Reserve will become a Non-Reference Mortgage Reserve. Accordingly, the Seller will be required to repay the MRCLN in an amount equal to the then Mortgage Reserve Account Balance of such Mortgage Reserve as at the Determination Date preceding the completion of the repurchase of the associated Mortgage Loan (less an amount equal to any Aggregate Potential MRCLN Interest in respect of such Mortgage Reserve) plus pay interest on the MRCLN in an amount equal to, *inter alia*, the then Aggregate Potential MRCLN Interest in respect of such Mortgage Reserve. Provided that the short-term unsecured, unguaranteed and unsubordinated debt obligations of the Seller have not been downgraded below A-1 by S&P, P-1 by Moody's and F1 by Fitch, the repurchase price for the relevant Mortgage Loan subject of a repurchase shall be payable by the Seller to the LLP on the LLP Payment Date immediately following the Determination Date on which the relevant Mortgage Loan is to be repurchased. If, however, the short-term unsecured, unguaranteed and unsubordinated debt obligations of the Seller have been downgraded below A-1 by S&P, P-1 by Moody's and F1 by Fitch, the repurchase price for the relevant Mortgage Loan subject of a repurchase (as applicable) shall be payable by the Seller to the LLP on the Determination Date on which the relevant Mortgage Loan is to be repurchased.

For the purposes hereof:

"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 multiplied by 1+ Negative Carry Factor multiplied by (days to maturity of the relevant Series of Covered Bonds/365).

The Mortgage Sale Agreement is governed by English law and has been entered into by way of deed. Any terms of the Mortgage Sale Agreement which are particular to (a) the laws of Scotland and (b) the laws of Northern Ireland shall be construed in accordance with Scots law and Northern Irish law respectively.

Administration Agreement

Pursuant to the terms of the Administration Agreement entered into on the Programme Date between the LLP, Barclays (in its capacity as Administrator) and the Security Trustee, the Administrator agrees to service on behalf of the LLP the Mortgage Accounts and their Related Security to be sold by the Seller to the LLP.

In particular, pursuant to the terms of the Administration Agreement, the Administrator agrees with the LLP and the Seller:

- (a) on behalf of the LLP, to perform certain administrative functions in respect of the Mortgage Loans in the Mortgage Loan Portfolio, including collecting payments under the Mortgage Loans and taking steps to recover arrears; and
- (b) on behalf of the Seller, to perform (unless Barclays is at such time insolvent) certain administrative functions in respect of the Reference Mortgage Reserves, including collecting payments from Borrowers and taking steps to recover arrears.

The Administrator will continue to administer Mortgage Accounts which are not subject to the Programme. The Administrator agrees to administer the Mortgage Accounts the subject of the transaction in the same manner as it administers Mortgage Accounts which are not subject to the Programme but remain on the books of the Seller.

The Administrator agrees to comply with any reasonable directions, orders and instructions which any of the LLP or the Seller may from time to time give to it in accordance with the provisions of the Administration Agreement (and, in the event of any conflict, those of the LLP shall prevail).

The Administrator agrees to administer and service the Mortgage Accounts and their Related Security in accordance with:

- (a) in respect of the Mortgage Accounts, the Mortgage Conditions and the Mortgages from time to time in force;
- (b) the Administrator's administration procedures. The Administrator's "**Administration Procedures**" are the administration, arrears and enforcement policies and procedures from time to time pursuant to which the Administrator administers and enforces Mortgage Accounts and their related security which are beneficially owned by the Seller; and
- (c) the terms and provisions of the Administration Agreement.

Undertakings of the Administrator

Pursuant to the terms of the Administration Agreement, the Administrator undertakes in relation to those Mortgage Accounts and their Related Security that it is servicing, *inter alia*, to:

- (a) keep records and accounts on behalf of the LLP in relation to the Mortgage Accounts;
- (b) keep the Loan Files and Title Deeds in its possession or under its control in safe custody and maintain records necessary to enforce each Mortgage and to provide the LLP and the Security Trustee with access to the Title Deeds and other records relating to the administration of the Mortgage Accounts and their Related Security;
- (c) maintain a register in respect of the Portfolio;
- (d) make available to the LLP and the Security Trustee a report on a monthly basis containing information about the Mortgage Accounts and their Related Security comprised in the Portfolio;
- (e) assist the Cash Manager in the preparation of a monthly asset coverage report in accordance with the Cash Management Agreement;
- (f) take all reasonable steps to recover all sums due to the LLP, including instituting proceedings and enforcing any relevant Mortgage Account or Mortgage Loan using the discretion of a Prudent Mortgage Lender in applying the enforcement procedures forming part of the Seller's policy;
- (g) enforce any Mortgage Account which is in default in accordance with the Seller's enforcement procedures or, to the extent that such enforcement procedures are not applicable having regard to the nature of the default in question, with the usual procedures undertaken by a Prudent Mortgage Lender on behalf of the LLP;

- (h) provide to the FSA such information about the Mortgage Loans and their Related Security contained in the Mortgage Loan Portfolio and/ or any other information as the FSA may require in accordance with the RCB Regulations; and
- (i) make all reasonable efforts to appoint a replacement administrator within 60 days of the Administrator no longer holding ratings of at least BBB- by S&P, Baa3 by Moody's or BBB- by Fitch, respectively.

Setting of Barclays Standard Variable Rate and other discretionary rates and margins

Pursuant to the Administration Agreement, the Administrator has been granted the full right, liberty and authority to determine and set the interest rates applicable to the Mortgage Loans which have been sold to the LLP, except in the limited circumstances set out in the Administration Agreement when the LLP and/or the Security Trustee will be entitled to do so. The Administrator may not at any time, without the prior written consent of the LLP and/or the Security Trustee, set or maintain the standard variable rate or the base rate (plus any applicable margin above such base rate) for Mortgage Accounts which form part of the Portfolio at a rate which is higher than the then prevailing Barclays Standard Variable Rate or, as applicable, Barclays Base Rate (plus any applicable margin above such base rate).

Any of the LLP and/or the Security Trustee may terminate the authority of the Administrator to set the standard variable rate and other discretionary rates applicable to Mortgage Loans included in the Portfolio in certain limited circumstances set out in the Administration Agreement including upon the occurrence of any Administrator Termination Event (as described below).

Determinations by the Administrator

The Administrator shall determine on each Calculation Date, having regard to:

- (a) the income which the LLP would expect to receive during the next succeeding LLP Payment Period (the relevant "LLP Payment Period");
- (b) the Barclays Standard Variable Rate and any other discretionary rate or margin in respect of the Mortgage Accounts which the Administrator proposes to set under the Administration Agreement for the relevant LLP Payment Period; and
- (c) the other resources available to the LLP including the relevant 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 Swap Providers under the 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.

If the Administrator determines that there will be a shortfall in the foregoing amounts, it will give written notice to the LLP and the Security Trustee, within five Business Days, of the amount of the shortfall. If the LLP or the Security Trustee notifies the Administrator and the Seller that, having regard to the obligations of the LLP and the amount of the shortfall, further Mortgage Loans and their Related Security should be sold by the Seller to the LLP pursuant to the Mortgage Sale Agreement and a corresponding Additional MRCLN Advance should be granted by the LLP in accordance with the terms of the MRCLN Note Purchase Facility Agreement, the Seller will use all reasonable efforts to offer to sell New Mortgage Loans and their Related Security to the LLP on or before the next Calculation Date which have a Standard Variable Rate and/or other discretionary rates or margins sufficient to avoid such shortfall on future Calculation Dates and the LLP will grant an Additional MRCLN Advance on or before the next LLP Payment Date or if earlier, the next Transfer Date. In consideration of such sale, the Seller will be treated as having made a Capital Contribution (in an amount equal to the outstanding principal balance of the New Mortgage Accounts sold by the Seller as at the relevant Transfer Date) and will be entitled to receive the Deferred Consideration in relation thereto.

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

- (a) the Standard Variable Rate and any other discretionary rate or margin, in respect of the Mortgage Accounts which the Administrator proposes to set under the Administration Agreement for the relevant LLP Payment Period; and
- (b) the other resources available to the LLP including under the Swap Agreements,

whether the LLP would receive an aggregate amount of interest on the Mortgage Loans and the MRCLN and amounts under the Swap Agreements during the relevant LLP Payment Period which would give a weighted average yield on the Mortgage Loans and the MRCLN of at least LIBOR plus 0.50 per cent. (the “Yield Shortfall Test”).

If the Administrator 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 Barclays Standard Variable Rate and the other discretionary rates or margins which would, in the Administrator’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 Barclays Standard Variable Rate and the other discretionary rates or margins would take effect and at all times acting in accordance with the standards of a Prudent Mortgage Lender. If the LLP or the Security Trustee notifies the Administrator that, having regard to the obligations of the LLP, the Barclays Standard Variable Rate and/or the other discretionary rates or margins should be increased, the Administrator or replacement Administrator, as the case may be, will take all steps which are necessary to increase the Barclays Standard Variable Rate and/or any other discretionary rates or margins including publishing any notice which is required in accordance with the Mortgage Conditions.

The LLP and the Security Trustee may terminate the authority of the Administrator to determine and set the Barclays Standard Variable Rate and any other variable rates or margins on the occurrence of an Administrator Event of Default as defined under “*Removal or resignation of the Administrator*”, in which case the LLP will agree to set the Barclays Standard Variable Rate and the other discretionary rates or margins itself in accordance with the terms of the Administration Agreement.

Compensation

As full compensation for its servicing duties and activities and as reimbursement for any expense incurred by it in connection therewith, the Administrator or any replacement administrator which is a member of the Barclays Group is entitled to receive the fee from the LLP as set out in Administration Agreement. If, however, an Administrator is appointed from outside the Barclays Group, the level of this fee may be amended.

Removal or resignation of the Administrator

The LLP (with the consent of the Security Trustee) may, upon written notice to the Administrator, terminate the Administrator’s rights and obligations immediately if any of the following events (each an “**Administrator Termination Event**” and, each of the events set out at (a), (b), (c), (d) and (e) below, an “**Administrator Event of Default**”) occurs:

- (a) The Administrator ceases to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by S&P of at least BBB-, or by Moody’s of at least Baa3 or by Fitch of at least BBB-;
- (b) the Administrator fails to pay any amount due and payable by it to the LLP under the Administration Agreement and such failure is not remedied for a period of five Business Days after becoming aware of the default;
- (c) subject as provided further in the Transaction Documents, the Administrator fails to comply with any of its other obligations under the Administration Agreement which failure, in the opinion of the Security Trustee, is materially prejudicial to holders of the Covered Bonds and the Administrator does not remedy that failure within 20 days after becoming aware of the failure;
- (d) if at any time required under any UK mortgage regulatory regime the Administrator fails to obtain the necessary licence or regulatory approval enabling it to continue administering Mortgage Accounts;

- (e) an Insolvency Event occurs in relation to the Administrator; or
- (f) the LLP resolves that the appointment of the Administrator should be terminated.

Subject to the fulfilment of a number of conditions, including, without limitation, that a replacement administrator has been appointed, the Administrator may voluntarily resign by giving not less than 12 months' notice to the Security Trustee and the LLP, provided that a replacement administrator with a management team with experience of administering Mortgage Loans secured on residential mortgaged properties in England, Wales, Northern Ireland and Scotland has been appointed and enters into an Administration Agreement with the LLP substantially on the same terms as the Administration Agreement. In addition, the resignation of the Administrator is conditional on the resignation having no adverse effect on the then current ratings of the Covered Bonds unless the holders of the Covered Bonds agree otherwise by Extraordinary Resolution. The Administrator shall also inform the Rating Agencies in writing of the identity of such replacement administrator.

It should be noted that, if Barclays is at such time the subject of an Insolvency Event, any replacement administrator will, pursuant to the terms of the Administration Agreement, only be required to continue to administer the Mortgage Loans in the Mortgage Loan Portfolio and not, on behalf of Barclays, to perform any administrative functions in relation to the Mortgage Reserves.

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

The Administrator may sub-contract or delegate the performance of its duties under the Administration Agreement provided that it meets conditions as set out in the Administration Agreement. In addition, any replacement administrator will at all times be able to delegate its role in servicing the Reference Mortgage Reserves to Barclays (and if Barclays is at such time the subject of an Insolvency Event, such Administrator will no longer have any duty to service the Reference Mortgage Reserves).

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

The Administration Agreement is governed by English law and has been entered into by way of deed.

The MRCLN and the MRCLN Note Purchase Facility Agreement

On the First Transfer Date, the LLP will subscribe for and purchase the MRCLN pursuant to the MRCLN Note Purchase Facility Agreement entered into on the Programme Date between, *inter alios*, the Seller and the LLP.

Pursuant to the terms of the MRCLN Note Purchase Facility Agreement, the subscription price paid by the LLP to the Seller for the MRCLN will be:

- (a) on the First Transfer Date, an amount equal to the then aggregate Mortgage Reserve Account Balances of all Reference Mortgage Reserves which were linked to the Mortgage Loans purchased by the LLP on the First Transfer Date (the "**MRCLN Initial Subscription Price**"), which will be funded by the LLP from the amounts received by the LLP pursuant to the Intercompany Loan Agreement and/or by the Seller being treated as having made a capital contribution; and
- (b) from time to time and in accordance with the terms of the MRCLN Note Purchase Facility Agreement, an amount determined in accordance with the then application of the MRCLN Deferred Subscription Price Calculation Formula (such amount being the then "**MRCLN Deferred Subscription Price**").

On the First Transfer Date, the MRCLN Principal Amount Outstanding will equal the MRCLN Initial Subscription Price. However, the MRCLN is a variable funding note and as such the LLP will, pursuant to the terms of the MRCLN, make an Additional MRCLN Advance to the Seller on any LLP Payment Date (and such Additional MRCLN Advance will be deemed to have been made on the immediately preceding Determination Date), and, as of each such Determination Date, the MRCLN Principal Amount Outstanding will increase by an amount equal to such Additional MRCLN Advance.

The LLP shall fund an Additional MRCLN Advance in the following ways and in the following order of priority:

- (a) from any Available Principal Receipts which are available on an LLP Payment Date, but only up to an amount equal to the then MRCLN Aggregate Debt Principal Balancing Amount; and/or
- (b) by way of an increase in the Seller's Capital Contribution; and/or
- (c) from any sum received by the LLP pursuant to a Term Advance under the Intercompany Loan Agreement on any Transfer Date.

Interest on the MRCLN and on the Reference Mortgage Reserves and Repayment of the MRCLN

The amount of MRCLN Interest due and payable on the MRCLN Payment Date is linked to the Mortgage Reserve Interest. The amount of MRCLN Interest due and payable on each MRCLN Payment Date will be an amount equal to the sum of: (i) MRCLN Immediately Due And Payable Interest for that date; and (ii) MRCLN Subsequently Due And Payable Interest for that date.

Pursuant to the terms of the MRCLN Note Purchase Facility Agreement, the Seller agrees to maintain the interest rate on any Reference Mortgage Reserve at a rate that is at no time lower than the lower of the then Barclays Standard Variable Rate or the then Barclays Base Rate, as applicable.

The Seller will be required on each MRCLN Payment Date to repay the MRCLN in an amount equal to the then Aggregate Mortgage Reserve Principal Repayment Amount (and for the purposes of calculating the Principal Receipts in respect of each Calculation Date, such MRCLN Principal Repayments will be deemed to have been made to the LLP during the immediately preceding Calculation Period).

MRCLN limited in recourse

The MRCLN is a credit linked note and as such the obligation to repay any MRCLN Principal Amount Outstanding by the Seller is directly linked to the Seller receiving payments from Borrowers, and to such Borrowers repaying the then outstanding Mortgage Reserve Account Balances on the Reference Mortgage Reserves and not redrawing such balances in the same period.

No security for the Seller's obligation under the MRCLN

It should be noted that the Seller's obligations to the LLP under the MRCLN and the MRCLN Note Purchase Facility Agreement are unsecured debt obligations of the Seller.

However, the Related Security that is assigned to the LLP under the Mortgage Sale Agreement shall also be security over amounts owing to the Seller under the associated Reference Mortgage Reserves. The LLP shall hold the Related Security, to the extent the Related Security secures amounts owing to the Seller under the associated Reference Mortgage Reserves, on trust for the Seller. Given that the LLP shall not be able to directly apply such enforcement proceeds to the amounts owing under the associated Mortgage Reserves (as such amounts are owed directly to the Seller), in the event the LLP exercises its rights to enforce the related security, the LLP (or the Administrator on its behalf) shall be required to pay the Mortgage Reserve Security Enforcement Proceed Amounts directly to the Seller for the Seller to apply the same in reducing the Mortgage Reserve Account Balance of the associated Reference Mortgage Reserves. Any such reduction in the Mortgage Reserve Account Balance shall, as described above, require the Seller to repay a corresponding amount under the MRCLN to the LLP. In addition, pursuant to the terms of the Mortgage Sale Agreement and the MRCLN Note Purchase Facility Agreement, the LLP shall be entitled to set-off the amounts payable to the Seller in relation to any such Mortgage Reserve Security Enforcement Proceed Amounts against the corresponding amounts then payable by the Seller under the MRCLN. To the extent that the Seller fails to recover the full amount outstanding on the Mortgage Reserve Account, such shortfall will lead to a Mortgage Reserve Principal Loss Reduction.

Pursuant to the terms of the Mortgage Sale Agreement and the MRCLN Note Purchase Facility Agreement, any security enforcement proceeds from any Related Security of a Mortgage Account will first be applied in discharging the relevant Borrower's obligations under its associated Reference Mortgage Reserve and thereafter in discharging the relevant Borrower's obligations under the associated Mortgage Loan.

Events of default under the MRCLN

Upon the occurrence of a MRCLN Event Of Default (unless expressly waived by the LLP in writing at such time):

- (i) all amounts outstanding on the MRCLN will become immediately due and payable; and
- (ii) the Seller will no longer be entitled to any Additional MRCLN Advances from the LLP.

Certain MRCLN Events Of Default may be subject to a rectification period. Also, certain MRCLN Events Of Default are subject to a materiality test where the occurrence of an event will not lead to a MRCLN Event Of Default unless the occurrence of such an event would have material adverse effects.

Neither the Seller nor the LLP shall be entitled to assign and/or novate and/or otherwise transfer any of its rights, title, interest or obligations under the MRCLN or the MRCLN Note Purchase Facility Agreement to any other person.

The MRCLN and the MRCLN Note Purchase Facility Agreement are governed by English law.

The MRCLN Collateral Agreement

Pursuant to the terms of the MRCLN and the MRCLN Note Purchase Facility Agreement, the Seller has been required to enter into, on the Programme Date, a MRCLN Collateral Agreement between, *inter alios*, the LLP and the Seller, which governs, *inter alia*, the requirements, timing, holding mechanics and amount of MRCLN Collateral that may be required to be posted to the LLP by the Seller from time to time.

Pursuant to the terms of the MRCLN Note Purchase Facility Agreement, if the Seller ceases to have a long term unsecured, unsubordinated and unguaranteed credit rating by S&P of at least BBB-, by Fitch of at least BBB- or by Moody's of at least Baa3 (unless each affected rating agency confirms in writing to, *inter alios*, the Issuer and the LLP that the then current ratings of any existing series of Covered Bonds will not be adversely affected thereby) the Seller will be required to provide, in accordance with the terms of the MRCLN Collateral Agreement and within 30 days of such downgrade, collateral on an on-going basis in an amount equal to the MRCLN Principal Amount Outstanding, so as to support its payment obligations under the MRCLN until such time as the Seller again has a long term unsecured, unsubordinated and unguaranteed credit rating by S&P of at least BBB-, by Fitch of at least BBB- and by Moody's of at least Baa3.

Pursuant to the terms of the MRCLN Collateral Agreement, any amount of MRCLN Collateral that is permitted to be released and paid back to the Seller (together with, if applicable, any interest on any permitted securities and/or other permitted investments that constitutes the MRCLN Collateral at any time) will be paid, in accordance with the Revenue Priority of Payments, to the Seller by the LLP on the immediately following LLP Payment Date.

The MRCLN Collateral Agreement is governed by English 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 First Issue Date with a view to confirmation of compliance by the LLP with the Asset Coverage Test or the Amortisation Test, as applicable, on that Calculation Date.

If the long-term ratings of the Cash Manager or the Issuer fall below BBB- by S&P, Baa3 by Moody's or BBB- by Fitch, 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 Asset Amount or the Amortisation Test Aggregate Asset Amount is mis-stated by an amount exceeding one per cent. of the Adjusted Aggregate Asset Amount or the Amortisation Test Aggregate Asset 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 and the Security Trustee.

The LLP will pay to the Asset Monitor a fee of up to £8,000 per report (exclusive of VAT) for the reports to be performed by the Asset Monitor.

The LLP may, at any time, only with the prior written consent of the Security Trustee, terminate the appointment of the Asset Monitor by giving at least 60 days' prior written notice to the Asset Monitor, and the Asset Monitor may, at any time, resign by giving at least 60 days' prior written notice to the LLP and the Security Trustee.

Upon giving notice of resignation, the LLP shall immediately use its best endeavours to appoint a replacement (such replacement to be approved by the Security Trustee who shall give such approval if the replacement is an accountancy firm of national standing who agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in the Asset Monitor Agreement). If a replacement is not appointed by the date which is 30 days prior to the date when tests are to be carried out in accordance with the terms of the Asset Monitor Agreement, then the LLP shall use all reasonable endeavours to appoint an accountancy firm of national standing to carry out the relevant tests on a one-off basis, provided that such appointment is approved by the Security Trustee.

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

The Asset Monitor Agreement is governed by English law.

LLP Deed

The Members of the LLP agree to operate the business of the LLP in accordance with the terms of a limited liability partnership deed entered into on the Programme Date, as amended and/or supplemented and/or restated from time to time, between the LLP, Barclays (in its capacity as a Member), the Liquidation Member, the Bond Trustee and the Security Trustee (the "LLP Deed").

Members

As at the Programme Date, each of Barclays and the Liquidation Member became a member (each a "Member", and together with any other members from time to time, the "Members") of the LLP. Barclays 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 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 Barclays, 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 receipt by the Issuer or the Security Trustee of a Rating Agency Confirmation.

Capital Contributions

From time to time Barclays (in its capacity as a Member) will make Capital Contributions to the LLP. Capital Contributions may be made in cash or in kind (for example, through a contribution of Mortgage Loans to the LLP). The Capital Contribution Balance of Barclays shall be calculated in Sterling on each Calculation Date as the difference between (a) the aggregate outstanding principal balance of the Mortgage Loan Portfolio and the MRCLN, each as at the last day of the preceding Calculation Period, plus Principal Receipts standing to the credit of the GIC Account (but excluding any amounts to be applied in accordance with the Transaction Documents, including any Capital distributions to be made on the immediately following LLP Payment Date) plus the principal amount of Substitution Assets and Authorised Investments as at the last day of the preceding

Calculation Period and (b) the Sterling Equivalent of the aggregate Principal Amount Outstanding under the Covered Bonds as at the last day of the preceding Calculation Period.

The Liquidation Member will not make any Capital Contributions to the LLP.

Capital Contributions or returns on Capital Contributions shall only be paid to Members after the LLP has paid or, as applicable, provided for all higher ranking amounts in the relevant Priority of Payments.

Asset Coverage Test

Under the terms of the LLP Deed, the LLP and the Members (other than the Liquidation Member) must ensure that on each Calculation Date prior to the service of a Notice to Pay on the LLP, the Adjusted Aggregate Asset 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 Asset Amount is less than the aggregate Sterling Equivalent Principal Amount Outstanding of all Covered Bonds as calculated on the relevant Calculation Date, then the LLP (or the Cash Manager on its behalf) will notify the Members, the Bond Trustee and the Security Trustee thereof and the Members (other than the Liquidation Member) will use all reasonable endeavours to sell sufficient further Mortgage Loans and their Related Security to the LLP in accordance with the Mortgage Sale Agreement (see “*Summary of the Principal Documents – Mortgage Sale Agreement – Sale by the Seller of Mortgage Loans and Related Security*”) or provide Cash Capital Contributions to ensure that the Asset Coverage Test is met on or before the immediately following Calculation Date. If the breach of the Asset Coverage Test is not cured on or before the immediately following Calculation Date and if the Asset Coverage Test is breached again on such immediately following Calculation Date, then an Issuer Event of Default shall occur.

For the purposes hereof:

“**Adjusted Aggregate Asset Amount**” means the amount calculated on each Calculation Date as follows:

$$(A + B + C + D + E) - (V + X + Y + Z)$$

where,

A = the lower of (a) and (b), where:

- (a) equals the sum over all Mortgage Accounts in the Portfolio of the lower of:
 - (i) the outstanding Mortgage Account Balance of the relevant Mortgage Account as at the Determination Date preceding the relevant Calculation Date;
- and***
- (ii) the Indexed Valuation multiplied by M for that Mortgage Account (where:
 - (a) for all Mortgage Accounts in the Portfolio that are not then Defaulted Mortgage Accounts, M = 0.75;
 - (b) for all Mortgage Accounts in the Portfolio that are then Defaulted Mortgage Accounts and that have an outstanding principal balance to Indexed Valuation ratio of less than or equal to 75%, M = 0.4; and
 - (c) for all Mortgage Accounts in the Portfolio that are then Defaulted Mortgage Accounts and that have an outstanding principal balance to Indexed Valuation ratio of greater than 75%, M = 0.25),

save that, when calculating the Mortgage Account Balance, the Mortgage Account Balance will be deemed to be reduced by the following amounts in the following circumstances:

- (1) where a Mortgage Account 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 the MRCLN Note Purchase Facility Agreement or

subject to any other obligation of the Seller to repurchase the relevant Mortgage Loan and its Related Security and to repay a corresponding amount under the MRCLN to the LLP in relation to the Reference Mortgage Reserves associated to the relevant Mortgage Loan, and in each case the Seller has not repurchased the Mortgage Loan or Mortgage Loans of the relevant Borrower and its or their Related Security to the extent required by the terms of the Mortgage Sale Agreement and has not repaid a corresponding amount under the MRCLN to the LLP in relation to the Reference Mortgage Reserves to the extent required by the MRCLN Note Purchase Facility Agreement; then the outstanding aggregate Mortgage Account Balance of the Mortgage Accounts in the Portfolio (as calculated on the relevant Calculation Date) will be deemed to be reduced by an amount equal to the lower of (i) and (ii) above (as calculated on the relevant Calculation Date) for each Mortgage Account to which this paragraph applies; and/or

- (2) where the Seller, in any preceding Calculation Period, was in breach of any other material warranty under the Mortgage Sale Agreement and/or the Administrator was, in any preceding Calculation Period, in breach of a material term of the Administration Agreement, in this event, the outstanding aggregate Mortgage Account Balance of the Mortgage Loans in the Portfolio (as calculated on the relevant Calculation Date) will be deemed to be reduced by an amount equal to the resulting financial loss incurred by the LLP in the immediately preceding Calculation Period (such financial loss to be calculated by the Cash Manager without double counting and to be reduced by any amount paid (in cash or in kind) to the LLP by the Seller to indemnify the LLP for such financial loss);
- (b) equals the Asset Percentage (as defined below) multiplied by the Adjusted Mortgage Account Balance Amount, where “**Adjusted Mortgage Account Balance Amount**” equals the sum over all Mortgage Accounts in the Portfolio of the lower of:
 - (i) = the outstanding Mortgage Account Balance of the relevant Mortgage Account as at the Determination Date preceding the relevant Calculation Date;

and

 - (ii) the Indexed Valuation multiplied by M for that Mortgage Account as at the Determination Date preceding the relevant Calculation Date (where:
 - (a) for all Mortgage Accounts in the Portfolio that are not then Defaulted Mortgage Accounts, $M = 1$;
 - (b) for all Mortgage Accounts in the Portfolio that are then Defaulted Mortgage Accounts and that have an outstanding principal balance to Indexed Valuation ratio of less than or equal to 75%, $M = 0.4$; and
 - (c) for all Mortgage Accounts in the Portfolio that are then Defaulted Mortgage Accounts and that have an outstanding principal balance to Indexed Valuation ratio of greater than 75%, $M = 0.25$),

save that, when calculating the Mortgage Account Balance, the Mortgage Account Balance will be deemed to be reduced by the following amounts in the following circumstances:

- (1) where a Mortgage Account 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 the MRCLN Note Purchase Facility Agreement or subject to any other obligation of the Seller to repurchase the relevant Mortgage Loan and its Related Security and to repay a corresponding amount under the MRCLN to the LLP in relation to the Reference Mortgage Reserves associated to the relevant Mortgage Loan, and in each case the Seller has not repurchased the Mortgage Loan or Mortgage Loans of the relevant Borrower and its or their Related Security to the extent required by the terms of the Mortgage Sale Agreement and has not repaid a corresponding amount under the MRCLN to the LLP in relation to the Reference Mortgage Reserves to the extent required by the MRCLN Note Purchase Facility Agreement; then the outstanding aggregate Mortgage Account Balance of the Mortgage Accounts in the Portfolio (as calculated on the relevant Calculation Date) will be deemed to be reduced by an amount equal to the lower of (i) and (ii) above (as calculated on the relevant Calculation Date) for each Mortgage Account to which this paragraph applies; and/or

- (2) where the Seller, in any preceding Calculation Period, was in breach of any other material warranty under the Mortgage Sale Agreement and/or the Administrator was, in any preceding Calculation Period, in breach of a material term of the Administration Agreement, and in this event, the outstanding aggregate Mortgage Account Balance of the Mortgage Loans in the Portfolio (as calculated on the relevant Calculation Date) will be deemed to be reduced by an amount equal to the resulting financial loss incurred by the LLP in the immediately preceding Calculation Period (such financial loss to be calculated by the Cash Manager without double counting and to be reduced by any amount paid (in cash or in kind) to the LLP by the Seller to indemnify the LLP for such financial loss);

- B = the aggregate amount of any Cash Capital Contributions made by the Members (as recorded in the Capital Account Ledger of the LLP in relation to each Member) or proceeds of Term Advances which have not been applied as at the relevant Calculation Date;
- C = the aggregate outstanding principal balance of any Substitution Assets;
- D = the amount of any Principal Receipts standing to the credit of the GIC Account as at the relevant Calculation Date but excluding any amounts due to be applied in accordance with the terms of the Transaction Documents (including any Capital Distributions to be made on the immediately following LLP Payment Date);
- E = the amount of any Sale Proceeds standing to the credit of the Pre-Maturity Liquidity Ledger as at the relevant Calculation Date;
- V = the sum of:
- (i) 115 per cent. of the aggregate of the MRCLN Principal Amount Outstanding, as calculated on the relevant Calculation Date;
- minus*
- (ii) the amount of any collateral posted by the Seller pursuant to and in accordance with the terms of the MRCLN Collateral Agreement provided that any such collateral is either in the form of cash or is a form of collateral which satisfies the requirements for eligible assets that may collateralise covered bonds in accordance with paragraph 68 of Annex VI of the Banking Consolidation Directive and satisfies the requirements set out by the Rating Agencies;

- X = zero, if the short term unsecured debt obligations of the Issuer are rated at least A-2 by S&P and the long term unsecured debt obligations of the Issuer are rated at least A- by Fitch and A3 by Moody's, provided that if the short term unsecured debt obligations of the Issuer are not rated at least A-2 by S&P and if the long term unsecured debt obligations are not rated at least A- by Fitch and A3 by Moody's, X shall be 4.2 per cent. (such percentage to be reviewed by the Issuer from time to time (and at least on an annual basis) and which may be altered by the Issuer subject to Rating Agency Confirmation in respect of such alteration being obtained from S&P and Fitch and Moody's at such time, however in the event that the Covered Bonds are not rated Aaa by Moody's such percentage may not be reduced below its then current value at such time) of the aggregate outstanding principal balance of the Mortgage Accounts, calculated as of the Determination Date immediately preceding the relevant Calculation Date;
- Y = the sum of any Further Advances where each such Further Advance was equal to or less than £25,000; and
- Z = the weighted average remaining maturity of all Covered Bonds then outstanding calculated by the Cash Manager as at such date multiplied by the Sterling Equivalent of the then aggregate Principal Amount Outstanding of the Covered Bonds all multiplied by the then Negative Carry Factor where the "Negative Carry Factor" is:
- (i) zero, for so long as the TRS is in place and the Issuer has a long-term rating by Moody's of at least A3; or
 - (ii) if the TRS is not in place or if the Issuer ceases to have a long-term rating of A3 by Moody's, then either: (a) 0.50 per cent. if the then weighted average margin of the interest rate then payable on the Covered Bonds is less or equal to 0.10 per cent. per annum; or (b) 0.50 per cent. plus that margin minus 0.10 per cent., if that margin is greater than 0.10 per cent. per annum (provided that if the weighted average remaining maturity is less than one, the weighted average shall be deemed, for the purposes of this calculation, to be one).

"Asset Percentage" means 94 per cent. or such lesser percentage figure as determined from time to time in accordance with the terms of the LLP Deed. On the Calculation Date falling in January, April, July and October of each year, the LLP (or the Cash Manager on its behalf) will calculate the WAFF and the WALs (and/or such figures calculated in accordance with such alternative methodologies as the Rating Agencies may prescribe) for the Portfolio as a whole or a random sample of the Mortgage Accounts in the Portfolio, such calculations to be made on the same basis throughout unless agreed otherwise by the Rating Agencies.

The WAFF and WALs (or other relevant figures) so calculated will be input by the Cash Manager to one or more cashflow models reviewed by the Rating Agencies. Such models, which test the credit enhancement required in various cashflow scenarios, will indicate, on the basis of the latest WAFF and WALs figures (or other relevant figures), the Asset Percentage needed in order to provide credit enhancement to cover all such cashflow scenarios.

Save where otherwise agreed with the Rating Agencies, the Asset Percentage will be adjusted in accordance with the various methodologies prescribed by each of the Rating Agencies to ensure that sufficient credit enhancement will be maintained, provided that the Asset Percentage may not, at any time, exceed 94 per cent.

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) the Amortisation Test Aggregate Asset 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 Asset 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 Asset Amount” will be calculated on each Calculation Date following a Notice to Pay as follows:

$$A + B + C - Z$$

where,

- A = the aggregate “Amortisation Test Outstanding Principal Balance” of each Mortgage Loan, which shall be the product of:
 - (x) the lower of:
 - (1) the relevant outstanding Mortgage Loan Balance as calculated on the Determination Date immediately preceding the relevant Calculation Date; and
 - (2) the then Indexed Valuation; and
 - (y) M, where:
 - (1) for all the Mortgage Accounts that are not Defaulted Mortgage Accounts M = 1.0; or
 - (2) for all the Mortgage Accounts that are Defaulted Mortgage Accounts, M = 0.7;
- B = the sum of the amount of any cash standing to the credit of the GIC Account and the principal amount of any Authorised Investments (excluding any Revenue Receipts received in the immediately preceding Calculation Period and any amounts due to be applied in accordance with the terms of the Transaction Documents;
- C = the aggregate outstanding principal balance of any Substitution Assets not taken into account elsewhere in this calculation;
- 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 Mortgage Loans and their Related Security if the Pre-Maturity Test is breached

The LLP Deed provides for the sale of Selected Mortgage Loans and their Related Security in circumstances where the Pre-Maturity Test has been breached. The Pre-Maturity Test will be breached if the ratings of the Issuer fall below a specified level and a Series of Hard Bullet Covered Bonds is due for repayment within a specified period of time thereafter. The LLP will be obliged to sell or refinance the Selected Mortgage Loans and their Related Security, subject to the rights of pre-emption enjoyed by the Seller to buy the Selected Mortgage Loans and their Related Security pursuant to the terms of the Mortgage Sale Agreement and subject to any Cash Capital Contribution made by the Members (other than the Liquidation Member). The proceeds from any such sale will be credited to the GIC Account and applied as set out in the Guarantee Priority of Payments. In addition, any associated Reference Mortgage Reserve will become a Non-Reference Mortgage Reserve. Accordingly, the Seller will be required to repay the MRCLN in an amount equal to the Mortgage Reserve Account Balance of such Mortgage Reserve as of the Determination Date falling on or prior to the completion of the repurchase of the related Mortgage Loan (less an amount equal to any Aggregate Potential MRCLN Interest in respect of such Mortgage Reserve) plus pay interest on the MRCLN in an amount equal to, *inter alia*, the then Aggregate Potential MRCLN Interest in respect of such Mortgage Reserve. Such payments under the MRCLN will be treated as MRCLN Principal Receipts and applied as set out in the relevant Priorities of Payments.

If the Issuer fails to repay any Series of Hard Bullet Covered Bonds on the Final Maturity Date thereof, then the proceeds from any sale of Selected Mortgage Loans or the Cash Capital Contributions standing to the credit of the Pre-Maturity Liquidity Ledger will be applied to repay the relevant Series of Hard Bullet Covered Bonds. Otherwise, the proceeds will be applied as set out in “Credit Structure” below.

Sale of Selected Mortgage Loans and their Related Security following service of a Notice to Pay

After a Notice to Pay has been served on the LLP following the occurrence of an Issuer Event of Default, the LLP will be obliged to sell Selected Mortgage Loans and their Related Security in the Mortgage Loan Portfolio in accordance with the LLP Deed (as described below), subject to the rights of pre-emption enjoyed by the Seller to buy the Selected Mortgage Loans and their Related Security pursuant to the Mortgage Sale Agreement. The proceeds from any such sale will be credited to the GIC Account and applied as set out in the Guarantee Priority of Payments. In addition, any associated Reference Mortgage Reserve will, on the Determination Date falling on or prior to the date of completion of repurchase of the related Mortgage Loans, become a Non-Reference Mortgage Reserve. Accordingly, the Seller will be required to repay the MRCLN in an amount equal to the then Mortgage Reserve Account Balance of such Mortgage Reserve (less an amount equal to any Aggregate Potential MRCLN Interest in respect of such Mortgage Reserve) plus pay interest on the MRCLN in an amount equal to, *inter alia*, the then Aggregate Potential MRCLN Interest in respect of such Mortgage Reserve.

Method of Sale of Selected Mortgage Loans and their Related Security

If the LLP is required to sell Selected Mortgage Loans and their Related Security to purchasers following a breach of the Pre-Maturity Test or the service of a Notice to Pay, the LLP will be required to ensure that before offering Selected Mortgage Loans for sale:

- (a) the Selected Mortgage Loans have been selected from the Mortgage Loan Portfolio on a random basis as described in the LLP Deed; and
- (b) the Selected Mortgage Accounts have an aggregate principal outstanding balance in an amount (the “**Required Principal Outstanding Balance Amount**”) which is as close as possible to the amount calculated as follows:

$$N \times \frac{\text{Aggregate Mortgage Account Balance for all Mortgage Accounts in the Portfolio}}{\text{the Sterling Equivalent of the Required Redemption Amount in respect of each Series of Covered Bonds then outstanding}}$$

where “N” is an amount equal to the Sterling Equivalent of:

- (i) in respect of Selected Mortgage Loans being sold following a breach of the Pre-Maturity Test and the corresponding amount the Seller will be required to repay the MRCLN in relation to the Reference Mortgage Reserves associated to the Selected Mortgage Loans, the Required Redemption Amount of the relevant Series of Hard Bullet Covered Bonds less amounts standing to the credit of the relevant Pre-Maturity Liquidity Ledger that are not otherwise required to provide liquidity for any Series of Hard Bullet Covered Bonds which mature prior to or on the same date as the relevant series of Hard Bullet Covered Bonds; or
- (ii) in respect of Selected Mortgage Loans being sold following a Notice to Pay and the corresponding amount the Seller will be required to repay the MRCLN in relation to Reference Mortgage Reserves associated to such Selected Mortgage Loans, the Required Redemption Amount of the Earliest Maturing Covered Bonds less amounts standing to the credit of the GIC Account and the principal amount of any Authorised Investments (excluding all amounts to be applied on the next following LLP Payment Date to repay higher ranking amounts in the Guarantee Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds).

The LLP will offer the Selected Mortgage Loans and their Related Security for sale to Purchasers for the best price reasonably available but in any event for an amount not less than the Adjusted Required Redemption Amount, minus an amount equal to the amount of collateral which has at such time been posted pursuant to the MRCLN Collateral Agreement to support the MRCLN Principal Amount Outstanding that relates to the Reference Mortgage Reserves associated to the Selected Mortgage Loans being sold.

If the Selected Mortgage Loans and their Related Security have not been sold (in whole or in part) in an amount equal to the Adjusted Required Redemption Amount minus an amount equal to the amount of collateral which has at such time been posted pursuant to the MRCLN Collateral Agreement to support the MRCLN Principal Amount Outstanding that relates to the Reference

Mortgage Reserves associated to the Selected Mortgage Loans being sold by the date which is six months prior to, as applicable, if the Covered Bonds are not subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee, the Final Maturity Date or, if the Covered Bonds are subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee, the Extended Due for Payment Date in respect of the 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 Mortgage Loans for sale for the best price reasonably available notwithstanding that such amount, together with the amount equal to the amount of collateral which has at such time been posted pursuant to the MRCLN Collateral Agreement to support the MRCLN Principal Amount Outstanding that relates to the Reference Mortgage Reserves associated to the Selected Mortgage Loans being sold may be less than the Adjusted Required Redemption Amount.

Following the service of a Notice to Pay but prior to the occurrence of an LLP Event of Default, in addition to offering Selected Mortgage Loans for sale to Purchasers in respect of the Earliest Maturing Covered Bonds, the LLP (subject to the rights of pre-emption enjoyed by the Seller pursuant to the Mortgage Sale Agreement) is permitted to offer for sale a portfolio of Selected Mortgage Loans, in accordance with the provisions summarised above, in respect of other Series of Covered Bonds.

The LLP is also permitted to offer for sale to Purchasers a Partial Portfolio. Except in circumstances where the portfolio of Selected Mortgage Loans is being sold within six months of, as applicable, the Final Maturity Date or, if the Covered Bonds are subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee, the Extended Due for Payment Date in respect of the Series of Covered Bonds to be repaid from such proceeds, the sale price of the Partial Portfolio plus the amount of collateral which has at such time been posted pursuant to the MRCLN Collateral Agreement to support the MRCLN Principal Amount Outstanding that relates to the Partial Portfolio's associated Reference Mortgage Reserves becoming Non-Reference Mortgage Reserves and causing the Seller to repay a corresponding amount under the MRCLN (as a proportion of the Adjusted Required Redemption Amount) shall be at least equal to the proportion that the Partial Portfolio plus the amount of collateral which has at such time been posted pursuant to the MRCLN Collateral Agreement to support the MRCLN Principal Amount Outstanding that is repaid under the MRCLN (that is equivalent to the amount of the Partial Portfolio's associated Reference Mortgage Reserves becoming Non-Reference Mortgage Reserves) bears to the relevant portfolio of Selected Mortgage Accounts.

The LLP will, through a tender process, appoint a portfolio manager of recognised standing on a basis intended to incentivise the portfolio manager to achieve the best price for the sale of the Selected Mortgage Loans (if such terms are commercially available in the market) to advise it in relation to the sale of the Selected Mortgage Loans to purchasers (except where the Seller is buying the Selected Mortgage Loans in accordance with their right of pre-emption in the Mortgage Sale Agreement). The terms of the agreement giving effect to the appointment in accordance with such tender shall be approved by the Security Trustee and the Bond Trustee.

In respect of any sale or refinancing of Selected Mortgage Loans and their Related Security following service of a Notice to Pay, the LLP will instruct the portfolio manager to use all reasonable endeavours to procure that Selected Mortgage Loans are sold as quickly as reasonably practicable (in accordance with the recommendations of the portfolio manager) taking into account the market conditions at that time and the scheduled repayment dates of the Covered Bonds and the terms of the LLP Deed.

The terms of any sale and purchase agreement with respect to the sale of Selected Mortgage Loans (which shall give effect to the recommendations of the portfolio manager) will be subject to the prior written approval of the Security Trustee and the Bond Trustee. The Security Trustee will not be required to release the Selected Mortgage Accounts 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.

If Purchasers accept the offer or offers from the LLP so that some or all of the Selected Mortgage Loans shall be sold prior to the next following Final Maturity Date or, if the Covered Bonds are subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee, the next following Extended Due for Payment Date in respect of the Earliest Maturing Covered Bonds, then the LLP will, subject to the foregoing paragraph, enter into a sale and purchase agreement with the relevant Purchasers which will require, *inter alia*, a cash payment from the relevant Purchasers. Any

such sale will not include any Representations and Warranties from the LLP in respect of the Mortgage Loans and the Related Security unless expressly agreed by the Security Trustee or otherwise agreed with the Seller.

Covenants of the LLP and the Members

Each of the Members covenants that, subject to the terms of the Transaction Documents, it will not sell, transfer, convey, 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;
- (b) dispose of, deal with or grant any option or present or future right to acquire any of its assets or undertakings or any interest therein or thereto;
- (c) have an interest in a bank account 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 any of its property or assets to another person;
- (f) have any employees, premises or subsidiaries;
- (g) acquire assets other than pursuant to the Mortgage Sale Agreement, the MRCLN Note Purchase Facility 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 is composed of assets which comply with Regulation 3(1) (*Asset Pool*) of the RCB Regulations;
- (ii) keep a record of those assets that form part of the Asset Pool, which, for the avoidance of doubt, shall not include any Swap Collateral; and
- (iii) comply with its obligations under the RCB Regulations and the RCB Sourcebook at all times, including to provide the FSA with all information that is required on the composition of the Asset Pool and any other notifications and confirmations required under the RCB Regulations and the RCB Sourcebook.

Limit on Investing in Substitution Assets and Authorised Investments

Prior to the service of 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 GIC Account in Substitution Assets, provided that such investments are made in accordance with the terms of the Cash Management Agreement and the LLP Deed.

Following service of a Notice to Pay on the LLP, all Substitution Assets must be sold by the LLP (or the Cash Manager on its behalf) as quickly as reasonably practicable and the proceeds credited to the GIC Account after which the LLP will be permitted to invest all available monies in Authorised Investments, provided that such sales or investments are made in accordance with the terms of the Cash Management Agreement and the LLP Deed.

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 Programme Date of directors, officers and/or employees of Barclays and the Liquidation Member, will act on behalf of the LLP to which (other than any decision to approve the audited accounts of the LLP or to make a resolution for the voluntary winding up of the LLP, which require a unanimous decision of the Members) the Members delegate all matters. Any decision by the LLP Management Committee relating to the admission of a New Member, any change in the LLP’s business, any change to the LLP’s name and any amendment to the LLP Deed, will be made, whilst any Covered Bonds are outstanding, with the consent of the Security Trustee.

For so long as any Covered Bonds are outstanding, each Member has agreed that it will not terminate or purport to terminate the LLP or institute any winding-up, administration, insolvency or other similar proceedings against the LLP. Furthermore, the Members have agreed *inter alia* not to demand or receive payment of any amounts payable by the LLP (or the Cash Manager on its behalf) or the Security Trustee unless all amounts then due and payable by the LLP to all other creditors ranking higher in the relevant Priorities of Payments have been paid in full.

Each Member will be responsible for the payment of its own tax liabilities and will be required to indemnify the LLP and the other Members from any liabilities which they incur as a result of the relevant Member’s non-payment.

Following the appointment of a liquidator to any Member (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 is governed by English law.

Cash Management Agreement

The Cash Manager will provide certain cash management services to the LLP pursuant to the terms of the Cash Management Agreement to be entered into on the Programme Date between the LLP, Barclays 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) distributing the Revenue Receipts and the Principal Receipts in accordance with the Priorities of Payment described under “*Cashflows*”, below;
- (c) determining whether the Asset Coverage Test is satisfied on each Calculation Date prior to the service of a Notice to Pay on the LLP in accordance with the LLP Deed, as more fully described under “*Credit Structure – Asset Coverage Test*” below;
- (d) 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;
- (e) on each Business Day, determining whether the Pre-Maturity Test for each Series of Hard Bullet Covered Bonds is satisfied, as more fully described under “*Credit Structure – Pre-Maturity Liquidity*” below;
- (f) maintaining records of all Authorised Investments and Substitution Assets, as applicable;
- (g) providing the FSA with information on the Authorised Investments and/or Substitution Assets comprised in the assets of the LLP and/ or any other information as the FSA may require in accordance with the RCB Regulations; and
- (h) preparation of Investor Reports for the holders of the Covered Bonds, the Rating Agencies and the Bond Trustee.

In certain circumstances the LLP and the Security Trustee 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).

The Cash Management Agreement is governed by English law.

The Swap Agreements

In order to hedge certain interest rate, currency or other risks in respect of amounts received by the LLP under the Mortgage Loans and the MRCLN and amounts payable by the LLP under the Intercompany Loan Agreement to Barclays Bank PLC and/or amounts payable by the LLP under the Covered Bond Guarantee to Covered Bondholders in respect of the Covered Bonds in issue, the LLP will enter into certain swap transactions with a swap provider, including but not limited to, a total return swap transaction and currency and/or interest rate swap transactions.

Each such swap transaction (the “**Swaps**”) between a swap provider (the “**Swap Provider**”), the LLP will be governed by, and subject to, an ISDA Master Agreement and Schedule thereto, a credit support document in the form of the 1995 ISDA Credit Support Annex and the relevant swap confirmation(s) (together, the “**Swap Agreements**”).

Where required to hedge such risks, there may be one (or more) Swap Agreement(s) and Swap(s) in relation to each Series of Covered Bonds.

Total Return Swap (TRS)

On the First Issue Date or, if earlier, the First Transfer Date, Barclays Bank PLC (as a Swap Provider) will enter into a total return swap transaction with the LLP (the “**TRS**”). Under the TRS, the LLP will pay to Barclays Bank PLC (the “**TRS Provider**”), in respect of each Calculation Period, an amount in Sterling equivalent to the sum of (i) the total amount of interest paid to the LLP on the outstanding balance of the Mortgage Loans for such Calculation Period, (ii) the total amount of interest paid to the LLP under the MRCLN which is attributable to such Calculation Period, (iii) the total amount of interest paid to the LLP in relation to amounts standing to the credit of the GIC Account which is attributable to such Calculation Period and (iv) the total amount of interest paid to the LLP in respect of any Substitution Assets or any other assets that the LLP may hold from time to time attributable to such Calculation Period. Such payments by the LLP to the Swap Provider under the TRS will be made monthly on the LLP Payment Date falling immediately after the end of that relevant Calculation Period.

In return, the TRS Provider will pay to the LLP, in respect of the corresponding LLP Payment Period, an amount in Sterling calculated by reference to the TRS Provider Notional Amount (see below) and one-month LIBOR plus 0.7 per cent. (the “**TRS Rate**”). The one-month LIBOR rate will be set on each LLP Payment Date for the LLP Payment Period commencing on that date. Such payments by the TRS Provider to the LLP will be made monthly on each LLP Payment Date.

The TRS Provider Notional Amount in respect of an LLP Payment Period is an amount (in Sterling) equal to the product of “A” and “B”, where “A” is the sum of (i) the total outstanding balance of the Mortgage Loans in the Mortgage Loan Portfolio (or added to the Mortgage Loan Portfolio during the relevant Calculation Period) on the Determination Date for the corresponding Calculation Period, (ii) the total outstanding amount under the MRCLN as at the Determination Date for the corresponding Calculation Period, (iii) weighted average balance of the amounts standing to the credit of the GIC Account for such Calculation Period and (iv) any Substitution Assets or any other assets that the LLP may hold from time to time and where “B” is a fraction with a numerator equal to the sum of (i) the total amount of interest paid to the LLP on the outstanding balance of the Mortgage Loans for such Calculation Period and (ii) the total amount of interest paid to the LLP under the MRCLN which is attributable to such Calculation Period and (iii) the total amount of interest received in relation to amounts standing to the credit of the GIC Account and any Substitute Assets for the relevant Calculation Period and a denominator equal to (i) the total amount of interest due to the LLP on the outstanding balance of the Mortgage Loans for such Calculation Period and (ii) the total amount of interest which would be due (assuming the relevant mortgages were finally performing) to the LLP under the MRCLN which is attributable to such Calculation Period and (iii) the total amount of interest received in relation to amounts standing to the credit of the GIC Account and any Substitute Assets for the relevant Calculation Period.

On any Transfer Date, and as an incentive to the LLP for, *inter alia*, entering into (or, as the case may be, increasing the hedging coverage under) the TRS with the TRS Provider, the Seller will pay

a Mortgage Purchase Inducement Fee to the LLP in an amount equal to the aggregate amount of the then swap premium amount payable by the LLP to the TRS Provider pursuant to the terms of the TRS on such Transfer Date.

The TRS Agreement provides that in case of a sale or refinancing of Selected Mortgage Loans and their Related Security, the prospective purchaser (if such purchaser has been approved by the TRS Provider) has the option to purchase such Selected Mortgage Loans and their Related Security with or without the corresponding TRS. If the prospective purchaser of the Selected Mortgage Loans and their Related Security elects to purchase such Selected Mortgage Loans and their Related Security with the corresponding part of the TRS, the TRS Agreement will permit the LLP to transfer the corresponding rights and obligations thereunder to such purchaser. If the Selected Mortgage Loans and their Related Security are, or part thereof is, purchased or refinanced without the corresponding (part of the) TRS, the TRS will be terminated in relation to such (part of the) Selected Mortgage Loans and their Related Security.

The termination date of the TRS shall be not be earlier than the date on which all outstanding amounts under the Covered Bonds are repaid or redeemed in full by the Issuer.

Covered Bond Swaps

On an Issue Date, the LLP may enter into one or more swap transactions with Swap Providers (the “**Covered Bond Swap Providers**” and each one a “**Covered Bond Swap Provider**”) with respect to one or more Series of Covered Bonds issued by the Issuer (the “**Covered Bond Swaps**” and each one a “**Covered Bond Swap**”).

Under the Covered Bonds Swaps with respect to a Series, the LLP is scheduled to pay an amount in Sterling calculated by reference to a swap notional amount corresponding to the Principal Amount Outstanding of the relevant Covered Bonds (or its Sterling Equivalent) and one-month Sterling LIBOR. The one-month Sterling LIBOR rate will be set on each LLP Payment Date for the LLP Payment Period commencing on that date. Such payments will be made by the LLP to the Swap Provider monthly on each LLP Payment Date.

In return, the Covered Bond Swap Provider is scheduled to pay an amount in the currency of the related Term Advance (if such Term Advance is not in Sterling) calculated by reference to a swap notional amount corresponding to the Principal Amount Outstanding of the relevant Covered Bonds and a rate corresponding to the interest payable on the related Term Advance. Such payments will be made by the Swap Provider on the dates that interest is payable on the related Term Advance.

If the currency of a Series of Covered Bonds is not Sterling but the related Term Advance is denominated in Sterling, there will be currency swap for that Series with an effective start date on the service of a Notice to Pay or (if earlier) an LLP Acceleration Notice. The Covered Bond Swap Provider will then make payments calculated with reference to the amounts owed by the LLP under the Covered Bonds Guarantee.

In addition, if a Series of Covered Bonds is denominated in a currency other than Sterling then, (unless the Term Advance is denominated in Sterling) the Covered Bond Swap will provide for the proceeds of the Covered Bonds to be swapped into Sterling on issue of the Covered Bonds and for the exchange of Sterling on the maturity of the Covered Bonds for an amount equal to the amount to be applied towards redemption of the Covered Bonds.

Rating Downgrade Event

Under the terms of each Swap Agreement, in the event that the rating(s) of the Swap Provider is downgraded by a Rating Agency below the rating(s) specified in the relevant Swap Agreement (in accordance with the requirements of the Rating Agencies) for that Swap Provider, that Swap Provider will, in accordance with the relevant Swap Agreement, be required to take certain remedial measures which may include:

- (a) providing collateral for its obligations under the Swap Agreement, or
- (b) arranging for its obligations under the relevant Swap Agreement to be transferred to an entity with the ratings required by the relevant Rating Agency, or
- (c) procuring another entity with the ratings required by the relevant Rating Agency to become co obligor or guarantor in respect of its obligations under the Swap Agreement, or

- (d) taking such other action or putting in place such alternative hedging as it may agree with the relevant Rating Agency (provided that the Rating Agencies confirm that this will not adversely affect the ratings of the then outstanding Series of Covered Bonds).

A failure to take such steps within the time periods specified in the Swap Agreement will allow the LLP to terminate the Swap Agreement.

Other Termination Events

A Swap Agreement may also be terminated early in certain other circumstances, including:

- (a) at the option of any party to the Swap Agreement, if there is a failure by the other party to pay any amounts due under such Swap Agreement;
- (b) upon the occurrence of an insolvency of the Swap Provider, or any Guarantor, or the merger of one of the parties without an assumption of the obligations under the relevant Swap Agreement (except in respect of a transfer by the LLP to the Security Trustee in its fiduciary capacity);
- (c) there is a change of law or change in application of the relevant law which results in the LLP or the Swap Provider (or both) being obliged to make a withholding or deduction on account of a tax on a payment to be made by such party to the other party under the Swap Agreement and the Swap Provider thereby being required under the terms of the Swap Agreement to gross up payments made to the LLP, or to receive net payments from the LLP (who is not required under the terms of the Swap Agreement to gross up payments made to the Swap Provider);
- (d) there is a change in law which results in the illegality of the obligations to be performed by either party under the Swap Agreements;
- (e) in respect of a portion of the TRS if any Selected Mortgage Loans are sold or refinanced without the corresponding portion of the TRS; and
- (f) a Covered Bond Swap may be terminated if the corresponding Series of Covered Bonds are redeemed or cancelled.

Upon the termination of a Swap Agreement, the LLP or the Swap Provider may be liable to make a termination payment to the other party in accordance with the provisions of the relevant Swap Agreement. The amount of this termination payment will be calculated and made in Sterling.

Swap Agreement Credit Support Document

The LLP and the Swap Provider and the Security Trustee in its fiduciary capacity will also enter into a credit support document in the form of the ISDA 1995 Credit Support Annex (Transfer-English Law) to the ISDA Master Agreement (the “**Swap Agreement Credit Support Document**”). The Swap Agreement Credit Support Document will provide that, from time to time, if required to do so following its downgrade and subject to the conditions specified in the Swap Agreement Credit Support Document, the Swap Provider will make transfers of collateral to the LLP in support of its obligations under the Swap Agreement (the “**Swap Collateral**”) and the LLP will be obliged to return equivalent collateral in accordance with the terms of the Swap Agreement Credit Support Document. The Swap Agreement Credit Support Document will be governed by English Law.

Swap Collateral required to be posted by the Swap Provider pursuant to the terms of the Swap Agreement Credit Support Document may be delivered in the form of cash or securities. Cash amounts will be paid into an account designated a “**Swap Collateral Cash Account**” and securities will be transferred to an account designated a “**Swap Collateral Custody Account**”. References to a Swap Collateral Cash Account or to a Swap Collateral Custody Account and to payments from such accounts are deemed to be a reference to payments from such accounts as and when opened by the LLP.

If a Swap Collateral Cash Account and/or a Swap Collateral Custody Account are opened, cash and securities (and all income in respect thereof) transferred as collateral will only be available to be applied in returning collateral (and income thereon) or in satisfaction of amounts owing by the Swap Provider in accordance with the terms of the Swap Agreement Credit Support Document.

Any Swap Collateral Excluded Amounts will be paid to the relevant Swap Provider directly and not via the Priorities of Payments.

Withholding Tax

The Swap Provider will be obliged to make payments pursuant to the terms of the Swap Agreement without any withholding or deductions of taxes unless required by law. If any such withholding or deduction is required by law, the Swap Provider will, subject to certain conditions, be required to pay such additional amount as is necessary to ensure that the net amount actually received by the LLP will equal the full amount the LLP would have received had no such withholding or deduction been required. The LLP is similarly obliged to make payments pursuant to the terms of the Swap Agreement without any withholding or deductions of taxes unless required by law. However, if any such withholding or deduction is required by law, the LLP will not be required to pay such additional amount as is necessary to ensure that the net amount actually received by the Swap Provider will equal the full amount the Swap Provider would have received had no such withholding or deduction been required.

Transfer of Obligations

A Swap Provider may, at its own discretion and at its own expense, novate its rights and obligations under a Swap Agreement to any third party with the appropriate ratings, provided that, among other things the Rating Agencies confirm that such transfer to a third party swap provider will not adversely affect the ratings of the then outstanding Series of Covered Bonds and such third party swap provider agrees to be bound by, *inter alia*, the terms of the Deed of Charge, on substantially the same terms as the Swap Provider.

The Swap Agreements will be governed by English Law.

Account Bank Agreement

Pursuant to the terms of the Account Bank Agreement entered into on the Programme Date between the LLP, the Account Bank, the Cash Manager and the Security Trustee, the LLP will maintain with the Account Bank the accounts described below, which will be operated in accordance with the Cash Management Agreement, the LLP Deed and the Deed of Charge:

- (a) the GIC Account into which amounts may be deposited by the LLP (including, following the occurrence of an Issuer Event of Default which is not cured within the applicable grace period, all amounts received from Borrowers in respect of Mortgage Loans in the Mortgage Loan Portfolio). On each LLP Payment Date as applicable, amounts required to meet the LLP's various creditors and amounts to be distributed to the Members under the LLP Deed will be applied by the Cash Manager in accordance with the Priorities of Payments (as described in "Cashflows");
- (b) a Euro Transaction Account (and any other account that may be maintained by the LLP and designated as such from time to time) (together, the "Transaction Accounts"), into which euro amounts (or amounts in other currencies, as applicable) received by the LLP will be deposited and applied by the Cash Manager in accordance with the Priorities of Payments described below under "Cashflows"; and
- (c) Swap Collateral Cash Accounts and Swap Collateral Custody Accounts (together, the "Swap Collateral Accounts") into which any asset (including, without limitation, cash or securities) which is paid or transferred by a Swap Provider to the LLP under the terms of a Swap Agreement Credit Support Document as collateral to secure performance by a Swap Provider for its obligations under a relevant Swap Agreement will be paid.

If the short term, unsecured, unsubordinated and unguaranteed debt obligations of the Account Bank cease to be rated A-1 by S&P, P-1 by Moody's, or F1 by Fitch then either:

- (a) the GIC Account, the Transaction Accounts and the Swap Collateral Accounts (to the extent maintained) will be closed and all amounts standing to the credit thereof shall be transferred to accounts held with a satisfactorily rated bank; or
- (b) the Account Bank will obtain an unconditional and unlimited guarantee of its obligations under the Account Bank Agreement from a satisfactorily rated financial institution.

The Account Bank Agreement is governed by English law.

Corporate Services Agreement

The Liquidation Member has entered into a Corporate Services Agreement with, *inter alios*, Structured Finance Management Limited (as Corporate Services Provider) and the LLP, on the

Programme Date, pursuant to which the Corporate Services Provider has agreed to provide corporate services to the Liquidation Member.

The Corporate Services Agreement is governed by English law.

Deed of Charge

Pursuant to the terms of the Deed of Charge entered into on the Programme Date by the LLP, the Security Trustee and the other Secured Creditors, the secured obligations of the LLP and all other obligations of the LLP under or pursuant to the Transaction Documents to which it is a party will be secured, *inter alia*, by the following security (the “Security”) over the following property, assets and rights (the “Charged Property”):

- (a) a first fixed charge (which may take effect as a floating charge) over the LLP’s interest in the English Mortgage Loans, Northern Irish Mortgage Loans and their Related Security and other related rights comprised in the Mortgage Loan Portfolio;
- (b) an assignment by way of first fixed charge over the benefit of the LLP in and to the Insurance Policies;
- (c) a first fixed charge (which may take effect as a floating charge) over the LLP’s interest in the MRCLN and the LLP’s interests, rights and entitlements under and in respect of the MRCLN Note Purchase Facility Agreement;
- (d) a Scottish Supplemental Charge constituting an assignation in security of the LLP’s interest in the Scottish Mortgage Loans and their Related Security (comprising the LLP’s interest as beneficiary under the trust declared by the Seller pursuant to the Scottish Declarations of Trust);
- (e) 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 Swap Agreements, after giving effect to all applicable netting provisions therein);
- (f) 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;
- (g) 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
- (h) a first floating charge over all the assets and undertaking of the LLP (including the assets and undertaking of the LLP located in Scotland or governed by Scots law and the assets and undertaking of the LLP located in Northern Ireland or governed by the law of Northern Ireland) to the extent not effectively charged pursuant to (a) to (g) above.

In respect of the property, rights and assets referred to in paragraph (d) above, fixed security will be created over such property, rights and assets sold to the LLP after the Programme Date by means of Scottish Supplemental Charges pursuant to the Deed of Charge.

Release of Security

In the event of any sale of Mortgage Loans (including Selected Mortgage Loans) and their Related Security by the LLP pursuant to and in accordance with the Transaction Documents, the Security Trustee will, on the date of such sale, (subject to the written request of the LLP), release those Mortgage Loans from the Security created by and pursuant to the Deed of Charge, only if:

- (a) the Security Trustee provides its prior written consent to the terms of such sale as described under “*LLP Deed – Method of Sale of Selected Mortgage Loans*” above; and
- (b) in the case of the Sale of Selected Mortgage Loans, the LLP provides to the Security Trustee a certificate confirming that the Selected Mortgage Loans being sold have been selected on a random basis.

In the event of the repurchase of a Mortgage Loan and its Related Security by the Seller pursuant to and in accordance with the Transaction Documents, the Security Trustee will on the date of the repurchase release that Mortgage Loan from the Security created by and pursuant to the Deed of Charge.

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 Mortgage Loan Portfolio), and/or take such steps as it shall deem necessary, subject in each case to being indemnified and/or secured to its satisfaction. All proceeds received by the Security Trustee from the enforcement or realisation of the Security will be applied in accordance with the Post-Enforcement Priority of Payments described under “*Cashflows*”.

The Deed of Charge is governed by English law (other than the Scottish Supplemental Charge referred to in paragraph (d) above and any further Scottish Supplemental Charge granted after the Programme Date pursuant and supplemental to the Deed of Charge which will be governed by Scots law and the first fixed charge over the Northern Irish Mortgage Loans and their Related Security and the floating charge over the assets and undertaking of the LLP located in or governed by the law of Northern Ireland which will be governed by Northern Irish law).

CREDIT STRUCTURE

The Covered Bonds will be direct, unsecured and 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 on the LLP of an LLP Acceleration Notice. The Issuer will not be relying on payments by the LLP in respect of the Term Advances or receipt of Revenue Receipts or Principal Receipts from the Mortgage Loan Portfolio and the MRCLN 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 holders of the Covered Bonds, as follows:

- (a) the Covered Bond Guarantee provides credit support to the Issuer;
- (b) the Pre-Maturity Test is intended to provide liquidity to the LLP in relation to amounts of principal due on the Final Maturity Date of the Hard Bullet Covered Bonds;
- (c) 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;
- (d) 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;
- (e) a Reserve Fund (unless Barclays' short term unsecured, unsubordinated and unguaranteed debt obligations are rated at least A-1+ by S&P, F1+ by Fitch and P-1 by Moody's) will be established in the GIC Account to trap Available Revenue Receipts; and
- (f) under the terms of the Account Bank Agreement, the GIC Provider has agreed to pay a variable rate of interest on all amounts held by the LLP in the GIC Account at a rate of 0.20 per cent. per annum below LIBOR for one-month Sterling deposits or such greater amount as the LLP and the GIC Provider may agree from time to time.

Certain of these factors are considered more fully in the remainder of this section.

Covered Bond Guarantee

The Covered Bond Guarantee provided by the LLP under the Trust Deed guarantees payment of Guaranteed Amounts when the same become Due for Payment in respect of all Covered Bonds issued under the Programme. The Covered Bond Guarantee will not guarantee any amount becoming payable for any other reason, including any accelerated payment pursuant to Condition 9 (*Events of Default and Enforcement*) following the occurrence of an Issuer Event of Default. In this circumstance (and until an LLP Event of Default occurs and an LLP Acceleration Notice is served), the LLP's obligations will only be to pay the Guaranteed Amounts as they fall Due for Payment.

See further "*Summary of the Principal Documents – Trust Deed*" as regards the terms of the Covered Bond Guarantee. See further "*Cashflows – Guarantee Priority of Payments*" as regards the payment of amounts payable by the LLP to holders of the Covered Bonds and other Secured Creditors following the occurrence of an Issuer Event of Default.

Pre-Maturity Liquidity

The Pre-Maturity Test is intended to provide liquidity for the Hard Bullet Covered Bonds when the Issuer's credit ratings fall to a certain level. The applicable Final Terms will identify whether any Series of Covered Bonds is a Series of Hard Bullet Covered Bonds. On each Pre-Maturity Test Date prior to the occurrence of an Issuer Event of Default or the occurrence of an LLP Event of Default, the LLP or the Cash Manager on its behalf will determine if the Pre-Maturity Test has been breached, and if so, it shall immediately notify the Members and the Security Trustee thereof.

The Issuer will fail and be in breach of the Pre-Maturity Test on a Pre-Maturity Test Date if:

- (a) the Issuer's short-term credit rating from S&P falls to A-1 (or lower) and the Final Maturity Date of the Series of Hard Bullet Covered Bonds will fall within 6 months from the relevant Pre-Maturity Test Date; or

- (b) the Issuer's (i) long-term credit rating from Moody's falls to A2 (or lower) and the Final Maturity Date of the Series of Hard Bullet Covered Bonds will fall within 6 months from the relevant Pre-Maturity Test Date or (ii) short-term credit rating from Moody's falls to P-2 (or lower) and the Final Maturity Date of the Series of Hard Bullet Covered Bonds will fall within 12 months from the relevant Pre-Maturity Test Date; or
- (c) the Issuer's (i) short-term credit rating, from Fitch falls to F1 (or lower) and the Final Maturity Date of the Series of Hard Bullet Covered Bonds will fall within 6 months from the relevant Pre-Maturity Test Date or (ii) short-term credit rating from Fitch falls to F2 (or lower) and the Final Maturity Date of the Series of Hard Bullet Covered Bonds will fall within 12 months from the relevant Pre-Maturity Test Date.

Following a breach of the Pre-Maturity Test in respect of a Series of Hard Bullet Covered Bonds, (i) the LLP shall offer to sell Selected Mortgage Loans and their Related Security to Purchasers and (ii) the Seller shall repay a corresponding amount under the MRCLN to the LLP in relation to the Reference Mortgage Reserves associated to the Selected Loans and their Related Security, in each case subject to:

- (a) any Cash Capital Contribution made by the Members (other than the Liquidation Member) from time to time; and
- (b) any right of pre-emption enjoyed by the Seller pursuant to the terms of the Mortgage Sale Agreement,

provided that an Issuer Event of Default shall occur if the Pre-Maturity Test in respect of any Series of Hard Bullet Covered Bonds is breached less than six months prior to the Final Maturity Date of that Series of Hard Bullet Covered Bonds, and the relevant parties have not taken the required action (as described above) following the breach within the earlier to occur of (i) 10 Business Days from the date that the Sellers are notified of the breach of the Pre-Maturity Test and (ii) the Final Maturity Date of that Series of Hard Bullet Covered Bonds such that by the end of such period, there shall be an amount equal to the Required Redemption Amount of that Series of Hard Bullet Covered Bonds standing to the credit of the Pre-Maturity Liquidity Ledger (after taking into account the Required Redemption Amount of all other Series of Hard Bullet Covered Bonds which mature prior to or on the same date as the relevant Series of Hard Bullet Covered Bonds). The proceeds of sale of Selected Mortgage Loans and their Related Security and/or the corresponding payment under the MRCLN and/or the proceeds of any Cash Contribution as described above, will be recorded to the Pre-Maturity Liquidity Ledger on the GIC Account. In certain circumstances, Revenue Receipts will also be available to repay a Hard Bullet Covered Bond. Failure by the Issuer to pay the full amount due in respect of a Series of Hard Bullet Covered Bonds on the Final Maturity Date thereof will constitute an Issuer Event of Default.

If, upon any required sale of Selected Mortgage Loans, any failure occurs in the repayment of the corresponding amount then due to be repaid under the MRCLN as a result of any such sale (including any deficit resulting from a failure to repay the MRCLN as a result of there being insufficient collateral required to be posted in accordance with the MRCLN Collateral Agreement available to meet such payment obligation under the MRCLN at any such time), the LLP will be required to sell additional Selected Mortgage Loans in an amount equal to the amount required to be repaid under the MRCLN but which has failed to have been repaid at such time.

Following service of a Notice to Pay on the LLP, the LLP shall apply funds standing to the Pre-Maturity Liquidity Ledger to repay the relevant Series of Hard Bullet Covered Bonds.

If the Issuer fully repays the relevant Series of Hard Bullet Covered Bonds on the Final Maturity Date thereof, cash standing to the credit of the Pre-Maturity Liquidity Ledger on the GIC Account shall be applied by the LLP in accordance with the Pre-Acceleration Principal Priority of Payments, unless:

- (a) the Issuer is failing the Pre-Maturity Test in respect of any other Series of Hard Bullet Covered Bonds, in which case sufficient cash will remain on the Pre-Maturity Liquidity Ledger in order to provide liquidity for that other Series of Hard Bullet Covered Bonds; or
- (b) the Issuer is not failing the Pre-Maturity Test, but the LLP Management Committee elects to retain the cash on the Pre-Maturity Liquidity Ledger in order to provide liquidity for any future Series of Hard Bullet Covered Bonds.

Amounts standing to the credit of the Pre-Maturity Liquidity Ledger following the repayment of the Hard Bullet Covered Bonds as described above may, except where the LLP Management

Committee has elected or is required to retain such amounts on the Pre-Maturity Liquidity Ledger, also be used to repay the corresponding Term Advance and distribute any excess Available Principal Receipts back to the Members, subject to the LLP making provision for higher ranking items in the Pre-Acceleration Principal Priority of Payments.

Asset Coverage Test

The Asset Coverage Test is intended to ensure that the LLP can meet its obligations under the Covered Bond Guarantee and can pay any senior 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 prior to the service of a Notice to Pay on the LLP, the Adjusted Aggregate Asset Amount will be in an amount equal to or in excess of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date. If on any Calculation Date prior to the service of a Notice to Pay on the LLP, the Asset Coverage Test is not satisfied and such failure is not remedied on or before the next following Calculation Date, then an Issuer Event of Default will occur. The Asset Coverage Test is a calculation which adjusts the outstanding principal balance of each Mortgage Account in the Portfolio and involves further adjustments to take account of set-off on a Borrower's current or deposit accounts held with the Seller, the amount of any cash collateral posted by the Seller in accordance with the MRCLN Collateral Agreement and any failure by the Seller, in accordance with the terms of the Mortgage Sale Agreement, to repurchase Mortgage Accounts 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.

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 realisation of the Security and/or the commencement of winding-up proceedings against the LLP), the assets of the LLP available to meet its obligations under the Covered Bond Guarantee and senior expenses (which will include costs relating to the maintenance, administration and winding-up of the Asset Pool whilst the Covered Bonds are outstanding) fall to a level where holders of the Covered Bonds 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 Asset 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 involves in its calculations a formula which adjusts the outstanding principal balance of each Mortgage Account in the Portfolio and involves further adjustments to take account of Mortgage Accounts in arrears. See further "*Summary of the Principal Documents – LLP Deed – Amortisation Test*", above.

Reserve Fund

The LLP will be required (unless Barclays' short term unsecured, unsubordinated and unguaranteed debt obligations are rated at least A-1+ by S&P, F1+ by Fitch and P-1 by Moody's), to establish the Reserve Fund in the GIC Account which will be credited with Available Revenue Receipts up to an amount equal to the Reserve Fund Required Amount. The LLP will not be required to maintain the Reserve Fund following the occurrence of an Issuer Event of Default.

The Reserve Fund will be funded from Available Revenue Receipts after the LLP has paid all of its obligations in respect of items ranking higher than the Reserve Fund 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.

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 an Issuer Event of Default and/or an LLP Event of Default;
- (b) following an Issuer Event of Default (but prior to an LLP Event of Default); and
- (c) following an LLP Event of Default,

all in accordance with the Deed of Charge, as applicable.

If the Transaction Accounts or the Swap Collateral Accounts, as applicable are closed in accordance with the terms of the Account Bank Agreement, any payment to be made to or from the Transaction Accounts or the Swap Collateral Accounts, as applicable shall, as applicable, be made to or from the GIC Account, or no payment shall be made at all if such payment is expressed to be from the GIC Account to the Transaction Accounts or the Swap Collateral Accounts, as applicable.

Allocation and distribution of Available Revenue Receipts prior to the service of a Notice to Pay

Prior to service of a Notice to Pay or an LLP Acceleration Notice on the LLP, Available Revenue Receipts will be allocated and distributed as described below.

On the Calculation Date immediately preceding each LLP Payment Date, the LLP or the Cash Manager on its behalf shall calculate (a) the amount of Available Revenue Receipts available for distribution on the immediately following LLP Payment Date and (b) the Reserve Fund Required Amount (if applicable).

Pre-Acceleration Revenue Priority of Payments

On each LLP Payment Date, the LLP or the Cash Manager on its behalf will apply Available Revenue Receipts from the GIC Account and the Transaction Accounts, in an amount equal to the lower of (a) the amount required to make the payments described below and (b) the amount of Available Revenue Receipts.

Prior to service of a Notice to Pay or 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, Available Revenue Receipts will be applied by or on behalf of the LLP on each LLP Payment Date (except for amounts due to third parties by the LLP under paragraph (ii) below or Third Party Amounts which shall be paid when due and except for Swap Collateral Excluded Amounts due to the Swap Provider by the LLP under the relevant Swap Agreement which shall be paid directly to the relevant Swap Provider) 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):

- (i) *first*, to pay to the Seller an amount equal to the then MRCLN Collateral Release Amount in accordance with the terms of the MRCLN Collateral Agreement;
- (ii) *second*, in or towards satisfaction of any amounts due and payable by the LLP to third parties and incurred without breach by the LLP of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere in the relevant Priorities of Payments) and to provide for any such amounts expected to become due and payable by the LLP in the immediately succeeding LLP Payment Period;
- (iii) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (a) any remuneration then due and payable to the Administrator and any costs, charges, liabilities and expenses then due or to become due and payable to the Administrator under the provisions of the Administration Agreement in the immediately succeeding LLP Payment Period, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

- (b) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager under the provisions of the Cash Management Agreement in the immediately succeeding LLP Payment Period, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (c) amounts (if any) due and payable to the Account Bank (including costs) pursuant to the terms of the Account Bank Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (d) amounts due and payable to the Corporate Services Provider pursuant to the terms of the Corporate Services Agreement together with applicable VAT (or other similar taxes) thereon as provided therein;
 - (e) amounts due and payable to the Asset Monitor pursuant to the terms of the Asset Monitor Agreement (other than the amounts referred to in paragraph (xi) below), together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and
 - (f) amounts (if any) due and payable to the FSA in respect of fees owed to the FSA under the RCB Regulations (other than the initial registration fees, plus any applicable VAT or similar taxes thereon);
- (iv) *fourth*, in or towards payment of any amounts due or to become due and payable to the TRS Provider *pro rata* and *pari passu* in respect of the TRS (including any termination payment due and payable by the LLP under the TRS, 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 TRS Provider) pursuant to the terms of the Swap Agreement;
 - (v) *fifth*, in or towards payment of any amounts due or to become due and payable (other than in respect of principal) to the Covered Bond Swap Provider *pro rata* and *pari passu* in respect of any relevant Covered Bond Swaps (including any termination payment due and payable by the LLP under the relevant Covered Bond Swap, 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 Providers) pursuant to the terms of the relevant Swap Agreement;
 - (vi) *sixth*, towards a credit to the Reserve Ledger or the GIC Account of an amount up to but not exceeding the amount by which the Reserve Fund Required Amount exceeds the existing balance on the Reserve Ledger as calculated on the immediately preceding Calculation Date;
 - (vii) *seventh*, if the LLP is required to make a deposit to the Pre-Maturity Liquidity Ledger, towards a credit to the Pre-Maturity Liquidity Ledger of an amount equal to (A) the Required Redemption Amount for the relevant Series of Hard Bullet Covered Bonds calculated as at the immediately preceding Calculation Date, *less* (B) any amounts standing to the credit of the Pre-Maturity Liquidity Ledger as at the immediately preceding Calculation Date after having deducted the Required Redemption Amount of all other Series of Hard Bullet Covered Bonds which mature prior to or on the same date as such relevant Series of Hard Bullet Covered Bonds referred to in (A);
 - (viii) *eighth*, if an Administrator Event of Default has occurred, all remaining Available Revenue Receipts to be credited to the GIC Account (with a corresponding credit to the Revenue Ledger) until such Administrator Event of Default is either remedied by the Administrator or waived by the Security Trustee or a replacement administrator is appointed to service the Mortgage Loan Portfolio (or the relevant part thereof);
 - (ix) *ninth*, to pay *pro rata* and *pari passu* according to the respective amounts thereof on each Interest Payment Date only, any amounts due and payable (excluding principal amounts due and payable), on each Interest Payment Date falling prior to the next following LLP Payment Date to the Issuer pursuant to the terms of the Intercompany Loan Agreement;
 - (x) *tenth*, payment *pro rata* and *pari passu* in accordance with the respective amounts thereof of any Excluded Swap Termination Amounts due and payable by the LLP under the Swap Agreements;

- (xi) *eleventh*, in or towards payment *pro rata* and *pari passu* in accordance with the respective amounts thereof of any indemnity amount due to the Asset Monitor pursuant to the Asset Monitor Agreement, and any indemnity amount due to the Members pursuant to the LLP Deed;
- (xii) *twelfth*, to pay and discharge any liability of the LLP for taxes;
- (xiii) *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 in the LLP; and
- (xiv) *fourteenth*, in or towards payment of (a) the then Deferred Purchase Price Amount due to the Seller for the transfer of the Mortgage Loans and their Related Security to the LLP and (b) the MRCLN Deferred Subscription Amount due to the Seller for the MRCLN.

Allocation and Distribution of Principal Receipts prior to service of a Notice to Pay

Prior to service on the LLP of a Notice to Pay or an LLP Acceleration Notice and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP, Principal Receipts will be allocated and distributed as described below.

On each Calculation Date, the LLP or the Cash Manager on its behalf will calculate the amount of Available Principal Receipts available for distribution on the immediately following LLP Payment Date.

On each LLP Payment Date, the LLP or the Cash Manager on its behalf will apply funds from the GIC Account and the Transaction Accounts, in an amount equal to the lower of (a) the amount required to make the payments or credits described below and (b) the amount of all Available Principal Receipts standing to the credit of the GIC Account.

If an LLP Payment Date is the same as an Interest Payment Date or a Final Maturity 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 or Final Maturity Date, as applicable, 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 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, all Available Principal Receipts (other than Swap Collateral Excluded Amounts due to the Swap Provider by the LLP under the relevant Swap Agreement which shall be paid directly to the relevant Swap Provider) 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**”):

- (i) *first*, if the Pre-Maturity Test has been failed by the Issuer in respect of any Series of Hard Bullet Covered Bonds, to credit all Principal Receipts *pro rata* to each such Series’ Pre-Maturity Liquidity Ledger in an amount in respect of such Series’ Pre-Maturity Liquidity Ledger up to but not exceeding the difference between:
 - (a) the Required Redemption Amount calculated on the immediately preceding Calculation Date for the relevant Series of Hard Bullet Covered Bonds; and
 - (b) any amounts standing to the credit of such Series’ Pre-Maturity Liquidity Ledger on the immediately preceding Calculation Date after having deducted the Required Redemption Amount of all other Series of Hard Bullet Covered Bonds which mature prior to or on the same date as such relevant Series of Hard Bullet Covered Bonds;
- (ii) *second*, to advance to the Seller pursuant to the terms of the MRCLN Note Purchase Facility Agreement, the then required Additional MRCLN Advances for current Reference Mortgage Reserves;
- (iii) *third*, to acquire New Mortgage Loans and their Related Security offered to the LLP by the Seller in accordance with the terms of the Mortgage Sale Agreement in an amount sufficient to ensure that taking into account the other resources available to the LLP, the LLP is in compliance with the Asset Coverage Test and thereafter to acquire Substitution Assets and to advance to the Seller, pursuant to the terms of the MRCLN Note Purchase Facility Agreement, Additional MRCLN Advances in relation to any Reference Mortgage Reserves associated to the New Mortgage Loans;

- (iv) *fourth*, to deposit the remaining Principal Receipts in the GIC Account (with a corresponding credit to the Principal Ledger) in an amount sufficient to ensure that, taking into account the other resources available to the LLP, the LLP is in compliance with the Asset Coverage Test;
- (v) *fifth*, in or towards repayment on the LLP Payment Date (or to provide for repayment on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine) of the corresponding Term Advance related to such Series of Covered Bonds by making the following payments:
 - (a) the amounts (in respect of principal) due or to become due and payable to the relevant Swap Providers *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payments (other than Excluded Swap Termination Amounts) to the extent not paid out of the Pre-Acceleration Revenue Priority of Payments) in accordance with the terms of the relevant Swap Agreement; and
 - (b) (where appropriate, after taking into account any amounts in respect of principal receivable from a 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;
- (vi) *sixth*, subject to complying with the Asset Coverage Test, to make a Capital Distribution to Barclays (in its capacity as a Member) by way of distribution of its equity in the LLP in accordance with the LLP Deed.

Allocation and Distribution of Available Revenue Receipts and Available Principal Receipts following service of a Notice to Pay

At any time after service of a Notice to Pay on the LLP, but prior to service of an LLP Acceleration Notice and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP, all Available Revenue Receipts and Available Principal Receipts (other than Third Party Amounts and Swap Collateral Excluded 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 apply Available Revenue Receipts and Available Principal Receipts from the GIC Account, in an amount equal to the lower of (a) the amount required to make the payments set out in the Guarantee Priority of Payments and (b) the amount of all Available Revenue Receipts and Available Principal Receipts standing to the credit of the GIC Account.

The LLP will create and maintain ledgers for each Series of Covered Bonds and record amounts allocated to such Series of Covered Bonds in accordance with paragraph (v) 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 Swaps in respect of the relevant Series of Covered Bonds on the scheduled repayment dates thereof.

Guarantee Priority of Payments

If a Notice to Pay is served on the LLP in connection with the Pre-Maturity Test (as set out in the LLP Deed), the LLP shall, on the relevant Final Maturity Date, apply all monies standing to the credit of the Pre-Maturity Liquidity Ledger to repay the relevant Series of Hard Bullet Covered Bonds in accordance with the LLP Deed (as described in “*Credit Structure – Pre-Maturity Liquidity*” above). Subject thereto on each LLP Payment Date after the service of a Notice to Pay on the LLP (but prior to the occurrence of an LLP Event of Default), the LLP or the Cash Manager on its behalf will apply Available Revenue Receipts and Available Principal Receipts (excluding Swap Collateral Excluded Amounts due to the Swap Provider by the LLP under the relevant Swap Agreement which shall be paid directly to the relevant Swap Provider) to make the following payments and provisions in the following order of priority (the “**Guarantee Priority of Payments**”) (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

- (i) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

- (a) all amounts due and payable or to become due and payable to the Bond Trustee in the immediately succeeding LLP Payment Period under the provisions of the Trust Deed together with interest and applicable VAT (or other similar taxes) thereon as provided therein;
 - (b) all amounts due and payable or to become due and payable to the Security Trustee in the immediately succeeding LLP Payment Period under the provisions of the Deed of Charge together with interest and applicable VAT (or other similar taxes) thereon as provided therein;
- (ii) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (a) any remuneration then due and payable to the Agents under the provisions of the Agency Agreement together with applicable VAT (or other similar taxes) thereon as provided therein; and
 - (b) any amounts then due and payable by the LLP to third parties and incurred without breach by the LLP of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and to provide for any such amounts expected to become due and payable by the LLP in the immediately succeeding LLP Payment Period;
- (iii) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (a) any remuneration then due and payable to the Administrator and any costs, charges, liabilities and expenses then due or to become due and payable to the Administrator in the immediately succeeding LLP Payment Period under the provisions of the Administration Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (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 in the immediately succeeding LLP Payment Period under the provisions of the Cash Management Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (c) amounts (if any) due and payable to the Account Bank (including costs) pursuant to the terms of the Account Bank Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (d) amounts due and payable to the Corporate Services Provider pursuant to the Corporate Services Agreement together with applicable VAT (or similar taxes) thereon as provided therein;
 - (e) amounts due and payable to the Asset Monitor (other than the amounts referred to in paragraph (xi) below) pursuant to the terms of the Asset Monitor Agreement, together with applicable VAT (or other similar taxes) thereon as provided therein; and
 - (f) amounts (if any) due and payable to the FSA in respect of fees owed to the FSA under the RCB Regulations (other than the initial registration fees, plus any applicable VAT or similar taxes thereon);
- (iv) *fourth*, to pay the amounts due and payable to the TRS Provider *pro rata* and *pari passu* (including any termination payment due and payable by the LLP under the TRS but excluding any Excluded Swap Termination Amount) in accordance with the terms of the relevant Swap Agreement; and
- (v) *fifth*, to pay *pro rata* and *pari passu* according to the respective amounts thereof, of:
- (a) the amounts due and payable to the Covered Bond Swap Provider (other than in respect of principal) *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 Agreements but excluding any Excluded Swap Termination Amount) in accordance with the terms of the relevant Covered Bond Swap Agreement; and

- (b) to the extent not covered by (a) above, to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the holders of the Covered Bonds *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,

provided that if the amount available for distribution under this paragraph (v) (excluding any amounts received from the Covered Bond Swap Provider under (a) above) 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 (b) above, the shortfall shall be divided amongst all such Series of Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Swap Provider in respect of each relevant Series of Covered Bonds under (a) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

- (vi) *sixth*, to pay *pro rata* and *pari passu* according to the respective amounts thereof, of:
 - (a) to pay the amounts due and payable to the Covered Bond Swap Provider (in respect of principal) *pro rata* and *pari passu* in respect of each relevant Series of Covered Bonds in accordance with the terms of the relevant Covered Bond Swap Agreement; and
 - (b) to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the holders of the Covered Bonds *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,

provided that if the amount available for distribution under this paragraph (vi) (excluding any amounts received from the Swap Provider) would be insufficient to pay the Sterling Equivalent of the Scheduled Principal that is Due for Payment in respect of each Series of Covered Bonds under (b) above, the shortfall shall be divided amongst all such Series of Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Swap Provider in respect of each relevant Series of Covered Bonds under (a) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

- (vii) *seventh*, to deposit the remaining moneys in the GIC Account for application on the following LLP Payment Date in accordance with the priority of payments described in paragraphs (i) to (vi) (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);
- (viii) *eighth*, in or towards the granting of Additional MRCLN Advances from the LLP to the Seller in accordance with the terms of the MRCLN Note Purchase Facility Agreement;
- (ix) *ninth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any Excluded Swap Termination Amount due and payable by the LLP to the relevant Swap Provider under the relevant Swap Agreement;
- (x) *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 moneys will be applied in and towards repayment in full of amounts outstanding under the Intercompany Loan Agreement (for the avoidance of doubt, the amounts owed by the LLP to the Issuer under the Term Advances will be reduced *pro tanto* by any amounts paid or provided for by the LLP under the terms of the Covered Bond Guarantee to repay the Covered Bonds);
- (xi) *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;
- (xii) *twelfth*, to pay and discharge any liability of the LLP for taxes; and
- (xiii) *thirteenth*, thereafter any remaining moneys will be applied in accordance with the LLP Deed.

Application of moneys received by the Security Trustee following the occurrence of an LLP Event of Default and enforcement of the Security

Under the terms of the Deed of Charge, all moneys 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 Third Party Amounts and excluding Swap Collateral Excluded Amounts due to the Swap Providers by the LLP under the relevant Swap Agreement which shall be paid directly to the relevant Swap Provider) will be applied following the enforcement of the Security in the following order of priority (the “**Post-Enforcement Priority of Payments**”) (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

- (i) *first*, in or towards satisfaction of any expenses then due and payable and which are permitted by Regulations 27, 28 and/or 29 of the RCB Regulations to be paid in priority to the amounts identified as payable under item (ii) below and, in respect of such expenses, such expenses to be paid between themselves in the priority and to the extent permitted by Regulations 27, 28 and/or 29 of the RCB Regulations, as applicable and, in addition, in or towards satisfaction, on a similar basis, of any expenses arising under any or in respect of any Covered Bonds not regulated by the RCB Regulations at such time, but only to the extent that such expenses would be permitted to be paid in such priority under Regulations 27, 28 and/or 29 of the RCB Regulations if such Covered Bonds had been so regulated by the RCB Regulations, and only to the extent then also permitted by relevant law;
- (ii) *second*, to the extent not already paid under item (i) above, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (a) all amounts due and payable or to become due and payable to:
 - (A) the Bond Trustee under the provisions of the Trust Deed together with interest and applicable VAT (or other similar taxes) thereon as provided therein; and
 - (B) the Security Trustee and any Receiver appointed by the Security Trustee under the provisions of the Deed of Charge together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (b) any remuneration 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;
 - (c) amounts in respect of:
 - (A) any remuneration then due and payable to the Administrator and any costs, charges, liabilities and expenses then due or to become due and payable to the Administrator under the provisions of the Administration Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (B) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager under the provisions of the Cash Management Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (C) amounts due to the Account Bank (including costs) pursuant to the terms of the Account Bank Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and
 - (D) amounts (including costs and expenses) due to the Corporate Services Provider pursuant to the terms of the Corporate Services Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (d) amounts due and payable to the TRS Provider *pro rata* and *pari passu* in respect of each relevant Series of Covered Bonds (including any termination payment due and payable by the LLP under the TRS but excluding any Excluded Swap Termination Amount) in accordance with the terms of the relevant Swap Agreement; and
 - (e) all amounts due and payable:
 - (A) to each relevant Covered Bond Swap Provider *pro rata* and *pari passu* in respect of each relevant Series of Covered Bonds (excluding any Excluded Swap Termination Amount) in accordance with the terms of the relevant Swap Agreement; and

(B) to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the holders of the Covered Bonds *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,

provided that if the amount available for distribution under this paragraph (e) (excluding any amounts received from the Covered Bond Swap Provider under (A) above) 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 (B) above, the shortfall shall be divided amongst all such Series of Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Swap Provider in respect of each relevant Series of Covered Bonds under (A) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

- (iii) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof, of any Excluded Swap Termination Amounts due and payable by the LLP to the relevant Swap Provider under the relevant Swap Agreement;
- (iv) *fourth*, after the Covered Bonds have been fully repaid, any remaining moneys shall be applied in or towards repayment in full of all amounts outstanding under the Intercompany Loan Agreement;
- (v) *fifth*, towards payment of any indemnity amount due to the Members pursuant to the LLP Deed; and
- (vi) *sixth*, thereafter any remaining moneys shall be applied in or towards payment to the Members pursuant to the LLP Deed.

THE MORTGAGE LOAN PORTFOLIO

The Initial Mortgage Loan Portfolio and each New Mortgage Loan Portfolio acquired by the LLP (the “**Mortgage Loan Portfolio**”), will consist of Mortgage 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.

For the purposes hereof:

“**Initial Mortgage Loan Portfolio**” means the portfolio of Mortgage Loans and their Related Security, particulars of which are set out in the Mortgage Sale Agreement, but excluding any such Mortgage Loan and its Related Security which has been redeemed in full on or before the Programme Date, and (subject where applicable to the subsisting rights of redemption of the Borrowers) all right, title, interest and benefit of the Seller in and to:

- (a) all sums of principal, interest (including, for the avoidance of doubt, all Accrued Interest, Arrears of Interest and Capitalised Arrears) and any other sum due or to become due under or in respect of such Mortgage Loans and their Related Security on or after the Programme Date and including, without limitation, the right to demand, sue for, recover and give receipts for all such principal, interest or other amounts, the right to sue on all covenants and undertakings made or expressed to be made in favour of the Seller under the applicable Mortgage (that forms part of the Related Security) and all sums due or to become due in respect of any Early Repayment Charge;
- (b) the benefit of all securities for such principal, interest and other sums payable (including without limitation any interest of the Seller in any life policy), the benefit of all Deeds of Consent, MHA Documentation and Deeds of Postponement, any Guarantee in respect of such Mortgage Loan or any other collateral security for the repayment of the relevant Mortgage Loans secured by the Related Security;
- (c) the right to exercise all the powers of the Seller in relation thereto subject to and in accordance with the relevant Mortgage Conditions;
- (d) all the estate, title and interest in the Mortgaged Properties in relation thereto vested in the Seller;
- (e) to the extent they are assignable or capable of being put into trust, each certificate of title and valuation report and any right of action of the Seller against any solicitor, valuer or other person in connection with any report, valuation, opinion, certificate or other statement of fact or opinion given in connection with any Mortgage Loan and its Related Security, or any part thereof affecting the decision of the Seller to make or offer to make the relevant Mortgage Loan or part thereof; and
- (f) the benefit of certain Insurance Policies relating to the Mortgaged Properties, including the right to receive the proceeds of all claims made or to be made by or on behalf of the Seller or to which the Seller is or may become entitled.

“**New Mortgage Loan Portfolio**” means in each case the portfolio of New Mortgage Loans and their Related Security (other than any New Mortgage 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 Mortgage Loan 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 the rights and assets set out in paragraphs (a) to (f) above.

See also the following risk factors under “*Risk Factors – Risk Factors relating to the LLP – Limited description of the Mortgage Loan Portfolio – Maintenance of Portfolio – Changes to the Lending Criteria of the Seller*”.

DESCRIPTION OF THE REGULATED COVERED BONDS REGULATIONS 2008

The Regulated Covered Bonds Regulations 2008 and the corresponding implementation provisions, set out in the RCB Sourcebook, came into force in the United Kingdom on 6 March 2008. The RCB Regulations together with the RCB Sourcebook provide a detailed legislative framework for issuing regulated covered bonds, being a covered bond or programme for the issuance of covered bonds, which has been admitted to the register of regulated covered bonds maintained by the FSA under the RCB Regulations.

The RCB Regulations implement Article 22(4) of the UCITS Directive and paragraph 68 of Annex VI of the Banking Consolidation Directive, which may allow covered bonds that comply with the RCB Regulations to be eligible to benefit from higher prudential investment limits under the UCITS Directive, and preferential risk weighting under the Banking Consolidation Directive.

The RCB Regulations and the RCB Sourcebook include various requirements related to issuers, owners of the asset pool, eligible assets and the contractual arrangements made in respect of such assets. In this regard, issuers and owners have various initial and ongoing obligations under the RCB Regulations and the RCB Sourcebook and are responsible for ensuring they comply with them. In particular, issuers are required to, amongst other things, enter into arrangements with the owner for the maintenance and administration of the asset pool such that certain asset record-keeping obligations and asset capability and quality related requirements are met and notify the FSA of various matters (including any regulated covered bonds it issues, the composition of the asset pool, matters related to its compliance with certain regulations and any proposed material changes). Owners are required to, amongst other things, notify the FSA 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 FSA will perform 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 FSA has certain powers under the RCB Regulations. In particular, in certain circumstances the FSA 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. Furthermore, the FSA 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).

On or prior to 30 April 2008, the Issuer intends to apply to the FSA for admission to the register of issuers and for the Programme to be admitted to the register of regulated covered bonds under RCB Regulations. As at the date of this Base Prospectus, neither the Issuer nor the Programme will be so registered or regulated. Pursuant to the RCB Regulations, the timetable for assessment by the FSA of an application should not be more than six months. However, if the FSA requires additional information from the Issuer within such time period, the six months will commence from the date of receipt of such additional information. Covered Bondholders will be notified promptly by the Issuer upon receipt from the FSA of its final decision on the application.

See also "*Risk Factors – The Regulated Covered Bonds Regulations 2008*" and – "*Expenses of insolvency officeholders*".

DESCRIPTION OF LIMITED LIABILITY PARTNERSHIPS

Since 6 April 2001 it has been possible to incorporate a limited liability partnership in England, Wales and Scotland (but not Northern Ireland) under the Limited Liability Partnership Act 2000 (the “LLPA 2000”). Limited liability partnerships are legal entities that provide limited liability to the members of a limited liability partnership combined with the benefits of the flexibility afforded to partnerships and the legal personality afforded to companies.

Corporate characteristics

A limited liability partnership is more like a company than a partnership. A limited liability partnership is a body corporate with its own property and liabilities, separate from its members. Like shareholders in a limited company, the liability of the members of a limited liability partnership is limited to the amount of their capital because it is a separate legal entity and when the members decide to enter into a contract, they bind the limited liability partnership in the same way that directors bind a company. Members may be liable for their own negligence and other torts or delicts, like company directors, if they have assumed a personal duty of care and have acted in breach of that duty. Third parties can assume that members, like company directors, are authorised to act on behalf of the limited liability partnership.

The provisions of the Companies Act 1985 and the Insolvency Act 1986 have been modified by the Limited Liability Partnerships Regulations 2001 (as amended by the Limited Liability Partnerships (Amendment) Regulation 2005) so as to apply most of the insolvency and winding-up procedures for companies equally to a limited liability partnership and its members. As a distinct legal entity a limited liability partnership can grant fixed and floating security over its assets and a limited liability partnership will survive the insolvency of any of its members. An administrator or liquidator of an insolvent member would be subject to the terms of the members’ agreement relating to the limited liability partnership but a liquidator of an insolvent member may not take part in the administration of the limited liability partnership or its business.

Limited liability partnerships must file annual returns and audited annual accounts at Companies House for each financial year in the same way as companies.

Partnership characteristics

A limited liability partnership retains certain characteristics of a partnership. It has no share capital and there are no capital maintenance requirements. The members are free to agree how to share profits, who is responsible for management and how decisions are made, when and how new members are appointed and the circumstances in which its members retire. The members’ agreement is a private document and there is no obligation to file it at Companies House.

Taxation

A limited liability partnership which carries on a trade, profession or other business with a view to profit (and which is not the subject of certain insolvency proceedings) is, generally speaking, treated as a partnership for corporation tax purposes. As such, the members of a limited liability partnership, and not the limited liability partnership itself, are subject to corporation tax in relation to the business of the limited liability partnership in broadly the same way that the members of a partnership are subject to corporation tax in relation to the business of that partnership.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer and the LLP believe to be reliable, but none of the Issuer, the LLP, the Bond Trustee nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the LLP nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Covered Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book-entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a “banking organisation” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to Section 17A of the Exchange Act. DTC holds and provides asset servicing for securities that its participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerised book-entry transfers and pledges between Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its 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 and Indirect Participant’s records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Covered Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Covered Bonds, except in the event that use of the book-entry system for the DTC Covered Bonds is discontinued.

To facilitate subsequent transfers, all DTC Covered Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other nominee as may be requested by an authorised representative of DTC. The deposit of DTC Covered Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Covered Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such DTC Covered Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Covered Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to DTC Covered Bonds unless authorised by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Covered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Covered Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or the Principal Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or its nominee, the Principal Paying Agent or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorised representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Under certain circumstances, DTC will exchange the DTC Covered Bonds for Registered Definitive Covered Bonds, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Covered Bond, will be legended as set forth under Subscription and Sale and Transfer and Selling Restrictions.

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Beneficial Owner desiring to pledge DTC Covered Bonds to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Covered Bonds, will be required to withdraw its Registered Covered Bonds from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Book-entry Ownership of and Payments in respect of DTC Covered Bonds

The Issuer may apply to DTC in order to have any Tranche of Covered Bonds represented by a Registered Global Covered Bond accepted in its book-entry settlement system. Upon the issue of any such Registered Global Covered Bond, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Covered Bond to the accounts of persons who have accounts with DTC.

Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Covered Bond will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Covered Bond, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Covered Bond accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Covered Bond accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Covered Bond. 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 only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Covered Bonds represented by a Registered Global Covered Bond accepted by DTC to pledge such Covered Bonds to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Covered Bonds may depend upon the ability to exchange such Covered Bonds for Covered Bonds in definitive form. The ability of any holder of Covered Bonds represented by a Registered Global Covered Bond accepted by DTC to resell, pledge or otherwise transfer such Covered Bonds may be impaired if the proposed transferee of such Covered Bonds is not eligible to hold such Covered Bonds through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Covered Bonds described under "*Subscription and Sale and Transfer and Selling Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian ("**Custodian**") with whom the relevant Registered Global Covered Bonds have been deposited.

On or after the Issue Date for any Series, transfers of Covered Bonds of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Covered Bonds of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and

Euroclear, on the other, transfers of interests in the relevant Registered Global Covered Bonds will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Covered Bonds among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Bond Trustee, the Security Trustee, the Issuer, the LLP, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Covered Bonds represented by Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial interests.

FORM OF THE COVERED BONDS

The Covered Bonds of each Series will be in either bearer form, with or without receipts, interest coupons and/or talons attached, or registered form, without receipts, interest coupons and/or talons attached. Bearer Covered Bonds will be issued outside the United States in reliance on Regulation S under the Securities Act (“**Regulation S**”) and Registered Covered Bonds will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or Regulation D under the Securities Act.

Bearer Covered Bonds

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

- (i) 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 Document (the “**applicable Final Terms Document**”), be delivered on or prior to the Issue Date of the relevant Tranche to a common safekeeper (the “**Common Safekeeper**”) for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”); and
- (ii) if the Bearer Global Covered Bonds are not intended to be issued in NGCB form, as stated in the applicable Final Terms Document, be delivered on or prior to the issue date of the relevant Tranche to a common depository (the “**Common Depository**”) for Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system.

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

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 without receipts and 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**”) of the same Series or (ii) for Bearer Definitive Covered Bonds of the same Series with, where applicable, receipts, 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 without any requirement for certification.

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

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

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

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

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

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 (*Transfers of Registered Covered Bonds*) and may not be held otherwise than through Euroclear or Clearstream, Luxembourg, and such Regulation S Global Covered Bond will bear a legend regarding such restrictions on transfer.

The Registered Covered Bonds of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions to “**qualified institutional buyers**” within the meaning of Rule 144A under the Securities Act (“**QIBs**”) who agree to purchase the Covered Bonds for their own account and not with a view to the distribution thereof.

The Registered Covered Bonds of each Tranche sold to QIBs will be represented by a global note 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**”) for the accounts of Euroclear and Clearstream, Luxembourg or (ii) be deposited with a common depository for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg, 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.

The Rule 144A Global Covered Bonds will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

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

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

Interests in a Registered Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for Registered Definitive Covered Bonds without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, “**Exchange Event**” means that (i) in the case of Covered Bonds registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Covered Bonds and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act, (ii) in the case of Covered Bonds registered in the name of a nominee for a common depository 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 holders of the Covered Bonds of each Series of Registered Global Covered Bonds in accordance with Condition 13 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any registered holder of an interest in such Registered Global Covered Bond) 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 10 days after the date of receipt of the first relevant notice by the Registrar.

Definitive Rule 144A Covered Bonds will be issued only in minimum denominations of U.S.\$100,000 and integral multiples of U.S.\$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency).

Transfer of Interests

Interests in a Rule 144A Covered Bond may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in Regulation S 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 “*Terms and Conditions of the Covered Bonds*”), the Principal Paying Agent shall arrange that, where a further Tranche of Covered Bonds is issued which is intended to form a single Series with an existing Tranche of Covered Bonds, the Covered Bonds of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS 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 holder of the Covered Bonds, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer or the LLP unless the Bond Trustee or, as the case may be, the Security Trustee, having become so bound to proceed, fails to do so within a reasonable period and the failure shall be continuing.

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 and each Definitive Covered Bond (each as defined below), in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer(s) at the time of issue but, if not so permitted and agreed, such Definitive Covered Bond will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Covered Bonds may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Covered Bonds. 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 Barclays Bank PLC (the “**Issuer**”) constituted by a trust deed (such trust deed as modified and/or supplemented and/or restated from time to time, the “**Trust Deed**”) dated on or about 18 December 2007 (the “**Programme Date**”) made between the Issuer, Barclays Covered Bonds LLP as guarantor (the “**LLP**”) and Citicorp Trustee Company Limited as bond trustee (in such capacity, the “**Bond Trustee**”, which expression shall include any successor as Bond Trustee) and as security trustee (in such capacity, the “**Security Trustee**”, which expression shall include any successor as Security Trustee). Covered Bonds of such Series may be in bearer form (“**Bearer Covered Bonds**”) or in registered form (“**Registered Covered Bonds**”).

Save as provided for in Conditions 9 (*Events of Default and Enforcement*) and 14 (*Meetings of holders of the Covered Bonds Modification, Waiver and Substitution*), 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 (or part exchange) for a Global Covered Bond in bearer form; and
- (iv) any Definitive Covered Bonds in registered form (“**Registered Definitive Covered Bonds**” and, together with the Bearer Definitive Covered Bonds, the “**Definitive Covered Bonds**”) issued in exchange (or part exchange) for a Global Covered Bond in registered form.

The Covered Bonds, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an agency agreement (such agency agreement as amended and/or supplemented and/or restated from time to time, the “**Agency Agreement**”) dated the Programme Date 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 or agent bank) 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 successor exchange agent), Citibank, N.A., London Branch as registrar (in such capacity, the “**Registrar**”, which expression shall include any successor registrar) and as transfer agent (in such capacity, a “**Transfer Agent**” and together with the Registrar, the “**Transfer Agents**”, which expression shall include any additional or successor transfer agents). As used herein, “**Agents**” shall mean the Paying Agents and the Exchange Agent and the Transfer Agents.

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

The Final Terms for this Covered Bond (or the relevant provisions thereof) are attached to or endorsed on this Covered Bond and supplements these Terms and Conditions (the “**Conditions**”).

and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Covered Bond. References to the “**applicable Final Terms**” are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Covered Bond.

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

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

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

The security for the obligations of the LLP under the Covered Bond Guarantee and the other Transaction Documents to which it is a party has been created in and pursuant to, and on the terms set out in, a deed of charge (such deed of charge as amended and/or supplemented and/or restated from time to time, the “**Deed of Charge**”) dated the Programme Date 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 Schedule (as defined below), the Agency Agreement and each of the other Transaction Documents are available for inspection during normal business hours at the registered office for the time being of the Bond Trustee being at the Programme Date at Citigroup Centre, Canada Square, London E14 5LB and at the specified office of each of the Paying Agents. 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 and any holder of the Covered Bonds 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 holders of the Covered Bonds, the Receiptholders and the Couponholders are deemed to have notice of, are bound by, and are entitled to the benefit of, all the provisions of, and definitions contained in, the Trust Deed, the Deed of Charge, the Master Definitions Schedule, the Agency Agreement, each of the other Transaction Documents and the applicable Final Terms which are applicable to them and to have notice of each set of Final Terms relating to each other Series.

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 schedule made between the parties to the Transaction Documents on or about the Programme Date (the “**Master Definitions Schedule**”), 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.

The Covered Bonds will be issued in a Minimum Specified Denomination of an integral multiple thereof provided that in the case of any Covered Bonds which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a member state of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum denomination shall be €50,000 (or its equivalent in alternate currencies).

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

This Covered Bond may be an Index Linked Redemption Covered Bond, an Instalment Covered Bond, a Dual Currency Redemption Covered Bond or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms and subject to, where this Covered Bond is an Index Linked Redemption Covered Bond, an Instalment Covered Bond, a Dual Currency Redemption Covered Bond or any combination of the foregoing, confirmation from the Rating Agencies that the then current rating 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.

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

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

For so long as any of the Covered Bonds is represented by a Global Covered Bond held on behalf of Euroclear Bank S.A./N.V. as operator of the Euroclear System (“Euroclear”) and/or Clearstream Banking, société anonyme (“Clearstream, Luxembourg”) and/or The Depository Trust Company (“DTC”) or its nominee, 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 expressions

“**Bondholder**”, “**Covered Bondholder**” and “**holder of Covered Bonds**” and related expressions shall be construed accordingly.

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

References 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.

So long as the Notes are represented by a Global Covered Bond and the relevant clearing system(s) so permit, the Covered Bonds shall be tradeable only in principal amounts of at least €50,000 (or, where the Specified Currency is not Euro, its equivalent in the Specified Currency) and integral multiples of the tradeable amount as specified in the relevant 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) (*Transfers of interests in Regulation S Global Covered Bonds*), 2(f) (*Transfers of interests in Rule 144A Covered Bonds*) and 2(g) (*Exchanges and transfers of Registered Covered Bonds generally*) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Covered Bond in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (i) the holder or holders must (A) surrender the Registered Covered Bond for registration of the transfer of the Registered Covered Bond (or the relevant part of the Registered Covered Bond) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request.

Any such transfer will be subject to such reasonable regulations as the Issuer, the Bond Trustee and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 6 to the Agency Agreement).

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

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

(c) *Registration of transfer upon partial redemption*

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

(d) *Costs of registration*

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

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

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

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

“**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);

“**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 Receipts and 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 (*Events of Default and Enforcement*)) discharge *pro tanto* the obligations of the Issuer in respect of such payment under the Covered Bonds, Receipts and Coupons except where such payment has been declared void, voidable or otherwise recoverable in whole or in part and recovered from the Bond Trustee or the holders of the Covered Bonds.

As security for the LLP's obligations under the Covered Bond Guarantee and the other Transaction Documents (as defined in the Master Definitions Schedule) 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.

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such 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 (ISMA)**" 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 holder of the Covered Bonds in respect thereof on or prior to that day; and

“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 and Index Linked Interest Covered Bonds*

(i) *Interest Payment Dates*

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

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

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

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

- (1) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(2) above, the **“Floating Rate Convention”**, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the **“Following Business Day Convention”**, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

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

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

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and
- (B) in the case of any sum payable, either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre) 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 (TARGET) System (the “**TARGET System**”) is open.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Covered Bonds and Index Linked Interest 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 specified 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 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Covered Bonds (the “**ISDA Definitions**”) and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is the period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“**LIBOR**”) or the Euro-zone inter-bank offered rate (“**EURIBOR**”) for a currency, the first day of that Interest Period, or (ii) in any other case, as 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.

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

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

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

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

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or 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.

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.

If the Reference Rate from time to time in respect of Floating Rate Covered Bonds is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Covered Bonds will be determined as provided in the applicable Final Terms.

(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, and the Calculation Agent, in the case of Index Linked Interest 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. In the case of Index Linked Interest Covered Bonds, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent will calculate the amount of interest payable on the Floating Rate Covered Bonds or Index Linked Interest 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/365**” or “**Actual/Actual (ISDA)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

- (B) if “**Actual/365 (Fixed)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (C) if “**Actual/365 (Sterling)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (D) if “**Actual/360**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (E) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (F) if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Final Maturity Date (or, as the case may be, Extended Due for Payment Date) is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

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

The Principal Paying Agent (in the case of Floating Rate Covered Bonds) and the Calculation Agent (in the case of Index Linked Interest 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 or Index Linked Interest 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 (*Notices*) as soon as possible after their determination but in no event later than the fourth Business Day (as defined in Condition 4(b)(i) (*Interest Payment Dates*)) 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 or Index Linked Interest Covered Bonds are for the time being listed or by which they have been admitted to listing and to holders of the Covered Bonds in accordance with Condition 13 (*Notices*).

(vi) *Determination or Calculation by Bond Trustee*

If for any reason at any relevant time after the Issue Date, the Principal Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with sub-paragraph (ii)(A) or (B) above or as otherwise specified in the applicable Final Terms, as the case may be, and in each case in accordance with paragraph (iv) above, the Bond Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Bond Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and

reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent or the Calculation Agent, as the case may be.

(vii) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b) (*Interest on Floating Rate Covered Bonds and Index Linked Interest Covered Bonds*), whether by the Principal Paying Agent or the Calculation Agent or the Bond Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the LLP, the Principal Paying Agent, the Calculation Agent, the other Paying Agents, the Bond Trustee and all holders of the Covered Bonds, Receiptholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the LLP, the holders of the Covered Bonds, the Receiptholders 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) *Interest on Dual Currency Interest Covered Bonds*

In the case of Dual Currency Interest Covered Bonds where the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest shall be determined in the manner specified in the applicable Final Terms.

(d) *Interest on Partly-Paid Covered Bonds*

In the case of Partly-Paid Covered Bonds (other than Partly-Paid Covered Bonds which are Zero Coupon Covered Bonds), interest will accrue on the paid up nominal amount of such Covered Bonds or as otherwise specified in the applicable Final Terms.

(e) *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 transfer to an account in the relevant Specified Currency (which, in the case of a payment in Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency; and
- (ii) payments in euro will be made by credit or 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.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment but without prejudice to the provisions of Condition 7 (*Taxation*). References to Specified Currency will include any successor currency under applicable law.

(b) *Presentation of Bearer Definitive Covered Bonds, Receipts and Coupons*

Payments of principal and interest (if any) will (subject as provided below) be made against presentation and surrender of Bearer Definitive Covered Bonds or Coupons, as the case may be, at any specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments (if any) of principal other than the final instalment, will (subject as provided below) be made against presentation and surrender of the relevant Receipt. Each Receipt must be presented for payment of the relevant instalment together with the Bearer Definitive Covered Bond to which it appertains. If any Bearer Definitive Covered Bond is redeemed or becomes repayable prior to the stated maturity thereof, principal will be payable only on surrender of such Bearer Definitive Covered Bond together with all unmatured Receipts appertaining thereto. Receipts presented without the Bearer Definitive Covered Bond to which they appertain and unmatured Receipts do not constitute valid obligations of the Issuer or the LLP.

Fixed Rate Covered Bonds in definitive bearer form (other than Dual Currency Covered Bonds or Index Linked Covered Bonds or 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 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8 (*Prescription*)) or, if later, six years from the date on which such Coupon would otherwise have become due.

Upon amounts in respect of any Fixed Rate Covered Bond in definitive bearer form becoming due and repayable by the Issuer (in the absence of a Notice to Pay) or LLP under the Covered Bond Guarantee prior to its Final Maturity Date (or, as the case may be, Extended Due for Payment Date), all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the due date for redemption of any Floating Rate Covered Bond, Dual Currency Covered Bond, Index Linked 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 Global Covered Bond is not intended to be issued in New Global Covered Bond (“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 Global Covered Bond which is not issued in NGCB form, a record of such payment made on such Global Covered Bond, distinguishing between any payment of principal and any payment of interest, will be made on such Global Covered Bond by the Principal 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 Principal Paying Agent shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

(d) *Payments in respect of Registered Covered Bonds*

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Covered Bond (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Covered Bond at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by 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 and (in the case of a payment in euro) any bank which processes payments in euro.

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

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

All amounts payable to DTC or its nominee as registered holder of a Registered Global Covered Bond in respect of Covered Bonds denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar 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 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, Receipt or Coupon is not a Payment Day (as defined below), the holder thereof shall not be entitled to payment of the relevant amount due until the next following Payment Day and shall not be entitled to any interest or other sum in respect of any such delay. In this Condition (unless otherwise specified in the applicable Final Terms), “**Payment Day**” means any day which (subject to Condition 8 (*Prescription*)) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (A) the relevant place of presentation;
 - (B) London; and
 - (C) any Additional Financial Centre specified in the applicable Final Terms; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET 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 (*Taxation*) or under any undertakings or covenants given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Covered Bonds;
- (iii) the Early Redemption Amount of the Covered Bonds;
- (iv) the Optional Redemption Amount(s) (if any) of the Covered Bonds;
- (v) in relation to Covered Bonds redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Covered Bonds, the Amortised Face Amount (as defined in Condition 6(e) (*Early Redemption Amounts*));
- (vii) any premium and any other amounts (other than interest) which may be payable under or in respect of the Covered Bonds;
- (viii) in relation to Dual Currency Covered Bonds, the principal payable in any relevant Specified Currency; and
- (ix) 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 (*Taxation*) or under any undertakings given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

(h) *Partial payment*

Following the service of a Notice to Pay on the LLP but prior to an LLP Event of Default, if on the Original Due for Payment Date (subject to any applicable grace period) of a Series of Covered Bonds the LLP has insufficient moneys (after paying higher ranking amounts and taking into account amounts ranking *pari passu* in the Guarantee Priority of Payments) to pay the Guaranteed Amount corresponding to the Final Redemption Amount on that Series of Covered Bonds, then the LLP shall apply the available moneys (after paying higher ranking amounts in accordance with the Guarantee Priority of Payments) to redeem the relevant Series of Covered Bonds *pro rata* in part at par together with accrued interest.

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 specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Final Maturity Date.

Without prejudice to Condition 9 (*Events of Default and Enforcement*), if:

- (i) an Extended Due for Payment Date is specified in the applicable Final Terms for a Series of Covered Bonds; and
- (ii) the Issuer has failed to pay the Final Redemption Amount on the Final Maturity Date specified in such Final Terms (or after the expiry of the grace period set out in Condition 9(a)(i)); and
- (iii) the LLP or the Cash Manager on its behalf determines that the LLP has insufficient moneys available under the Guarantee Priority of Payments to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount 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(b)(i)) under the terms of the Covered Bond Guarantee; or
 - (b) the Extension Determination Date, *then*

- (iv) 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 but 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 LLP shall notify the relevant holders of the Covered Bonds (in accordance with Condition 13 (*Notices*)), the Rating Agencies, the Bond Trustee, the Security Trustee, the Principal Paying Agent, the Swap Providers 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 (a) and (b) above 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.

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 moneys (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). Such failure by the LLP shall not constitute an LLP Event of Default.

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.

“**Guarantee Priority of Payments**” means the priority of payments relating to moneys standing to the credit of the Transaction Accounts (to the extent maintained, or otherwise the GIC Account) to be paid on each LLP Payment Date in accordance with the Trust Deed.

“**Rating Agency**” means any one of Moody’s Investors Service Limited, Fitch Ratings Ltd. and Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc. (together, the “**Rating Agencies**”) or their successors, to the extent they provide ratings in respect of the Covered Bonds.

(b) *Redemption for taxation reasons*

The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Covered Bond is neither a Floating Rate Covered Bond, an Index Linked Interest Covered Bond nor a Dual Currency Interest Covered Bond) or on any Interest Payment Date (if this Covered Bond is either a Floating Rate Covered Bond, an Index Linked Interest Covered Bond or a Dual Currency Interest Covered Bond), on giving not less than 30 nor more than 60 days’ notice to the Bond Trustee and, in accordance with Condition 13 (*Notices*), the holders of the Covered Bonds (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 (*Taxation*). Covered Bonds redeemed pursuant to this Condition 6(b) will be redeemed at their Early Redemption Amount referred to in Condition 6(e) (*Early Redemption Amounts*) 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 (unless otherwise specified, in the applicable Final Terms) 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 (*Notices*), the holders of the Covered Bonds (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 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 (*Notices*) 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 holders of the Covered Bonds in accordance with Condition 13 (*Notices*) 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 (*Notices*), all holders of the Covered Bonds (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) (*Early Redemption Amounts*) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(e) *Early Redemption Amounts*

For the purpose of Conditions 6(b) (*Redemption for taxation reasons*) above and 6(j) (*Late payment on Zero Coupon Covered Bonds*) below and Condition 9 (*Events of Default and Enforcement*), 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 but including an Instalment Covered Bond or a Partly Paid 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**”) equal to the sum of:
 - (a) the Reference Price; and
 - (b) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date of the first Tranche of the Covered Bonds to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Covered Bond becomes due and repayable,

or such other amount as is provided in the applicable Final Terms.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made (i) in the case of a Zero Coupon Covered Bond payable in a Specified Currency other than euro, on the basis of a 360-day year consisting of 12 months of 30 days each or (ii) in the case of a Zero Coupon Covered Bond payable in euro, on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed falls in a leap year, the sum of (x) the number of those days falling in a leap year divided by 366 and (y) the number of those days falling in a non leap year divided by 365) or (iii) on such other calculation basis as may be specified in the applicable Final Terms.

(f) *Instalments*

Instalment Covered Bonds will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 6(e) (*Early Redemption Amounts*) above.

(g) *Partly-Paid Covered Bonds*

Partly-Paid Covered Bonds will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 6 and the applicable Final Terms. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 6(e) (*Early Redemption Amounts*) above.

(h) *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 Receipts, 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 holders of the Covered Bonds 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).

(i) *Cancellation*

All Covered Bonds which are redeemed will forthwith be cancelled (together with, in the case of Bearer Definitive Covered Bonds, all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Covered Bonds so cancelled and any Covered Bonds purchased and surrendered for cancellation pursuant to Condition

6(h) (*Purchases*) above and cancelled (together with, in the case of Bearer Definitive Covered Bonds, all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be held, reissued or resold.

(j) *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) (*Final Redemption*), (b) (*Redemption for taxation reasons*) or (c) (*Redemption at the option of the Issuer (Issuer Call)*) above or upon its becoming due and repayable as provided in Condition 9 (*Events of Default and Enforcement*) 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 moneys 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 holders of the Covered Bonds either in accordance with Condition 13 (*Notices*) or individually.

(k) *Certification on redemption under Condition 6(b) and 6(d)*

Prior to the publication of any notice of redemption pursuant to Conditions 6(b) (*Redemption for taxation reasons*) and (d) (*Redemption due to illegality*), the Issuer shall deliver to the Bond Trustee a certificate signed by two Authorised Signatories (as defined in the Master Definitions Schedule) of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and the Bond Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on all holders of the Covered Bonds, Receiptholders and Couponholders.

7. Taxation

All payments of principal and interest (if any) in respect of the Covered Bonds, Receipts and Coupons by or on behalf of the Issuer or the LLP, as the case may be, will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature 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 holders of the Covered Bonds, Receipts or Coupons 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, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Covered Bond, Receipt or Coupon presented for payment:

- (a) in the United Kingdom; or
- (b) by or on behalf of a holder who (i) is able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration of non-residence or other claim for exemption to the relevant taxing authority but fails to do so; or (ii) is liable for such taxes, duties, assessments or governmental charges in respect of such Covered Bonds, Receipts or Coupons (as the case may be) by reason of his having some connection with the United Kingdom other than merely by reason of the holding of such Covered Bonds, Receipts or Coupons; or
- (c) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on the last day of such period of 30 days; or

- (d) where the holder is able to avoid such withholding or deduction by presenting an appropriate certificate; or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27 November, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (f) by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Covered Bond, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used herein:

“**Relevant Date**” means the date on which such payment in respect of the Covered Bond, Receipt or Coupon first becomes due and payable, except that, if the full amount of the moneys 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 moneys have been so received, notice to that effect having been given to the holders of the Covered Bonds in accordance with Condition 13 (*Notices*).

Should any payments made by the LLP under the Covered Bond Guarantee be made subject to any withholding or deduction 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 having power to tax, the LLP will not be obliged to pay any additional amounts as a consequence.

8. Prescription

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

There shall not be included in any Coupon sheet issued on exchange of a Talon, any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5 (*Payments*) or any Talon which would be void pursuant to Condition 5 (*Payments*).

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 (as defined in the Trust Deed) referred to in this Condition 9(a) means the Covered Bonds of this Series together with the Covered Bonds of any other Series constituted by the Trust Deed) then outstanding as if they were a single Series (with the nominal amount of Covered Bonds not denominated in Sterling converted into Sterling at the relevant Swap Rate (as defined in the Master Definitions Schedule)) or if so directed by an Extraordinary Resolution of all the holders of the Covered Bonds shall, (but in the case of the happening of any of the events mentioned in sub-paragraphs (ii) to (viii) below, only if the Bond Trustee shall have certified in writing that such event is, in its opinion, materially prejudicial to the interests of the holders of the Covered Bonds of any Series and provided that a breach of any obligation to provide notices to the FSA under the RCB Regulations and/or the RCB Sourcebook shall not in itself be considered materially prejudicial to the interests of the Covered Bondholders by the Bond Trustee) (subject in each case to being indemnified and/or secured 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 seven days of the due date; or

- (ii) if the Issuer fails to perform or observe any obligations under the Covered Bonds, Receipts 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) and such failure continues for the period of 30 days (or such longer period as the Bond Trustee may permit) after written notification by the Bond Trustee to the Issuer requiring such default to be remedied and indicating that this provision may be invoked if it is not so remedied shall have been given to the Issuer by the Bond Trustee in accordance with the Trust Deed; or
- (iii) an order is made or an effective resolution passed for the bankruptcy or liquidation or winding up of the Issuer (except a bankruptcy, liquidation or winding up for the purpose of a reconstruction, union, transfer, merger, amalgamation or reorganisation following the transfer or all or substantially all of the assets of the Issuer, the terms of which have previously been approved in writing by the Bond Trustee or by an Extraordinary Resolution); or
- (iv) if the Issuer ceases to carry on its business or substantially the whole of its business (except a bankruptcy, liquidation or winding up for the purpose of a reconstruction, union, transfer, merger, amalgamation or reorganisation following the transfer or all or substantially all of the assets of the Issuer, the terms of which have previously been approved in writing by the Bond Trustee or by an Extraordinary Resolution); or
- (v) proceedings shall be initiated against the Issuer under any applicable liquidation, winding up, insolvency, bankruptcy, reorganisation or other similar laws (except a bankruptcy, liquidation or winding up for the purpose of a reconstruction, union, transfer, merger, amalgamation or reorganisation following the transfer or all or substantially all of the assets of the Issuer, the terms of which have previously been approved in writing by the Bond Trustee or by an Extraordinary Resolution) or a receiver, administrator, trustee or other similar official shall be appointed in relation to the Issuer or in relation to the whole or a substantial part (having an aggregate book value of in excess of £50,000,000) 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 a substantial part of its assets (having an aggregate book value of in excess of £50,000,000) and, in any of the foregoing cases, it shall not be discharged within 30 days; or if the Issuer shall initiate or consent to any applicable liquidation, winding up, insolvency, bankruptcy, reorganisation or other similar laws (except in connection with a bankruptcy, liquidation or winding up for the purpose of a reconstruction, union, transfer, merger, amalgamation or reorganisation following the transfer or all or substantially all of the assets of the Issuer, the terms of which have previously been approved in writing by the Bond Trustee or by an Extraordinary Resolution) or shall make a conveyance, assignment for the benefit of, or shall enter into any composition with, its creditors generally; or
- (vi) the Issuer shall be unable to pay its debts (other than any debts disputed in good faith) as they fall due (within the meaning of section 123(1)(b) to (e) and section 123(2) of the Insolvency Act 1986 as that section may be amended) or shall admit inability to pay its debts as they fall due or shall stop payment in respect of any debts that are due (save, in the case of stopping payments, in each case in respect of any obligation for the payment of principal, redemption amount or interest in respect of the Covered Bonds of any Series) or shall be adjudged or found bankrupt or insolvent); or
- (vii) a failure to satisfy the Asset Coverage Test (as set out in the LLP Deed) on any Calculation Date prior to the service of a Notice to Pay on the LLP which has not been cured by the LLP by the next following Calculation Date; or
- (viii) if the Pre-Maturity Test in respect of any Series of Hard Bullet Covered Bonds is breached less than six months prior to the Final Maturity Date of that Series of Hard Bullet Covered Bonds, and the LLP has not cured the breach as described in the LLP Deed before the earlier to occur of (i) 10 London Business Days from the date that the Seller is notified of the breach of the Pre-Maturity Test and (ii) the Final Maturity Date of that Series of Hard Bullet Covered Bonds.

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) (*Enforcement*).

The Trust Deed provides that all moneys 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 holders of the Covered Bonds of the relevant Series to the LLP for its own account, as soon as practicable, and shall be held by the LLP in the GIC Account and the Excess Proceeds shall thereafter form part of the Security and shall be used by the LLP in the same manner as all other moneys from time to time standing to the credit of the GIC Account pursuant to the Deed of Charge and the LLP Deed. Any Excess Proceeds received by the Bond Trustee shall discharge *pro tanto* the obligations of the Issuer in respect of the payment of the amount of such Excess Proceeds under the Covered Bonds, Receipts and Coupons. However, the obligations of the LLP under the Covered Bond Guarantee are (following service of a Notice to Pay) unconditional and irrevocable and the receipt by the Bond Trustee of any Excess Proceeds shall not reduce or discharge any of such obligations.

By subscribing for Covered Bond(s), each holder of the Covered Bonds 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 Swap Rate) or if so directed by an Extraordinary Resolution of all the holders of the Covered Bonds shall (subject in each case to being indemnified and/or secured to its satisfaction), but in the case of the happening of any of the events described in paragraphs (ii) to (vii) below, only if the Bond Trustee shall have certified in writing to the Issuer and the LLP that such event is, in its opinion, materially prejudicial to the interests of the holders of the Covered Bonds of any Series, and provided that a breach of any obligation to provide notices to the FSA under the RCB Regulations and/or the RCB Sourcebook shall in itself not 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:

- (i) default is made by the LLP for a period of seven 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) (*Final Redemption*) where the LLP shall be required to make payments of Guaranteed Amounts which are Due for Payment on the dates specified therein; or

- (ii) 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 such failure continues for the period of 30 days (or such longer period as the Bond Trustee may permit) after written notification by the Bond Trustee to the LLP requiring such default to be remedied and indicating that this provision may be invoked if it is not so remedied shall have been given to the LLP by the Bond Trustee in accordance with the Trust Deed; or
- (iii) an order is made or an effective resolution passed for the liquidation or winding up of the LLP; or
- (iv) if the LLP ceases or threatens to cease to carry on its business or substantially the whole of its business; or
- (v) the LLP shall stop payment or shall be unable, or shall admit inability, to pay its debts generally as they fall due or shall be adjudicated or found bankrupt or insolvent; or
- (vi) proceedings are initiated against the LLP under any applicable liquidation, winding up, insolvency, bankruptcy, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition or the filing of documents with a court or any registrar for its winding-up, administration or dissolution or the giving notice of the intention to appoint an administrator (whether out of court or otherwise)); or a receiver and/or manager, administrative receiver, administrator, trustee or other similar official shall be appointed (whether out of court or otherwise) in relation to the LLP or in relation to the whole or any part of its assets, or a distress, diligence or execution or other process shall be levied or enforced upon or sued out against the whole or any part of its assets, or if the LLP shall initiate or consent to judicial proceedings relating to itself under any applicable liquidation, winding up, insolvency, bankruptcy, composition, reorganisation or other similar laws or shall make a conveyance, assignment or assignation for the benefit of, or shall enter into any composition with, its creditors generally; or
- (vii) a failure to satisfy the Amortisation Test (as set out in the LLP Deed) on any Calculation Date following an Issuer Event of Default.

Following the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice on the LLP each of the Bond Trustee and the Security Trustee may or shall take such proceedings or steps in accordance with the first and second paragraphs, respectively, of Condition 9(c) (*Enforcement*) and the holders of the Covered Bonds 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 (*Taxation*)) as provided in the Trust Deed in respect of each Covered Bond.

(c) *Enforcement*

The Bond Trustee may at any time take such proceedings against the Issuer and/or the LLP, as the case may be, and/ or any other person as it may think fit to enforce the provisions of the Trust Deed, the Covered Bonds, the Receipts and the Coupons, but it shall not be bound to take any such enforcement proceedings in relation to the Trust Deed, the Covered Bonds, the Receipts or the Coupons or any other Transaction Document unless (i) it shall have been so directed by an Extraordinary Resolution of all the holders of the Covered Bonds of all Series (with the Covered Bonds of all Series taken together as a single Series as aforesaid) or so requested in writing by the holders of not less than 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (taken together and converted into Sterling at the relevant Swap Rate as aforesaid) and (ii) it shall have been indemnified and/or secured to its satisfaction.

In exercising any of its powers, trusts, authorities and discretions the Bond Trustee shall only have regard to the interests of the holders of the Covered Bonds of all Series and shall not have regard to the interests of any other Secured Creditors.

The Security Trustee may at any time, at its discretion and without further notice, take such proceedings against the LLP and/or any other person as it may think fit to enforce the provisions of the Deed of Charge and may, at any time after the Security has become enforceable, take such steps as it may think fit to enforce the Security, but it shall not be bound to take any such steps unless (i) it shall have been so directed by an Extraordinary Resolution of all the holders of the Covered Bonds of all Series (with the Covered Bonds of all Series taken together as a single Series as aforesaid) or a request in writing by the holders of not less than 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (taken together converted into Sterling at the relevant Swap Rate as aforesaid); and (ii) it shall have been indemnified and/or secured to its satisfaction. In exercising any of its powers, trusts, authorities and discretions under this paragraph the Security Trustee shall only have regard to the interests of the holders of the Covered Bonds of all Series and shall not have regard to the interests of any other Secured Creditors.

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

10. Replacement of Covered Bonds, Receipts, Coupons and Talons

Should any Covered Bond, Receipt, 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, Receipts or Coupons) or the Registrar (in the case of Registered Covered Bonds), or any other place approved by the Bond Trustee of which notice shall have been published in accordance with Condition 13 (*Notices*) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Covered Bonds, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

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

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

- (e) the Issuer will ensure that it maintains a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

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) (*General provisions applicable to payments*). Notice of any such variation, termination, appointment or change will be given by the Issuer to the holders of the Covered Bonds as soon as reasonably practicable in accordance with Condition 13 (*Notices*).

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the LLP and, in certain circumstances specified therein, of the Bond Trustee and do not assume any obligation to, or relationship of agency or trust with, any holders of the Covered Bonds, Receiptholders or Coupon holders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

12. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Bearer Covered Bond to which it appertains) a further Talon, subject to the provisions of Condition 8 (*Prescription*).

13. Notices

All notices regarding the Bearer Covered Bonds will be valid if published in the Financial Times or any other daily newspaper in London approved by the Bond Trustee or, if this is not possible, in one other English language daily newspaper approved by the Bond Trustee with general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the Bearer Covered Bonds are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers or where published in such newspapers on different dates, the last date of such first publication.

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

So long as the Covered Bonds are represented in their entirety by any Global Covered Bonds held on behalf of DTC and/or Euroclear and/or Clearstream, Luxembourg, there may be substituted for such publication in such newspaper(s) the delivery of the relevant notice to DTC and/or Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Covered Bonds 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 holders of the Covered Bonds on the day on which the said notice was given to DTC and/or Euroclear and/or Clearstream, Luxembourg.

14. Meetings of holders of the Covered Bonds, Modification, Waiver and Substitution

The Trust Deed contains provisions for convening meetings of the holders of the Covered Bonds to consider any matter affecting their interests, including the modification by Extraordinary Resolution

of these Conditions or the provisions of the Trust Deed. The quorum at any such meeting in respect of any Covered Bonds of any Series for passing an Extraordinary Resolution is one or more persons holding or representing not less than a clear majority of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any adjourned meeting one or more persons being or representing holders of the Covered Bonds 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 holders of the Covered Bonds of a Series shall, subject as provided below, be binding on all the holders of the Covered Bonds of such Series, whether or not they are present at the meeting, and on all Receiptholders and Couponholders in respect of such Series of Covered Bonds. Pursuant to the Trust Deed, the Bond Trustee may convene a single meeting of the holders of Covered Bonds of more than one Series if in the opinion of the Bond Trustee there is no conflict between the holders of such Covered Bonds, in which event the provisions of this paragraph shall apply thereto *mutatis mutandis*.

Notwithstanding the provisions of the immediately preceding paragraph, any Extraordinary Resolution to direct the Bond Trustee to accelerate the Covered Bonds pursuant to Condition 9 (*Events of Default and Enforcement*) or to direct the Bond Trustee or the Security Trustee to take any enforcement action (each a “**Programme Resolution**”) shall only be capable of being passed at a single meeting of the holders of the Covered Bonds of all Series then outstanding. Any such meeting to consider a Programme Resolution may be convened by the Issuer, the LLP or the Bond Trustee or by holders of the Covered Bonds of any Series. The quorum at any such meeting for passing a Programme Resolution is one or more persons holding or representing at least a clear majority of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series for the time being outstanding or at any adjourned such meeting one or more persons holding or representing Covered Bonds whatever the nominal amount of the Covered Bonds of any Series so held or represented. A Programme Resolution passed at any meeting of the holders of the Covered Bonds of all Series shall be binding on all holders of the Covered Bonds of all Series, whether or not they are present at the meeting, and on all related Receiptholders and 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 Swap Rate.

The Bond Trustee, the Security Trustee, the LLP and the Issuer may also agree, without the consent of the holders of the Covered Bonds, Receiptholders or Couponholders of any Series and without the consent of the other Secured Creditors (and for this purpose the Bond Trustee and the Security Trustee may disregard whether any such modification relates to a Series Reserved Matter), to:

- (a) any modification of the Covered Bonds of one or more Series, the related Receipts and/or Coupons or any Transaction Document provided that (i) in the opinion of the Bond Trustee such modification is not materially prejudicial to the interests of any of the holders of the Covered Bonds of any Series, and (ii) in the opinion of the Security Trustee such modification is not materially prejudicial to the interests of any of the holders of the Covered Bonds of any Series; or
- (b) any modification of the Covered Bonds of any one or more Series, the related Receipts and/or Coupons or any Transaction Document which is of a formal, minor or technical nature or is in the opinion of the Bond Trustee and Security Trustee made to correct a manifest error or an error established as such to the satisfaction of the Bond Trustee and the Security Trustee or to comply with mandatory provisions of law.

The Bond Trustee may also agree, without the consent of the holders of the Covered Bonds of any Series, the related Receiptholders and/or Couponholders, to the waiver or authorisation of any breach or proposed breach of any of the provisions of the Covered Bonds of any Series, or determine, without any such consent as aforesaid, that any Issuer Event of Default or LLP Event of

Default or Potential Issuer Event of Default or Potential LLP Event of Default shall not be treated as such, provided that, in any such case, it is not, in the opinion of the Bond Trustee, materially prejudicial to the interests of any of the holders of the Covered Bonds of any Series. The Security Trustee may also agree, without the consent of the holders of the Covered Bonds of any Series, the related Receiptholders and/or Couponholders or any other Secured Creditor, to the waiver or authorisation of any breach or proposed breach of any of the provisions of the Transaction Documents, provided that, in any such case, it is not, in the opinion of the Security Trustee, materially prejudicial to the interests of any of the holders of the Covered Bonds of any Series.

The Bond Trustee may only agree to a substitution of the existing Issuer with another entity if the transfer of the Issuer's benefits and obligations in relation to the Covered Bonds complies with Regulation 19 of the RCB Regulations.

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

- (a) such modification, waiver, authorisation or determination would not require the FSA to be notified in accordance with Regulation 20 of the RCB Regulations; or
- (b) if such modification, waiver, authorisation or determination would require the FSA to be notified in accordance with Regulation 20 of the RCB Regulations, the Issuer has provided all information required to be provided to the FSA and the FSA has consented to such proposed modification, waiver, authorisation or determination.

Any such modification, waiver, authorisation or determination shall be binding on all holders of the Covered Bonds of all Series of Covered Bonds for the time being outstanding, the related Receiptholders and the Couponholders and the other Secured Creditors, and unless the Security Trustee and the Bond Trustee otherwise agree, any such modification shall be notified by the Issuer to the holders of the Covered Bonds of all Series of Covered Bonds for the time being outstanding and the other Secured Creditors in accordance with the relevant terms and conditions as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Bond Trustee and the Security Trustee shall have regard to the general interests of the holders of the Covered Bonds of each Series as a class (but shall not have regard to any interests arising from circumstances particular to individual holders of the Covered Bonds, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual holders of the Covered Bonds, the related Receiptholders, Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Bond Trustee and the Security Trustee shall not be entitled to require, nor shall any holder of the Covered Bonds, Receiptholder or Couponholder be entitled to claim, from the Issuer, the LLP, the Bond Trustee, the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual holders of the Covered Bonds, Receiptholders and/or Couponholders, except to the extent already provided for in Condition 7 (*Taxation*) and/or in any undertaking or covenant given in addition to, or in substitution for, Condition 7 (*Taxation*) 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 holders of the Covered Bonds, may agree, without the consent of the holders of the Covered Bonds, Receiptholders 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, 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) Any substitution pursuant to this Condition 14 shall be binding on the holders of the Covered Bonds, the Receiptholders and the Couponholders and, unless the Bond Trustee agrees otherwise, shall be notified to the holders of the Covered Bonds as soon as practicable thereafter in accordance with Condition 13 (*Notices*).

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; 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 holders of the Covered Bonds; and

“**Series Reserved Matter**” in relation to Covered Bonds of a Series means; (i) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds; (ii) alteration of the currency in which payments under the Covered Bonds, Receipts 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 of the holders of the Covered Bonds of any Series); (v) except in accordance with Condition 6(d) (*Legislative Exchange*) or Condition 14 (*Meetings of holders of the Covered Bonds, Modification, Waiver and Substitution*), 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 the 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 (vi) alteration of the proviso to paragraph 5 or paragraph 6 of Schedule 4 to the Trust Deed.

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

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

The Trust Deed and the Deed of Charge contain provisions for the indemnification of the Bond Trustee and the Security Trustee and for their relief from responsibility, including provisions relieving them from taking any action unless indemnified and/or secured to their satisfaction.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which each of the Bond Trustee and Security Trustee, respectively, is entitled, *inter alia*, (i) to enter into business transactions with the Issuer, the LLP and/or any of their respective Subsidiaries and affiliates and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the LLP and/or any of their respective Subsidiaries and affiliates, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or

consequences for, the holders of the Covered Bonds, Receiptholders or Couponholders or the other Secured Creditors and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

Neither the Bond Trustee nor the Security Trustee will be responsible for any loss, expense or liability, which may be suffered as a result of any Mortgage Loans or Related Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Bond Trustee and/or the Security Trustee. Neither the Bond Trustee nor the Security Trustee will be responsible for (i) supervising the performance by the Issuer or any other party to the Transaction Documents of their respective obligations under the Transaction Documents and the Bond Trustee and the Security Trustee will be entitled to assume, until they each have written notice to the contrary, that all such persons are properly performing their duties; (ii) considering the basis on which approvals or consents are granted by the Issuer or any other party to the Transaction Documents under the Transaction Documents; (iii) monitoring the Mortgage Loan Portfolio, including, without limitation, whether the Mortgage Loan Portfolio is in compliance with the Asset Coverage Test, the Pre-Maturity Test or the Amortisation Test; or (iv) monitoring whether Mortgage Loans and Related Security satisfy the Eligibility Criteria. Neither the Bond Trustee nor the Security Trustee will be liable to any holder of the Covered Bonds or other Secured Creditor for any failure to make or to cause to be made on their behalf the searches, investigations and enquiries which would normally be made by a prudent chargee in relation to the Security and have no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Transaction Documents.

16. Further Issues

The Issuer shall be at liberty from time to time without the consent of the holders of the Covered Bonds, the Receiptholders or the Couponholders to create and issue further bonds having terms and conditions the same as the Covered Bonds of any Series or the same in all respects save for the amount and date of the first payment of interest thereon, issue date and/or purchase price and so that the same shall be consolidated and form a single Series with the outstanding Covered Bonds of such Series.

17. 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.

18. Governing Law

The Trust Deed, the Agency Agreement, the corporate services agreement entered into by the LLP, with, *inter alios*, Structured Finance Management Limited and the LLP on the Programme Date (the “**Corporate Services Agreement**”), the Covered Bonds, the Receipts, 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 by the Issuer to the LLP (each a “**Scottish Declaration of Trust**”), certain documents to be granted pursuant to the Deed of Charge and the Corporate Services Agreement) will be governed by, and construed in accordance with, English law unless specifically stated to the contrary. Each Scottish Declaration of Trust will be governed by, and shall be construed in accordance with, Scots law. Certain documents to be granted pursuant to the Deed of Charge will be governed by, and construed in accordance with, Scots law. Certain documents to be granted pursuant to the Deed of Charge and certain terms of the Mortgage Sale Agreement will be governed and construed in accordance with, Northern Irish law.

UNITED KINGDOM TAXATION

The comments below are of a general nature based on current United Kingdom law and practice. They relate only to the position of persons who are the absolute beneficial owners of their Covered Bonds and all payments made thereon. The following comments relate only to withholding and do not deal with any other aspect of the United Kingdom taxation treatment that may be applicable to holders of Covered Bonds (including, for instance, income tax, capital gains tax and corporation tax).

Holders of Covered Bonds who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of Covered Bonds are particularly advised to consult their professional advisers as to whether they are so liable (and, if so, under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Covered Bonds. In particular, holders of Covered Bonds should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Covered Bonds even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

Any holders of Covered Bonds who are in doubt as to their tax position should consult their professional advisers.

Payment of Interest by the Issuer on the Covered Bonds

Interest on the Covered Bonds may be paid without withholding or deduction for or on account of United Kingdom tax where the Covered Bonds are listed on a “recognised stock exchange”, as defined in section 1005 of the Income Tax Act 2007. HM Revenue & Customs’ website indicates that the London Stock Exchange has been designated as a recognised stock exchange. The Covered Bonds will be treated as “listed” on a recognised stock exchange if they are included in the Official List of the UK Listing Authority and are admitted to trading on the London Stock Exchange.

In all cases falling outside the exemption described above, interest on the Covered Bonds may be paid under deduction of United Kingdom income tax at the savings rate (currently 20 per cent. however, if the draft United Kingdom Finance Bill 2008 is enacted in its current form, when the Finance Bill receives Royal Assent, the rate of withholding for the tax year 2008/2009 will be the basic rate (currently 20 per cent.)) subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption that may apply.

Payments by the LLP

If the LLP makes any payment in respect of interest on the Covered Bonds (or any other amounts due under the Covered Bonds, other than the repayment of amounts subscribed for under the Covered Bonds), such payment may be subject to United Kingdom withholding tax, whether or not the Covered Bonds are listed on a “recognised stock exchange” within the meaning of section 1005 of Income Tax Act 2007. 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.

Provision of Information

Holders of Covered Bonds should note that where any interest on Covered Bonds is paid to them (or to any person acting on their behalf) by the Issuer or any person in the United Kingdom acting on behalf of the Issuer (a “**paying agent**”), or is received by any person in the United Kingdom acting on behalf of the relevant holder of Covered Bonds (other than where collection is purely passive, for example, solely by clearing or arranging the clearing of a cheque) (a “**collecting agent**”), then the Issuer, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to HM Revenue & Customs details of the payment and certain details relating to the relevant holder of Covered Bonds (including the holder’s name and address). These provisions will apply whether or not the interest has been paid, subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the holder of Covered Bonds is resident in the United Kingdom for United Kingdom taxation purposes. In certain circumstances, the details provided to HM Revenue & Customs may be passed by HM Revenue & Customs to the tax authorities of certain other jurisdictions.

Covered Bonds issued at a discount or premium

Covered Bonds may be issued at an issue price of less than 100 per cent of their principal amount. Any discount element on any such Covered Bonds will not be subject to any United Kingdom

withholding tax pursuant to the provisions mentioned in “*Payments of Interest by Issuer on the Covered Bonds*” above, but may be subject to reporting requirements as outlined in “*Provision of Information*” above.

Where Covered Bonds are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax and reporting requirements as outlined above.

References to “interest”

The references to “interest” above mean “interest” as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of “interest” or “principal” which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in a Programme agreement (as the same may be amended and/or supplemented and/or restated from time to time, the “**Programme Agreement**”) dated on or about 18 December 2007 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, in the Programme Agreement, the Issuer has agreed to reimburse and indemnify the Dealers for certain of their expenses and liabilities in connection with the establishment and any future updates of the Programme and the issue of Covered Bonds under the Programme. The Dealers are entitled to be released and discharged from their obligations in relation to any agreement to issue and purchase Covered Bonds under the Programme Agreement in certain circumstances prior to payment to the Issuer.

Transfer Restrictions

As a result of the following restrictions, purchasers of Covered Bonds in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Covered Bonds.

Each purchaser of Registered Covered Bonds (other than a person purchasing an interest in a Registered Global Covered Bond with a view to holding it in the form of an interest in the same Global Covered Bond) or person wishing to transfer an interest from one Registered Global Covered Bond to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (i) that either: (a) it is a QIB, purchasing (or holding) the Covered Bonds for its own account or for the account of one or more QIBs and it is aware 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;
- (ii) that the Covered Bonds are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act or any applicable U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (iii) 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 two years 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;
- (iv) 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 (iii) above, if then applicable;
- (v) 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;
- (vi) 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:

“THE COVERED BONDS REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY (THE AGENCY AGREEMENT) AND, PRIOR TO THE DATE WHICH IS TWO YEARS AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THE COVERED BONDS REPRESENTED BY THIS CERTIFICATE 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 REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER 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).”;

- (vii) 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:

“THE COVERED BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY (THE “AGENCY AGREEMENT”) AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. UNTIL THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE COVERED BONDS OF THE TRANCHE OF

WHICH THE COVERED BONDS REPRESENTED BY THIS CERTIFICATE ARE A 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

- (viii) 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.

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).

Selling Restrictions

United States

The Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or in transactions not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

In connection with any Covered Bonds which are offered or sold outside the United States in reliance on Regulation S (“**Regulation S Covered Bonds**”), each Dealer has represented 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 Regulations 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).

Each issuance of Index Linked Covered Bonds or Dual Currency Covered Bonds shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer(s) may agree as a term

of the issuance and purchase of such Covered Bonds, which additional selling restrictions shall be set out in the applicable Final Terms.

Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, each Dealer has undertaken that it will not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, “**Japanese Person**” shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Public Offer Selling Restrictions under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each of the Managers has represented to and agreed with the Issuer that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Covered Bonds to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Covered Bonds which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer to the public in that Relevant Member State at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Covered Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Covered Bonds would otherwise constitute a contravention of section 19 of the FSMA by the Issuer or the LLP;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the LLP; 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 United Kingdom.

Selling Restrictions Addressing Additional French Selling Restrictions

Each of the Dealers and the Issuer has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, Covered Bonds to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Base Prospectus or any other offering material relating to the Covered Bonds, and that such offers, sales and distributions have been and shall only be made in France to qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French Code *monétaire et financier* (the “Code”), but excluding individuals referred to in Article D.411-1 II 2 of the Code.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Covered Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the LLP, the Bond Trustee, the Security Trustee nor any of the other Dealers 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, base prospectus/prospectus, advertisement or other offering material except under circumstances that will, to the best of their knowledge and belief, result in compliance with any applicable laws and regulations, and all offers, sales and deliveries of Covered Bonds by them will be made on the same terms.

None of the Issuer, the LLP, the Bond Trustee, the Security Trustee or any of the Dealers represents that Covered Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer(s) will be required to comply with such other additional or modified restrictions (if any) as the Issuer and the relevant Dealer(s) shall agree as a term of issue and purchase as indicated in the applicable Final Terms.

Each Dealer will, unless prohibited by applicable law, furnish to each person to whom they offer or sell Covered Bonds a copy of the Base Prospectus as then amended or supplemented or, unless delivery of the Base 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 Base Prospectus in connection with the offer and sale of Covered Bonds to which the Base Prospectus relates.

This Base Prospectus may be used by the Dealers for offers and sales related to market-making transactions in the Covered Bonds. Any or each of the Dealers may act as principal or agent in these transactions. These sales will be made at prices relating to prevailing market prices at the time of sale. None of the Dealers has any obligation to make a market in the Covered Bonds, and any market-making may be discontinued at any time without notice. The Dealers are participating in the initial distribution of the Covered Bonds.

GENERAL INFORMATION

1. The establishment of the Programme and the issue of Covered Bonds have been duly authorised by resolutions passed by the Fund Raising Committee of the Board of Directors of the Issuer dated on or about 11 December 2007 and the giving of the Covered Bond Guarantee has been duly authorised by a meeting of the LLP Management Committee held on 11 December 2007.
2. 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 Regulated Market of the London Stock Exchange will be admitted separately as and when issued, subject only to the issue of a Temporary Global Covered Bond, a Permanent Global Covered Bond, 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 has been granted on or about 14 December 2007.

Application has been made to the FSA for the Issuer and the Programme and the Covered Bonds issued under the Programme prior to the date of admission to be admitted to the register of issuers and the register of regulated covered bonds, as appropriate, under the Regulated Covered Bonds Regulations 2008.

3. The Issuer has for some time been party to proceedings, including a class action, in the United States against a number of defendants following the collapse of Enron; the class action claim is commonly known as the Newby litigation. On 20 July 2006, the Issuer received an Order from the United States District court for the Southern District of Texas Houston Division which dismissed the claims against Barclays PLC, the Issuer and Barclays Capital Inc. in the Newby litigation. On 4 December 2006, the District court stayed the Issuer's dismissal from the proceedings and allowed the plaintiffs to file a supplemental complaint. On 19 March 2007, the United States Court of Appeals for the Fifth Circuit issued its decision on an appeal by the Issuer and two other financial institutions contesting a ruling by the District court allowing the Newby litigation to proceed as a class action. The Court of Appeals held that, because no proper claim against the Issuer and the other financial institutions had been alleged by the plaintiffs, the case could not proceed against them. The plaintiffs applied to the United States Supreme Court for a review of this decision. On 22 January 2008, the United States Supreme Court denied the plaintiffs' request for review. Following the Supreme Court's decision, the District Court ordered a further briefing concerning the status of the plaintiffs' claims. The Issuer is seeking the dismissal of the plaintiffs' claims. The Issuer considers that the Enron related claims against them are without merit and is defending them vigorously. It is not possible to estimate the Issuer's possible loss in relation to these matters, not the effect that they might have upon operating results in any particular financial period.

The Issuer has been in negotiations with the staff of the U.S. Securities and Exchange Commission with respect to a settlement of the Commission's investigations of transactions between the Issuer and Enron. The Issuer does not expect that the amount of any settlement with the Commission would have a significant adverse effect on its financial position or operating results.

Like other UK financial services institutions, the Issuer faces numerous County Court claims and complaints by customers who allege that its unauthorised overdraft charges either contravene the UTCCRs or are unenforceable penalties or both. In July 2007, by agreement with all parties, the OFT commenced proceedings against seven banks and one building society, including the Issuer, to resolve the matter by way of a "test case" process (the "test case"). A preliminary issues hearing took place in January and February 2008. The Judge found in favour of the banks on the issue of the penalty doctrine, and in favour of the OFT on the issue of the applicability of the UTCCRs. The OFT is not pursuing an appeal in relation to the penalty doctrine. The banks have been granted permission to appeal the decision in relation to the applicability of the UTCCRs. The Court of Appeal proceedings are likely to be heard in late summer or early autumn and this will dictate the future course of the action. There are likely to be further hearings and the proceedings may take a significant period of time to conclude. Pending resolution of the test case process, existing and new claims in the County Courts remain stayed, and there is an FSA waiver of the complaints handling process and a standstill of Financial Ombudsman Service decisions. The Issuer is defending the test

case vigorously. It is not practicable to estimate the Issuer's possible loss in relation to these matters, nor the effect that they may have upon operating results in any particular financial period. The Issuer will comply with its obligations as a company admitted to the Official List in connection with further disclosures in relation to this litigation.

The Issuer is engaged in various other litigation proceedings both in the United Kingdom and a number of overseas jurisdictions, including the United States, involving claims by and against it which arise in the ordinary course of business. The Issuer does not expect the ultimate resolution of any of the proceedings to which the Issuer is party to have a significant adverse effect on the financial position of the Barclays Group and the Issuer has not disclosed the contingent liabilities associated with these claims either because they cannot reasonably be estimated or because such disclosure could be prejudicial to the conduct of the claims.

Save as disclosed in paragraphs 1 and 3 of this section 3, neither the Issuer or any of its subsidiaries or the LLP is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the LLP are aware), which may have or have had during the 12 months preceding the date of this Base Prospectus, a significant effect on the Issuer's and/or the Barclays' Group and/or the LLP's financial position or profitability.

4. There has been no significant change in the financial or trading position of the LLP since the date of its incorporation and there has been no material adverse change in the prospects of the LLP since the date of its incorporation. Save for the net losses referred to in the first sub-paragraph of the paragraph entitled "*Credit Market Exposures*" of the Interim Management Statement and the reversal of gains on the fair valuation of issued debt in April 2008 referred to in the sub-paragraph entitled "*April Trading*" of the Interim Management Statement, there has been no significant change in the trading or financial position of the Issuer and the Barclays Group since 31 December 2007 and there has been no material adverse change in the prospects of the Issuer and the Barclays Group since 31 December 2007.
5. The annual consolidated accounts of the Issuer and its subsidiaries for the two years ended 31 December 2007 and 31 December 2006 have been audited without qualification by PricewaterhouseCoopers LLP, chartered accountants and registered auditors (a member of the Institute of Chartered Accountants in England and Wales).
6. The Trust Deed provides that the Trustee may rely on any certificate or report by the auditors of the Issuer or any other expert called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with the provisions of the Trust Deed as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith contains a monetary or other limit on the liability of the auditors of the Issuer or such other expert in respect thereof.
7. For so long as Covered Bonds are capable of being issued under the Programme, copies of the following documents will, when published, be available to holders of the Covered Bonds during usual business hours on any weekday (Saturdays and public holidays excepted) from Barclays Treasury, 1 Churchill Place, London E14 5HP and from the specified office of the Paying Agent currently located at Citigroup Centre, Canada Square, London E14 5LB:
 - (i) the Memorandum and Articles of Association of the Issuer and the constitutive documents of the LLP;
 - (ii) the joint Annual Report of Barclays PLC and the Issuer, as filed with the SEC on Form 20-F in respect of the years ended 31 December 2006 and 31 December 2007 respectively and the Annual Reports of the Issuer containing the audited consolidated accounts of the issuer for the financial years ended 31 December 2006 and 2007, respectively and the Interim Management Statement;
 - (iii) the forms of the Global Covered Bonds, the Definitive Covered Bonds, the Receipts, the Coupons and the Talons;
 - (iv) a copy of this Base Prospectus;
 - (v) any future base prospectuses, prospectuses, information memoranda and supplements including Final Terms (save that Final Terms relating to an unlisted Covered Bond will be available for inspection only by the relevant Dealer or Dealers specified in such Final Terms or, upon proof satisfactory to the Principal Paying Agent or the Registrar, as the

case may be, as to the identity of the holder of any Covered Bond to which such Final Terms relate) to this Base Prospectus and any other documents incorporated herein or therein by reference; and

(vii) each Transaction Document.

8. 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.
9. The Covered Bonds may be accepted for clearance through the Clearstream, Luxembourg and Euroclear systems and DTC (which are entities in charge of keeping the records). The common code and/or CINS or CUSIP number for each Series of Covered Bonds allocated by Clearstream, Luxembourg and Euroclear or DTC will be contained in the relevant Final Terms, along with the International Securities Identification Number for that Series. Transactions will normally be effected for settlement not earlier than three days after the date of the transaction. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Covered Bonds for clearance together with any further appropriate information.
10. The Covered Bonds may be accepted for clearance through the Clearstream, Luxembourg and Euroclear systems and DTC (which are entities in charge of keeping the records). The common code and/or CINS or CUSIP number for each Series of Covered Bonds allocated by Clearstream, Luxembourg and Euroclear or DTC will be contained in the relevant Final Terms, along with the International Securities Identification Number for that Series. Transactions will normally be effected for settlement not earlier than three days after the date of the transaction. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Covered Bonds for clearance together with any further appropriate information.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of The Depository Trust Company is 55 Water Street, New York, NY10041-0099, USA. The address of any alternative clearing system will be specified in the applicable Final Terms.

APPENDIX A

FORM OF FINAL TERMS

Set out below is the form of Final Terms which, subject to any necessary amendment, will be completed for each Tranche of Covered Bonds issued under the Programme. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated [●]
(to the Base Prospectus dated [●] 2008)

Barclays Bank PLC

**Issue of [Regulated] [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds]
irrevocably and unconditionally guaranteed as to payment of principal and interest by
Barclays Covered Bonds LLP
under the
€15 billion Global Covered Bond Programme**

[The Programme has been registered and notice of the issue of these Covered Bonds [has been/ will be] made, under the Regulated Covered Bonds Regulations 2008.] [Application has been made for the Programme to be registered, and notice of the issue of these Covered Bonds will be made, under the Regulated Covered Bonds Regulations 2008.] In this respect, see also the paragraph “*The Regulated Covered Bonds Regulations 2008*” in the section “*Risk Factors*” of the Base Prospectus.

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the conditions (the “**Conditions**”) set forth in the Base Prospectus dated [●] 2008 [and the Supplemental Base Prospectus dated [●]] which [together] constitute(s) a base prospectus (the “**Base Prospectus**”) for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus. Full information on the Issuer, the Guarantor and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectuses [and the supplemental Base Prospectus] [is] [are] available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Base Prospectus dated [original date]. This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) and must be read in conjunction with the Base Prospectus dated [current date] and the Supplemental Base Prospectus dated [●], which together constitute(s) a base prospectus (the “**Base Prospectus**”) for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [original date] and are attached hereto. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus dated [original date] and [current date] [and the Supplemental Base Prospectus dated [●] and [●]]. The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

[When adding any other final terms or information including final terms at items [10,11,17,18,19 or 30] of Part A or in relation to disclosure relating to the interests of natural and legal persons involved in the issue/offer in Part B consideration should be given as to whether such terms or information constitute “significant new facts” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]

1. (i) Issuer: Barclays Bank PLC
(ii) Guarantor: Barclays Covered Bonds LLP
2. (i) Series Number: [●]
(ii) Tranche Number: [●]
[If fungible with an existing Series, details of that Series, including the date on which the Covered Bonds become fungible]
3. Specified Currency or Currencies: [●]
4. [Nominal Amount of Covered Bonds to be issued:] [●]
5. Aggregate Nominal Amount of the Covered Bonds Admitted to trading:
(i) [Series: [●]
(ii) Tranche: [●]]
6. (i) Issue Price: [●]
(ii) [Net proceeds [●]]
[(Required only for listed issues)]
7. Specified Denominations: [●]
[in the case of Registered Covered Bonds, this means the minimum integral amount in which transfers can be made]⁵
[N.B. The minimum denomination of each Covered Bond admitted to trading on a regulated exchange in the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive is €50,000 (or, if the Covered Bonds are denominated in a currency other than euro, the equivalent amount in such currency) or such other higher amount as 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 relevant Specified Currency. Please see paragraph 13 below for tradeable amount]
8. (i) Issue Date: [●]
(ii) Interest Commencement Date: [●]
9. Final Maturity Date: [Interest Payment Date falling in or nearest to [specify month]]
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 [specify month; in each case falling [one year] after the Final Maturity Date]/[N/A]
10. Interest Basis: [[●] per cent. Fixed Rate]

5 If Covered Bonds are offered or sold in The Netherlands with a denomination of less than €50,000 (or its foreign currency equivalent) then they may only be offered or sold as a block or package having an aggregate value of at least €50,000 (or its foreign currency equivalent) and a selling restriction to this effect should be included in the Final Terms or offered or sold to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises) and a selling restriction to this effect should be included in the Final Terms.

- [[LIBOR/EURIBOR] +/- [●] per cent.
Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[Dual Currency Interest]
[specify other]
(further particulars specified below)
11. Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency Redemption]
[Partly Paid]
[Instalment]
[Hard Bullet Covered Bond]
[specify other]
12. Change of Interest Basis or Redemption/
Payment Basis: [*Specify details of any provision for change of
Covered Bonds into another Interest Basis or
Redemption/Payment Basis*]
13. Tradeable amount: [*Integral Multiples*]
14. Call Options: [Issuer Call]
[*(further particulars specified below)*]
15. (i) Status of the Covered Bonds: Senior
(ii) Status of the Guarantee: Senior
(iii) [Date [Board/Committee] approval [●] [and [●], respectively]]
for issuance of Covered Bonds
obtained:
[*N.B Only relevant where Board (or similar)
authorisation is required for the particular tranche
of Covered Bonds or related Guarantee*]
16. Listing: [London/specify other/None]
17. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE⁶

18. Fixed Rate Covered Bond Provisions [Applicable/Not Applicable]
[*If not applicable, delete the remaining sub-
paragraphs of this paragraph*]
- (i) Fixed Rate(s) of Interest: [●] per cent. per annum [payable [annually/semi-
annually/quarterly] in arrear]
[*If payable other than annually, consider amending
Condition 4 (Interest)*]
- (ii) Interest Payment Date(s): [●] in each year up to and including the [Final
Maturity Date] [Extended Due for Payment Date, if
applicable]/[specify other] (provided however that
after the Extension Determination Date, the

⁶ This section relates to interest payable under the Covered Bonds and corresponding amounts of Scheduled Interest payable under the Covered Bond Guarantee.

- Interest Payment Date shall be monthly)
[NB: This will need to be amended in the case of long or short coupons]
- (iii) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*[specify other]*]
- (iv) Business Day(s): [●]
 Additional Business Centre(s): [New York], [●]
- (v) Fixed Coupon Amount(s): [●] per [●] in nominal amount
- (vi) Initial Broken Amount(s): *[Insert particulars of any initial broken interest amounts which do not correspond with the Fixed Coupon Amount]*
- (vii) Final Broken Amount: *[Insert particulars of any final broken interest amounts which do not correspond with the Fixed Coupon Amount]*
- (viii) Day Count Fraction: [30/360 or Actual/Actual ((ISMA)/ISDA) or *specify other*]
- (ix) Determination Date(s): [●] in each year
[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]
NB: This will need to be amended in the case of regular interest payment dates which are not of equal duration.
NB: Only relevant where Day Count Fraction is Actual/Actual (ISMA)]
- (x) Other terms relating to the method of calculating interest for Fixed Rate Covered Bonds: [Not Applicable/*Give details*]
19. **Floating Rate Covered Bond Provisions** [Applicable/Not Applicable]
[If not applicable, delete the remaining subparagraphs of this paragraph]
- (i) Specified Period(s)/Specified Interest Payment Date(s): [●] (provided however that after the Extension Determination Date, the Specified Interest Payment Date shall be monthly)
[NB: Specify the Specified Period(s)/Specified Interest Payment Date(s) up to and including the Extended Due for Payment Date, if applicable]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
- (iii) Additional Business Centre(s): [●]
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/*specify other*]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [●]

- (vi) Screen Rate Determination:
- (1) Reference Rate: [●]
[Either LIBOR, EURIBOR or other, although additional information is required if other, including amendment to fallback provisions in the Agency Agreement]
- (2) Interest Determination Date(s): [●]
[Second day on which commercial banks are open for general business (including dealings in foreign currency deposits) in London prior to the start of each Interest Period if LIBOR (other than Sterling [or euro LIBOR]), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR [or euro LIBOR]]
[NB: Specify the Interest Determination Date(s) up to and including the Extended Due for Payment Date, if applicable]
- (3) Relevant Screen Page: [●]
[In the case of EURIBOR, if not Reuters page EURIBOR01 or, in the case of LIBOR, Reuters Page LIBOR01, ensure it is a page which shows a composite rate or amend the fallback provisions appropriately]
- (vii) ISDA Determination:
- (1) Floating Rate Option: [●]
- (2) Designated Maturity: [●]
- (3) Reset Date: [●]
- (viii) Margin(s): [+/-] [●] per cent. per annum.
- (ix) Minimum Rate of Interest: [●] per cent. per annum
- (x) Maximum Rate of Interest: [●] per cent. per annum
- (xi) Day Count Fraction: [Actual/365
 Actual/365 (Fixed)
 Actual/365 (Sterling)
 Actual/360
 30/360
 30E/360
 (Other)]
 [adjusted/not adjusted]
- (xii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Covered Bonds, if different from those set out in Condition [●] of the Conditions: [●]
20. **Zero Coupon Covered Bond Provisions⁷** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub – paragraphs of this paragraph)

⁷ Zero Coupon Covered Bonds not to be issued with an Extended Due for Payment Date unless otherwise agreed with the Dealers and the Bond Trustee.

- (i) Accrual Yield: per cent. per annum
- (ii) Reference Price:
- (iii) Any other formula/basis of determining amount payable:
- (iv) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]
- (v) Business Day(s):
Additional Business Centre(s):
- (vi) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions [6(d)(iii) and (h)] apply/specify other] [Consider applicable day count fraction if not U.S. dollar denominated]
- 21. Index Linked Interest Covered Bond⁸** [Applicable/Not Applicable]
[If not applicable, delete the remaining subparagraphs of this paragraph]
- (i) Index/Formula/other variable: [give or annex details]
- (ii) Calculation Agent responsible for calculating the principal and/or interest due:
- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable
- (iv) Determination Date
- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:
- (vi) Specified Period(s):
- (vii) Specified Interest Payment Dates: (provided however that after the Extension Determination Date, the Specified Interest Payment Date shall be monthly)
- (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (ix) Additional Business Centre(s):
- (x) Minimum Rate of Interest: per cent. per annum
- (xi) Maximum Rate of Interest: per cent. per annum
- (xii) Day Count Fraction:
- 22. Dual Currency Covered Bond Provisions** [Applicable/Not Applicable]
[If not applicable, delete the remaining subparagraphs of this paragraph]
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]

⁸ No Index Linked Covered Bonds will be issued except following an amendment of the Programme by way of supplementary prospectus.

- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest payable: [●]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:
- (iv) Person at whose option Specified Currency(ies) is/are payable: [●]
- (v) Business Day(s): [●]
Additional Business Centre(s): [●]

PROVISIONS RELATING TO REDEMPTION BY THE ISSUER

23. Issuer Call: [Applicable/Not Applicable]
[If not applicable, delete the remaining sub-paragraphs of this paragraph]
- (i) Optional Redemption Date(s): [●]
[NB: Optional Redemption Dates must be Interest Payment Dates unless otherwise agreed with the Dealers and the Bond Trustee]
 - (ii) Optional Redemption Amount of each Covered Bond and method, if any, of calculation of such amount(s): [●] per Covered Bond of [●] Specified Denomination
 - (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: [●]
 - (b) Higher Redemption Amount: [●]
 - (iv) Notice period (if other than as set out in the Conditions): [●]
[N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or Bond Trustee]
24. Early Redemption Amount of each Covered Bond payable on redemption for taxation reasons, on acceleration following an Issuer Event of Default or an LLP Event of Default and/or the method of calculating the same (if required or if different from that set out in Condition 6(f) (*Early Redemption Amounts*)): [●]

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

25. Form of Covered Bonds: [Bearer Covered Bonds:
- (i) [Form:] [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]

[N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Covered Bonds in paragraph 7 above includes language substantially to the following effect: "€50,000 and integral multiples of €1,000 in excess thereof up to and including €99,000". Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes]

[Registered Covered Bonds:

Regulation S Global Covered Bond (U.S.\$[●] nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg]/Rule 144A Global Covered Bond (U.S.\$[●] nominal amount) registered in the name of a nominee for [DTC/ a common depository for Euroclear and Clearstream, Luxembourg] (specify nominal amounts)]

- (ii) New global Covered Bond: [Yes]/[No]
26. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]
[Note that this item relates to the place of payment and not Interest Period end dates to which items 17(iii) and 19(vi) relate]
27. Talons for future Coupons or Receipts to be attached to Bearer Definitive Covered Bonds (and dates on which such Talons mature): [Yes/No. If yes, give details]
28. Details relating to Partly-Paid Covered Bonds: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Covered Bonds and interest due on late payment: [Not Applicable/give details. N.B. a new form of Temporary Global Covered Bond and/or Permanent Global Covered Bond may be required for Partly Paid issues]
29. Details relating to Instalment Covered Bonds:
- (i) Instalment Amount(s): [Not Applicable/give details]
- (ii) Instalment Date(s): [Not Applicable/give details]
30. Redenomination: Redenomination [not] applicable
[If Redenomination is applicable, specify the terms of the redenomination in an annex to the Final Terms]

31. Other final terms: [Not Applicable/give details]
[When adding any other final terms consideration should be given as to whether such terms constitute a “significant new factor” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive]

DISTRIBUTION

32. (i) If syndicated, names and addresses of Managers: [Not Applicable/give names, addresses and underwriting commitments]
(ii) Stabilising Manager(s) (if any): [Not Applicable/give name]
33. If non-syndicated, name of relevant Dealer(s): [●]
34. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA rules not applicable]
35. Additional selling restrictions: [Not Applicable/give details]

[Insert here any other relevant codes such as CUSIP and CINS codes]

LISTING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Covered Bonds described herein pursuant to the €15 billion Global Covered Bond Programme of Barclays Bank PLC on the regulated market of the London Stock Exchange.

RESPONSIBILITY

Each of the Issuer and the Guarantor accept responsibility for the information contained in these Final Terms. [[●] has been extracted from [●]]. The Issuer [and the Guarantor] confirms that such information has been accurately reproduced and that, so far as it is aware [and able to ascertain from information published by [●]] no facts have been omitted which would render the reproduced information inaccurate or misleading.

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing: [London/other (*specify*)/None]
- (ii) Admission to trading: [Application has been made for the Covered Bonds to be admitted to trading on [specify relevant regulated market] with effect from [●]] [Not applicable]

2. RATINGS

- (i) Ratings: The Covered Bonds to be issued have been rated:
[S & P: [●]]
[Moody's: [●]]
[Fitch: [●]]
[[*Other*]: [●]]
[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. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (i) [Reasons for the offer] [●]
(See [“Use of Proceeds”] wording in Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here)]
- (ii) Estimated net proceeds: [●]
(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding)
- (iii) Estimated total expenses [●]
[Include breakdown of expenses]
If the Covered Bonds are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above)

The [*include name of competent authority in EEA home Member State*] [has been requested to provide/has provided – include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.

4. [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 Guarantor are aware, no person involved in the issue of the Covered Bonds has an interest material to the offer. [*Amend as appropriate if there are other interests*]]

5. **YIELD** [*Fixed Rate Covered Bonds only*]

Indication of yield:

[The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield]

6. **PERFORMANCE OF INDEX/FORMULA/ OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING** [*Index-Linked or other variable-linked Notes only*]

[Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Include other information concerning underlying required by Paragraph 4 of Annex XII of the Prospectus Directive Regulation]

7. **PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT** [*Dual Currency Notes only*]

[Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained]

8. **OPERATIONAL INFORMATION**

(i) ISIN Code:

(ii) Common Code:

(iii) CUSIP

(iv) CINS

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

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

(vii) Names and addresses of additional Paying Agent(s) (if any):

(viii) Intended to be held in a manner which would allow Eurosystem eligibility:
[Yes]/[No]
[Note that the designation “yes” simply means that the Covered Bonds are intended upon issue to be deposited with one of Euroclear or Clearstream, Luxembourg as common safekeeper and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria] [*Include this text if “yes” selected in which case the Covered Bonds must be issued in NGCB form*]

Signed on behalf of the Issuer:
By:
Duly authorised

Signed on behalf of the Guarantor:
By:
Duly authorised

If the applicable Final Terms Document specifies any modification to the Terms and Conditions of the Covered Bonds as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 5, 6, 7 (except Condition (b)), 12, 13, 14, 15 (insofar as such Covered Bonds are not listed or admitted to trade on any stock exchange) or 18, they will not necessitate the preparation of a supplement to this Base Prospectus. If the Terms and Conditions of the Covered Bonds of any Series are to be modified in any other respect, a supplement to this Base Prospectus will be prepared, if appropriate.

GLOSSARY

“\$”, “U.S. Dollars” and “US\$”	The lawful currency for the time being of the United States of America;
“£”, “Sterling” and “Pounds Sterling”	The lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland;
“€”, “Euro” 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;
“30/360”	As 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;
“30E/360”	As specified in the applicable Final Terms the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Final Maturity Date (or, as the case may be, Extended Due for Payment Date) is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);
“360/360”	The number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));
“Account Balance Increase”	Amounts per each Reference Mortgage Reserve as calculated on a Reference Mortgage Reserve by Reference Mortgage Reserve basis;
“Account Bank”	Barclays in its capacity as Account Bank pursuant to the Account Bank Agreement;
“Account Bank Agreement”	The account bank agreement entered into on the Programme Date, as amended and/or supplemented and/or restated from time to time, between the LLP, the Account Bank, the Cash Manager and the Security Trustee;
“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 Mortgage Loan as at any date the aggregate of all interest accrued but not yet due and payable on the Loan from (and including) the Monthly Payment Date immediately preceding the relevant date to (but excluding) the relevant date;
“Actual/360”	As specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
“Actual/365 (Fixed)”	As specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

“Actual/365 (Sterling)”	As 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;
“Actual/365” or “Actual/Actual (ISDA)”	As 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);
“Additional MRCLN Advance”	Any further amount that the LLP shall lend to the Seller, under certain circumstances pursuant to the MRCLN Note Purchase Facility Agreement, on (i) any LLP Payment Date, and (ii) any Transfer Date;
“Adjusted Aggregate Asset Amount”	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 77;
“Adjusted Required Redemption Amount”	The Sterling Equivalent of the Required Redemption Amount, plus or minus the Sterling Equivalent of any swap termination amounts payable under the Swap Agreements to or by the LLP in respect of the relevant Series of Covered Bonds less (where applicable) amounts standing to the credit of (i) the Pre-Maturity Liquidity Ledger or (ii) the GIC Account and (iii) the Sterling Equivalent of the principal balance of any Authorised Investments (excluding all amounts to be applied on the 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);
“Administration Agreement”	The administration agreement entered into on the Programme Date, as amended and/or supplemented and/or restated from time to time, between the LLP, the Administrator and the Security Trustee;
“Administration Procedures”	The administration, arrears and enforcement policies and procedures from time to time pursuant to which the Administrator administers and enforces Mortgage Accounts and their Related Security which are beneficially owned by the Seller;
“Administrator”	Barclays in its capacity as Administrator under the Administration Agreement together with any successor Administrator appointed from time to time;
“Administrator Event of Default”	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 72;
“Administrator Termination Event”	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 72;
“Agency Agreement”	The agency agreement (as amended and/or supplemented and/or restated from time to time) dated the Programme Date and made between the Issuer, the LLP, the Bond Trustee, the Principal Paying Agent and the other Paying Agents, the Exchange Agent, the Registrar and the Transfer Agents;
“Agents”	The Paying Agents, the Registrar, the Exchange Agent and the Transfer Agent and each an “Agent”;
“Aggregate Debt Limit”	In relation to any Mortgage Account, the aggregate permitted debt owed by a Borrower in respect of such Mortgage Account;
“Aggregate Mortgage Reserve Account Balance Increase Amount”	The then sum of all Mortgage Reserve Account Balance Increase Amounts for each Reference Mortgage Reserve (as calculated on a Reference Mortgage Reserve by Reference Mortgage Reserve basis);
“Aggregate Mortgage Reserve Principal Repayment Amount”	The then sum of all Mortgage Reserve Principal Repayment Amounts for each and every Mortgage Reserve which were Reference Mortgage Reserves (and as calculated on a Reference

	Mortgage Reserve by Reference Mortgage Reserve basis) at the start of the immediately preceding Calculation Period (or if added as a Reference Mortgage Reserve during the relevant Calculation Period, on the relevant Transfer Date);
“Aggregate Potential MRCLN Interest”	The Potential MRCLN Interest added to any previous Potential MRCLN Interest which has been accrued in relation to a Reference Mortgage Reserve for any previous Calculation Period (less any amounts of Released Potential MRCLN Interest in relation to such reference Mortgage Reserve);
“Amortisation Test”	The test as to whether the Amortisation Test Aggregate Asset Amount is at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date after the occurrence of an Issuer Event of Default;
“Amortisation Test Aggregate Asset Amount”	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 81;
“Amortisation Test Outstanding Principal Balance”	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 81;
“Amortised Face Amount”	The meaning given in “ <i>Terms and Conditions of Covered Bonds</i> ” on page 132;
“Applicable Final Terms Document”	The applicable Final Terms document;
“Applicable Final Terms”	The Final Terms (or the relevant provisions thereof) attached to or endorsed on the Covered Bond;
“Arranger”	Barclays Bank PLC acting through its investment banking division, Barclays Capital;
“Arrears of Interest”	As at any date in respect of any Mortgage Loan, interest (other than Capitalised Interest or Accrued Interest) on that Mortgage Loan which is currently due and payable and unpaid on that date;
“Asset Coverage Test”	The test as to whether the Adjusted Aggregate Asset Amount is at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date;
“Asset Monitor”	PricewaterhouseCoopers LLP, whose registered office is at 1 Embankment Place, London WC2N 6RH, acting through its office at Hay’s Galleria, 1 Hays Lane, London SE1 2RD;
“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 “ <i>Summary of the Principal Documents</i> ” on page 80;
“Asset Pool”	The pool of assets owned at any time by the LLP which back the payment of claims attached to the Covered Bonds and may comprise the following items: <ul style="list-style-type: none"> (a) sums derived from the issue of Covered Bonds;

- (b) eligible property in accordance with Regulation 2(1) of the RCB Regulations which is acquired by the LLP or transferred by the Issuer or a connected person to the Issuer or the LLP in accordance with the RCB Regulations;
- (c) contracts relating to the asset pool or to any Covered Bonds (including, for the avoidance of doubt, the MRCLN);
- (d) sums derived from any of the assets referred in (b) or (c) above and sums lent to the LLP by persons other than the Issuer, in accordance with the RCB Regulations;

“Authorised Investments”

(a) Sterling gilt-edged securities and (b) sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper) (which may include deposits into any account which earns a rate of interest related to LIBOR) provided that in all cases such investments have a maturity date of 90 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 Institution) are rated at least equal to “A-1+” by S&P, “P-1” by Moody’s and “F1+” by Fitch or which are otherwise acceptable to the Rating Agencies (if they are notified in advance) to maintain the then current rating of the Covered Bonds provided that any such authorised investment satisfies the requirements for eligible assets that may collateralise covered bonds in accordance with paragraph 68 of Annex VI of the Banking Consolidation Directive;

“Authorised Institution”

An institution authorised to take deposits under the Financial Services and Markets Act 2000;

“Authorised Underpayment”

A payment made by a Borrower in an amount less than the Monthly Payment then due on the Mortgage Loan being a sum not exceeding the aggregate of any previous Overpayments;

“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 or, with respect to repurchases of any Mortgage Loans and their Related Security relating to the immediately preceding Calculation Period and credited to the GIC Account (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 unless they are applied towards the repurchase of the relevant Mortgage Loans and their Related Security relating to the immediately preceding Calculation Period);
- (b) any other amount standing to the credit of the Principal Ledger including (i) the proceeds of any Term Advance (where such proceeds have not been applied to acquire New Mortgage Loan Portfolios, refinance an existing Term Advance or invest in Substitution Assets), (ii) any Cash Capital Contributions received from a Member (iii) any principal amounts due and payable under the MRCLN in respect of the preceding Calculation Period and (iv) the proceeds from any sale of Selected Mortgage Loans pursuant to the terms of the LLP Deed or the Mortgage Sale Agreement but excluding any amount of principal received under the Swap Agreements; and

	(c) all amounts in respect of principal (if any) received by the LLP under the Swap Agreements on the relevant LLP Payment Date and any such amounts anticipated to be paid under the relevant Swap Agreements in the immediately succeeding LLP Payment Period;
“Available Revenue Receipts”	On a relevant Calculation Date, an amount equal to the aggregate of: <ul style="list-style-type: none"> (a) the amount of Revenue Receipts received during the previous Calculation Period and credited to the Revenue Ledger on the GIC Account; (b) other net income of the LLP including all amounts of interest received on the LLP Accounts, the Substitution Assets and Authorised Investments in the previous Calculation Period but excluding amounts received by the LLP under the Swap Agreements; (c) and all amounts (other than in respect of principal) (if any) received by the LLP under the Swap Agreements and any such amounts anticipated to be paid under the relevant Swap Agreements in the immediately succeeding LLP Payment Period; (d) 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; (e) any other Revenue Receipts not referred to in paragraphs (a) to (c) (inclusive) above received during the previous Calculation Period and standing to the credit of the Revenue Ledger on the GIC Account; and (f) following the service on the LLP of a Notice to Pay, amounts standing to the credit of the Reserve Fund; less <ul style="list-style-type: none"> (g) Third Party Amounts, which shall be paid on receipt in cleared funds to the Seller;
“Banking Consolidation Directive”	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions, as amended from time to time;
“Barclays”	Barclays Bank PLC, a public limited company registered in England and Wales under company number 1026167 having its registered office at 1 Churchill Place, London E14 5HP;
“Barclays Base Rate”	The base rate of interest as set by Barclays Bank PLC from time to time;
“Barclays Capital”	The investment banking division of Barclays Bank PLC;
“Barclays Group”	The Issuer and its subsidiary undertakings;
“Barclays PLC”	The ultimate holding company of the Issuer;
“Barclays Standard Variable Rate”	The Barclays standard variable rate and/or the standard variable rate applicable to Mortgage Loans within the Mortgage Loan Portfolio, as applicable;
“Base Prospectus”	Means this base prospectus;
“Basel Committee”	Basel Committee on Banking Supervision;
“Bearer Covered Bonds”	Covered Bonds in bearer form;
“Bearer Definitive Covered Bonds”	A Bearer Covered Bond in definitive form issued or, as the case may require, to be issued by the Issuer in accordance with the provisions of the Programme Agreement or any other agreement between the Issuer and the relevant Dealer(s), the Agency Agreement and the Trust Deed in exchange for either a Temporary Global Covered Bond

or part thereof or a Permanent Global Covered Bond or part thereof (all as indicated in the applicable Final Terms), such Bearer Covered Bond in definitive form being in the form or substantially in the form set out in Part C of Schedule 2 to the Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer (in the case of syndicated Issues) and having the Conditions endorsed thereon or, if permitted by the relevant Stock Exchange, incorporating the Conditions by reference as indicated in the applicable Final Terms and having the relevant information supplementing, replacing or modifying the Conditions appearing in the applicable Final Terms endorsed thereon or attached thereto and (except in the case of a Zero Coupon Covered Bonds in bearer form) having Coupons and, where appropriate, Receipts and/or Talons attached thereto on issue;

“Bearer Global Covered Bond”	The meaning given on page 110;
“Beneficial Owner”	Each actual purchaser of each DTC Covered Bond;
“Bond Basis”	As specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));
“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;
“Bondholder”	The bearer of the relevant Global Covered Bond or the registered holder of the relevant Registered Global Covered Bond who 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;
“Borrower”	In relation to a Mortgage 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 Mortgage Loan or any part of it;
“Broken 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;
“Business Day”	The meaning given in <i>“Terms and Conditions of the Covered Bonds”</i> on page 122;
“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 day falling one Business Day prior to the LLP Payment Date (or, if that day is not a Business Day, then the immediately preceding Business Day);

“Calculation Period”	The period from, and including, the first day of each month to, and including, the last day of each month;
“Capital Account Ledger”	The monthly 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;
“Capital Balance”	For a Mortgage Loan at any date the principal balance of that Loan to which the Administrator applies the relevant interest rate at which interest on that Loan accrues;
“Capital Contribution”	In relation to each Member, any amount of 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 in accordance with the LLP Deed;
“Capital Contribution Balance”	The balance of each Member’s Capital Contributions as determined in accordance with the LLP Deed;
“Capital Contributions in Kind”	A contribution of Mortgage Loans and their Related Security to the LLP in an amount equal to (a) the aggregate of the outstanding principal balance of those Mortgage Loans as at the relevant Transfer Date minus (b) any cash payment paid by the LLP for the Mortgage 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 Mortgage 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 Interest”	For any Mortgage 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 supplemented and/or restated from time to time, between the LLP, Barclays in its capacity as the Cash Manager and the Security Trustee;
“Cash Manager”	Barclays, in its capacity as cash manager under the Cash Management Agreement together with any successor cash manager appointed from time to time;
“CCA”	Consumer Credit Act 1974;
“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;
“Charged Property”	The property charged by the LLP pursuant to Clauses 3.1 to 3.10 (inclusive) (<i>Security and Declaration of Trust</i>) of the Deed of Charge;
“Chargee”	The holder of security;
“Clearing Systems”	DTC, Euroclear and/or Clearstream, Luxembourg;
“Clearstream, Luxembourg”	Clearstream Banking, société anonyme;
“CML”	Council of Mortgage Lenders;
“CML Code”	Mortgage Code issued by the CML;

“Common Depository”	The common depository for Euroclear and Clearstream, Luxembourg;
“Common Safekeeper”	If Bearer Global Covered Bonds are intended to be issued in NGCB form, as stated in the applicable Final Terms Document, they are to be delivered on or prior to the issue date of the relevant Tranche to a common safekeeper;
“Conditions”	Terms and conditions of the Covered Bonds;
“Corporate Services Agreement”	The corporate services agreement entered into by the Liquidation Member, with, <i>inter alios</i> , the relevant Corporate Services Provider and the LLP dated the Programme Date, as amended and/or supplemented and/or restated from time to time;
“Corporate Services Provider”	Structured Finance Management Limited, a company incorporated in England and Wales in its capacity as corporate services provider to the Liquidation Member under a Corporate Services Agreement, together with any successor corporate services provider appointed from time to time;
“Couponholders”	The holders of the Coupons (which expression shall, unless the context otherwise requires, include the holders of the Talons);
“Coupons”	The meaning given in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 114;
“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 Bonds”	Covered bonds issued or to be issued pursuant to the Programme Agreement and which is or is to be constituted under the Trust Deed, which covered bonds 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 (<i>Replacement of Covered Bonds, Receipts, Coupons and Talons</i>) and Condition 6(d) (<i>Legislative Exchange</i>) and each a “Covered Bond”;
“Covered Bondholders”	The bearer of the relevant Global Covered Bond or the registered holder of the relevant Registered Global Covered Bond who 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 each a “Covered Bondholder”;
“Covered Bond Swap”	Each Covered Bond Swap and/or basis transaction entered into between the LLP and the relevant Covered Bond Swap Provider;
“Covered Bond Swap Provider”	Barclays, in its capacity as Covered Bond Swap provider under the Covered Bond Swap together with any successor thereto;
“Current Balance”	In relation to any Mortgage Loan as at any given date, the principal balance of that Mortgage Loan to which the Seller applies the relevant interest rate to and at which interest on that Loan accrues interest, and is the aggregate (but avoiding double counting) of: <ul style="list-style-type: none"> (a) the original principal amount advanced to the relevant Borrower and any further amount advanced on or before any given date to the relevant Borrower under that Loan secured or intended to be secured by the Related Security; (b) the amount of any Further Advance under that Loan secured or purported to be secured by the Related Security; (c) any interest, legal expense, fee, charge, premium or payment which has been properly capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower’s

	consent and added to the amounts secured or intended to be secured by that Loan and the Related Security (including interest capitalised on any Further Advance); and
	(d) any other amount (other than unpaid interest) which is due or accrued (whether or not due) and which has not been paid by the relevant Borrower and has not been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent but which is secured or purported to be secured by that Loan and the Related Security, as at the end of the London Business Day immediately preceding that given date less any repayment or payment of any of the foregoing made on or before the end of the London Business Day immediately preceding that given date;
“Custodian”	Any custodian with whom the relevant Registered Global Covered Bonds have been deposited;
“Day Count Fraction”	In the case of a Fixed Rate Covered Bond, the meaning given in Condition 4(a) (<i>Interest on Fixed Rate Covered Bonds</i>) in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 120 and in the case of a Floating Rate Covered Bond or an Index Linked Covered Bond, the meaning given in Condition 4(b) (<i>Interest on Floating Rate Covered Bonds and Index Linked Interest Covered Bonds</i>) in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 123;
“Dealer”	Each of Barclays Bank PLC acting through its investment banking division, Barclays Capital and any other dealers appointed from time to time in accordance with the Programme Agreement, which appointment may be for a specific issue or on an ongoing basis. References in this Base 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;
“Dealers”	One or more dealers appointed under the Programme from time to time by the Issuer;
“Deed of Charge”	The deed of charge (as amended and/or supplemented and/or restated from time to time) dated the Programme Date and made between the LLP, the Bond Trustee, the Security Trustee and certain other Secured Creditors;
“Deed of Consent”	A deed whereby a person in or intended to be in occupation of a Property agrees with the Seller to postpone his or her interest (if any) in the Property so that it ranks after the interest created in the relevant Mortgage;
“Deed of Postponement”	A deed or agreement whereby a mortgagee of or the heritable creditor in relation to a Property agrees with the Seller to postpone its mortgage or standard security (as appropriate) over the Property so that the sums secured by it will rank for repayment after the sums secured by the relevant Mortgage;
“Defaulted Mortgage Account”	Any Mortgage Loan in the Portfolio which is more than 90 days in arrears or any Reference Mortgage Reserve that has a Mortgage Reserve Account Balance in excess of the Mortgage Reserve Credit Limit;
“Deferred Consideration”	The consideration payable to a Seller in respect of the Mortgage Loans sold to the LLP from time to time, which is payable after making payments of a higher order of priority as set out in the relevant Priorities of Payments;
“Deferred Purchase Price Amount”	The amount of the Deferred Consideration calculated in accordance with the Deferred Purchase Price Calculation formula;

“Deferred Purchase Price Calculation Formula”	<p>The formula used to determine the amount of Deferred Purchase Price that is payable on an LLP Payment Date and shall be equal to:</p> $TDC \times \left(\frac{ACB}{ACB + PAO} \right)$ <p>where:</p> <p>TDC = the amount of Available Revenue Receipts on such LLP Payment Date after payment of all other amounts at items (i) to (xiii) of the Pre-Acceleration Revenue Priority of Payments;</p> <p>PAO = the then MRCLN Principal Amount Outstanding as at the immediately preceding Determination Date; and</p> <p>ACB = the aggregate Current Balance on the Mortgage Loans in the then Mortgage Loan Portfolio as at the immediately preceding Determination Date;</p>
“Definitive Covered Bond”	A Bearer Definitive Covered Bond and/or, as the context may require, a Registered Definitive Covered Bond;
“Definitive Covered Bonds”	A Registered Definitive Covered Bonds and a Bearer Definitive Covered Bonds;
“Definitive Regulation S Covered Bond”	A Registered Covered Bond in definitive form sold to non-U.S. Persons outside the United States in reliance on Regulation S;
“Definitive Rule 144A Covered Bond”	A Registered Covered Bond in definitive form sold to QIBs pursuant to Rule 144A;
“Designated Account”	The meaning given in Condition 5(d) (<i>Payments in respect of Registered Covered Bonds</i>) in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 127;
“Designated Bank”	The meaning given in Condition 5(d) (<i>Payments in respect of Registered Covered Bonds</i>) in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 127;
“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, Barclays and the Liquidation Member (together, the “ Designated Members ”;
“Designated Members”	Barclays and the Liquidation Member;
“Determination Date”	The first day of each calendar month;
“Determination Period”	The meaning given in Condition 4(a) (<i>Interest on Fixed Rate Covered Bonds</i>) in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 121;
“Direct Participants”	The meaning given in “ <i>Book-Entry Clearance Systems</i> ” on page 106;
“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);
“DMD”	The Distance Marketing of Financial Services Directive;
“DTC”	Depository Trust Company;
“DTC Covered Bonds”	Covered Bonds accepted into DTC’s book-entry settlement system;
“DTCC”	The Depository Trust & Clearing Corporation;

“DTI”	Department of Trade and Industry;
“Dual Currency Covered Bonds”	Covered Bonds in respect of which payments (whether in respect of principal or interest and whether at maturity or otherwise) will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer(s) may agree;
“Dual Currency Interest Covered Bond”	A Covered Bond in respect of which payments whether in respect of principal or interest are made in such different currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree;
“Dual Currency Redemption Covered Bond”	A Covered Bond in respect of which payments of principal are made or to be made in such different currencies, and at rates of exchange calculated upon such basis, as the Issuer and the relevant Dealers) may agree (as indicated in the applicable Final Terms);
“Due for Payment”	<p>The requirements by the LLP to pay any Guaranteed Amounts following the delivery of a Notice to Pay on the LLP:</p> <p>(a) prior to the occurrence of an LLP Event of Default, on the later of:</p> <ul style="list-style-type: none"> (i) the date on which the Scheduled Payment Date in respect of such Guaranteed Amounts is reached, or, if later, the day which is two 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 (ii) in relation to any Guaranteed Amounts in respect of the Final Redemption Amount payable on the Final Maturity Date for a Series of Covered Bonds only, the Extended Due for Payment Date, but only (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, as the LLP has insufficient moneys available under the Guarantee Priority of Payments to pay such Guaranteed Amounts in full on the earlier of (a) the date which falls two Business Days after service of such Notice to pay on the LLP or, if later, the Final Maturity Date (or, in each case, after the expiry of the grace period set out in Condition 9(b)(i)) under the terms of the Covered Bond Guarantee or (b) the Extension Determination Date, <p>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; or</p>

	(b) following the occurrence of an LLP Event of Default, the date on which an LLP Acceleration Notice is served on the Issuer and the LLP;
“Earliest Maturing Covered Bonds”	At any time, the Series of the Covered Bonds (other than any Series which is fully collateralised by amounts standing to the credit of the GIC Account) 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 Charge”	Any charge or fee which a Borrower is required to pay in accordance with the Mortgage Conditions applicable to a Mortgage Loan in the event that Borrower repays all or part of the relevant Mortgage Loan before a specified date (other than, for the avoidance of doubt, any redemption fees);
“Eligibility Criteria”	The meaning given on page 63;
“English Mortgage”	A first ranking legal mortgage over a residential property in England or Wales;
“English Mortgage Loans”	Mortgage Loans secured by an English Mortgage;
“Enterprise Act”	Enterprise Act 2002;
“EU”	European Union;
“EURIBOR”	Euro-zone inter-bank offered rate;
“Eurobond Basis”	As specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Final Maturity Date (or, as the case may be, Extended Due for Payment Date) is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);
“Euroclear”	Euroclear Bank S.A/N.V. as operator of the Euroclear System;
“Euro Transaction Account”	The Euro account designated as such in the name of the LLP held with the Account Bank and maintained subject to the terms of the Account Bank Agreement and the Deed of Charge;
“Excess Proceeds”	Moneys received (following the occurrence of an Issuer Event of Default and delivery of an Issuer Acceleration Notice) by the Bond Trustee from the Issuer or any administrator, administrative receiver, receiver, liquidator, trustee in sequestration or other similar official appointed in relation to the Issuer;
“Exchange Act”	The U.S. Securities Exchange Act of 1934, as amended;
“Exchange Agent”	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 “ <i>Form of Covered Bonds</i> ” on page 111 and in the case of Registered Covered Bonds, the meaning given in “ <i>Form of Covered Bonds</i> ” on page 112;
“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 holders of the Covered Bonds passed as such under the terms of the Trust Deed;
“Final Maturity Date”	The Interest Payment Date on which each Series of Covered Bonds will be redeemed at their Principal Amount Outstanding in accordance with the Conditions;
“Final Redemption Amount”	The meaning given in the relevant Final Terms;
“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 UK Listing Authority and the London Stock Exchange on or before the date of issue of the applicable Tranche of Covered Bonds;
“First Transfer Date”	The date on which the Seller, subject to the fulfilment of certain conditions, agrees to sell and assign the Initial Mortgage Loan Portfolio to the LLP in accordance with the Mortgage Sale Agreement;
“First Issue Date”	The first Issue Date on which the Issuer will issue a Series of Covered Bonds under the Programme;
“Fitch”	Fitch Ratings Ltd.;
“Fixed Coupon Amount”	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;
“Fixed Interest Period”	The meaning given in Condition 4(a) (<i>Interest on Fixed Rate Covered Bonds</i>) in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 120;
“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 “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 121;
“Floating Rate Covered Bonds”	Covered Bonds which bear interest at a rate determined: <ul style="list-style-type: none"> (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 “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 121;

“Framework”	The text of the new capital accord published by the Basel Committee on Banking Supervision in June 2006, under the title “ <i>Basel II: International Convergence on Capital Measurement and Capital Standards: a Revised Framework</i> ”;
“FSA”	Financial Services Authority;
“FSMA”	Financial Services and Markets Act 2000, as amended;
“Further Advance”	A further drawing in respect of Mortgage Loans sold by the Seller to the LLP;
“GIC Account”	The account in the name of the LLP held with the Account Bank and maintained subject to the terms of the Guaranteed Investment Contract, the Account Bank Agreement and the Deed of Charge or such additional or replacement account as may be for the time being be in place with the prior consent of the Security Trustee;
“GIC Provider”	Barclays, in its capacity as GIC provider under the Guaranteed Investment Contract together with any successor GIC provider appointed from time to time;
“Global Covered Bond”	A Bearer Global Covered Bond and/or Registered Global Covered Bond, as the context may require;
“Guarantee”	Each guarantee in support of the obligations of a Borrower under a Mortgage Loan;
“Guarantee Priority of Payments”	The meaning given in “ <i>Cashflows</i> ” on page 98;
“Guaranteed Amounts”	(a) 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 (b) 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, at Excluded Scheduled Principal Amounts (whenever the same arose) and all amounts payable by the LLP under the Trust Deed;
“Guaranteed Investment Contract” or “GIC”	The guaranteed investment contract between the LLP, the GIC Provider, the Security Trustee and the Cash Manager dated the Programme Date, as amended and/or supplemented and/or restated from time to time;
“Halifax Index”	The index of increases in house prices issued by Halifax, a division of the Bank of Scotland PLC, in relation to residential properties in the United Kingdom;
“Halifax Price Indexed Valuation”	In relation to any Property at any date means the Latest Valuation of the property increased or decreased as appropriate by the increase or decrease in the Halifax Index since the date of that Latest Valuation;
“Hard Bullet Covered Bonds”	A certain Series of Covered Bonds scheduled to be redeemed in full on the Final Maturity Date therefor and without any provision for scheduled redemption other than on the Final Maturity Date;
“Holders of the Covered Bonds”	The holders for the time being of the Covered Bonds;
“Index Linked Covered Bonds”	Index Linked Redemption Covered Bonds and Index Linked Interest Covered Bonds;

“Index Linked Interest Covered Bonds”	Covered Bonds in respect of which payments of interest will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer(s) may agree;
“Index Linked Redemption Covered Bonds”	Covered Bonds in respect of which payments of principal will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer(s) may agree;
“Indexed Valuation”	At any date in relation to any Mortgage Account secured over any Property: <ul style="list-style-type: none"> (a) where the Latest Valuation of that Property is equal to or greater than the Halifax Price Indexed Valuation as at that date, the Halifax Price Indexed Valuation; or (b) where the Latest Valuation of that Property is less than the Halifax Price Indexed Valuation as at that date, the Latest Valuation plus 85 per cent. of the difference between the Latest Valuation and the Halifax Price Indexed Valuation;
“Indirect Participants”	The meaning given in <i>“Book-Entry Clearance Systems”</i> on page 106;
“Initial Advance”	In respect of any Mortgage Loan, the original principal amount advanced by the Seller to the relevant Borrower;
“Initial Consideration”	<ul style="list-style-type: none"> (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 outstanding principal balance of the Mortgage Loans and the MRCLN advance sold by the Seller as at the relevant Transfer Date and the cash payment (if any) made by the LLP;
“Initial English Mortgage Loans”	English Mortgage Loans in the Initial Mortgage Loan Portfolio;
“Initial Mortgage Loan Portfolio”	The meaning given in <i>“The Mortgage Loan Portfolio”</i> on page 103;
“Initial Northern Irish Mortgage Loans”	Northern Irish Mortgage Loans in the Initial Mortgage Loan Portfolio;
“Initial Scottish Mortgage Loans”	Scottish Mortgage Loans in the Initial Mortgage Loan Portfolio;
“Insolvency Act”	The Insolvency Act 1986, as amended;
“Insolvency Event”	In respect of the Seller, the Administrator or the Cash Manager: <ul style="list-style-type: none"> (a) an order is made or petition presented or an effective resolution passed for the winding up of the Relevant Entity (except, in any such case, a winding-up or dissolution for the purpose of a reconstruction or amalgamation the terms of which have been previously approved by the Security Trustee); (b) the Relevant Entity ceases or threatens to cease to carry on its business (otherwise than for the purposes of such amalgamation or reconstruction as is referred to in paragraph (a) above) or stops payment or threatens to stop payment of its debts or is deemed unable to pay its debts within the meaning of section 123(1)(a) (on the basis that the reference in such section £750 was read as a reference to £10 million), (b), (c) (on that basis that the words “for a sum exceeding £10 million” was inserted after the words “extract registered bond” and “extract registered protest”), (d) or (e) of the Insolvency Act (as amended, modified or re-enacted) or

becomes unable to pay its debts as they fall due or the value of its assets is less than the amount of its liabilities (taking into account its contingent and prospective liabilities) or otherwise becomes insolvent;

- (c) proceedings are initiated against the Relevant Entity or any steps are taken in respect of a Relevant Entity under any applicable liquidation, administration, reorganisation (other than a reorganisation where the Relevant Entity is solvent), insolvency or other similar laws, save where such proceedings are being contested in good faith; or an administrative or other receiver, administrator or other similar official is appointed in relation to the whole or any substantial part of the undertaking or assets of the Relevant Entity; or a distress, execution, diligence or other process is enforced upon the whole or any substantial part of the undertaking or assets of the Relevant Entity and in any of the foregoing cases it is not discharged within 30 Business Days; or if the Relevant Entity initiates or consents to judicial proceedings relating to itself under any applicable liquidation, administration, insolvency, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of its creditors generally;

“Instalment Covered Bonds”	Covered Bonds which will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Final Terms;
“Insurance Policies”	The insurance contracts or policies described in the Mortgage Sale Agreement and any other additional, substitute or replacement insurance contract or policy arranged by the Seller from time to time and in which the Seller has an interest relating to the Mortgage Loans;
“Intercompany Loan Agreement”	The term loan agreement dated the Programme Date, as amended and/or supplemented and/or restated from time to time, between the Issuer, the LLP and the Security Trustee;
“Interest Amount”	The amount of interest payable on the Floating Rate Covered Bonds or Index Linked Interest Covered Bonds in respect of each Specified Denomination for the relevant Interest Period;
“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;
“Investor Report”	The monthly report made available to the holders of the Covered Bonds, the Security Trustee, the Bond Trustee and the Rating Agencies detailing, <i>inter alia</i> , compliance with the Asset Coverage Test. Investor Reports shall be posted on the Barclays website;
“ISDA”	International Swaps and Derivatives Association, Inc.;
“ISDA 1995 Credit Support Annex”	The ISDA 1995 Credit Support Annex as published by ISDA;
“ISDA Definitions”	The 2000 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 “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 122;
“Issue Date”	Each date on which the Issuer issues Covered Bonds to holders of the Covered Bonds;

“Issuer”	Barclays;
“Issuer Acceleration Notice”	The meaning given in Condition 9(a) (<i>Issuer Events of Default</i>) in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 134;
“Issuer Event of Default”	The meaning given in Condition 9(a) (<i>Issuer Events of Default</i>) in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 134;
“Latest Valuation”	In relation to any Property, the value given to that Property by the most recent valuation undertaken or instructed by the Seller, according to its policies;
“Ledger”	Each of the Revenue Ledger, the Principal Ledger, the Reserve Ledger and the Capital Account Ledgers;
“Legended Covered Bonds”	The Registered Covered Bonds in definitive form that are 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;
“Lending Criteria”	The lending criteria of the Seller which may be amended from time to time (forming part of the Seller’s Policy) which as at the Programme Date is set out in the Mortgage Sale Agreement and/or such other criteria as would be acceptable to a Prudent Mortgage Lender;
“LIBOR”	London inter-bank offered rate;
“Liquidation Member”	Congadale Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered number 6386365);
“Listed”	The Covered Bonds that have been admitted to trading on the Regulated Market of the London Stock Exchange and have been admitted to the Official List;
“Listing Rules”	The rules relating to the admission to the Official List, in accordance with the FSMA;
“LLP”	Barclays Covered Bonds LLP, a limited liability partnership incorporated in England and Wales (registered number OC332284), whose first members are Barclays 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”	The GIC Account, the Transaction Accounts and the Swap Collateral Accounts (to the extent maintained) and any additional or replacement accounts opened in the name of the LLP;
“LLP Deed”	The limited liability partnership deed entered into on the Programme Date, as amended and/or supplemented and/or restated from time to time, between the LLP, Barclays, the Liquidation Member, the Bond Trustee and the Security Trustee;
“LLP Event of Default”	The meaning given in Condition 9(b) (<i>LLP Events of Default</i>) in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 136;

“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 Payment Date”	The 16th 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 Files”	The file or files relating to each Mortgage Loan (including files kept in microfiche format or similar electronic data retrieval system) containing <i>inter alia</i> correspondence between the Borrower and the Seller and including the mortgage documentation applicable to the Loan, each letter of offer for that Mortgage 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;
“London Business Day”	A day (other than a Saturday or Sunday or public holiday) on which banks are generally open for business in London;
“London Stock Exchange”	The 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 Mortgage Loans which are in the Mortgage Loan Portfolio;
“Master Definitions Schedule”	The master definitions schedule made between the parties to the Transaction Documents on or about the Programme Date;
“MCOB”	Mortgages Conduct of Business Sourcebook, implemented by the FSA in October 2004 as amended, revised or supplemented from time to time;
“Member States”	The member states of the European Union;
“Member”	Each member of the LLP;
“Members”	As at the Programme Date, each of Barclays and the Liquidation Member and together with any other members from time to time;
“MHA Documentation”	An affidavit, consent or renunciation granted in terms of the Matrimonial Homes (Family Protection) (Scotland) Act 1981 in connection with a Scottish Mortgage or the Property secured thereby;
“Minimum Specified Denomination”	The meaning given in the relevant Final Terms;
“Modified Following Business Day Convention”	The meaning given in Condition 4 (<i>Interest</i>) in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 122;
“Monthly Payment”	In respect of a Mortgage Loan, or a Mortgage Account, the amount which the applicable Mortgage Conditions require a Borrower to pay on a Monthly Payment Date in respect of such Mortgage Loan or a Mortgage Account;

“Monthly Payment Date”	In respect of a Mortgage Loan, the date in each month on which the relevant Borrower is required to make a payment of interest and, if applicable, principal, in respect of such Mortgage Loan, as required by the applicable Mortgage Conditions;
“Moody’s”	Moody’s Investors Service Limited;
“Mortgage”	An English Mortgage, a Scottish Mortgage or, as applicable, a Northern Irish Mortgage
“Mortgage Account”	A Mortgage Loan and its associated Mortgage Reserve;
“Mortgage Account Balance”	In relation to each Mortgage Account, the then Current Balance on the Mortgage Loan of such Mortgage Account and the then principal amount on the Mortgage Reserve of such Mortgage Account but only to the extent that such principal amount is at such time reflected in the principal amount outstanding of the MRCLN at such time in accordance with and pursuant to the terms of the MRCLN Note Purchase Facility Agreement;
“Mortgage Account Debt Balance Decrease Amount”	The amount of decrease (if any) on the Mortgage Account Balance of a Mortgage Account as at the end of the immediately preceding Calculation Period when compared to the size of the Mortgage Account Balance of such Mortgage Account as at the beginning of the immediately preceding Calculation Period;
“Mortgage Account Debt Principal Balancing Amount”	<p>In relation to a Mortgage Account:</p> <p>(a) if the size of the Mortgage Account Debt Balance Decrease Amount is less than the then Mortgage Loan Principal Receipts Amount, then the Mortgage Account Debt Principal Balancing Amount for such Mortgage Loan on the relevant LLP Payment Date will be an amount equal to:</p> <p style="margin-left: 40px;">(i) the then Mortgage Loan Principal Receipts Amount for such Mortgage Account;</p> <p style="margin-left: 40px;">less</p> <p style="margin-left: 40px;">(ii) the then Mortgage Account Debt Balance Decrease Amount for such Mortgage Account;</p> <p>(b) if the Mortgage Account Balance of such Mortgage Account as at the end of the immediately preceding Calculation Period is equal to or greater than the Mortgage Account Balance of such Mortgage Account as at the beginning of the immediately preceding Calculation Period, then the Mortgage Account Debt Principal Balancing Amount for such Mortgage Account on the relevant LLP Payment Date will be equal to the then Loan Principal Receipts Amount for such Mortgage Account.</p>
“Mortgage Conditions”	All the terms and conditions applicable to a Mortgage Loan and a Mortgage Reserve at any time. The Seller is entitled to change its Mortgage Loan terms and conditions and/or the Mortgage Reserve terms and conditions, from time to time.
“Mortgage Deed”	In respect of any Mortgage, the deed creating that Mortgage;
“Mortgage Loan Portfolio”	On any particular date, the Initial Mortgage Loan Portfolio and the New Mortgage Loan Portfolio;
“Mortgage Loan Principal Receipts”	Any payment in respect of principal received from time to time in respect of any Mortgage Loan in the Mortgage Loan Portfolio (including, without limitation whether as all or part of a Monthly Payment by a Borrower on the relevant Mortgage Loan, on redemption (in whole or in part), on enforcement or on disposal of such Mortgage Loan or otherwise (including pursuant to any Insurance Policy));

“Mortgage Loan Principal Receipts Amount”	The aggregate amount of Mortgage Loan Principal Receipts received by the LLP in respect of a Mortgage Account during such Calculation Period;
“Mortgage Loan Revenue Receipts ”	Any payment received from time to time in respect of any Mortgage Loan which is not a Mortgage Loan Principal Receipt (including any Early Repayment Charges of any Mortgage Loan in the Mortgage Loan Portfolio and whether as all or part of a Monthly Payment by a Borrower on the relevant Mortgage Loan, on redemption (in whole or in part), on enforcement or on disposal of such Mortgage Loan or otherwise (including pursuant to any Insurance Policy)(but excluding, for the avoidance of doubt, any Mortgage Purchase Inducement Fee);
“Mortgage Loans”, each a “Mortgage Loan”	Any English Mortgage Loan, Scottish Mortgage Loan or Northern Irish Mortgage Loan originated by the Seller;
“Mortgage Purchase Inducement Fee”	The meaning given to such term on page 63;
“Mortgage Reserve”	Each of the overdraft facilities, which are granted by the Seller in favour of certain Borrowers on the bank accounts, which may be opened, operated and maintained by the Seller in connection with the opening and operation of certain Mortgage Loans that have been provided to those Borrowers;
“Mortgage Reserve Account Balance”	In relation to each Mortgage Reserve, the aggregate outstanding principal balance of that Mortgage Reserve as at any given date;
“Mortgage Reserve Account Balance Increase Amount”	For a Reference Mortgage Reserve is an amount equal to the Mortgage Reserve Account Balance for the Relevant Reference Mortgage Reserve as at the end of the immediately preceding Calculation Period minus the Mortgage Reserve Account Balance of such Reference Mortgage Reserve as at the beginning of the immediately preceding Calculation Period or, in relation to a Mortgage Reserve that became a Reference Mortgage Reserve during the immediately preceding Calculation Date, the applicable Transfer Date and also further minus an amount equal to the Potential MRCLN Interest for the then immediately preceding Calculation Period (save that if the result of such calculation is a negative amount the then Mortgage Reserve Account Balance Increase Amount for such Reference Mortgage Reserve shall equal zero);
“Mortgage Reserve Credit Limit”	The maximum permitted credit limit for a Mortgage Reserve pursuant to the Mortgage Conditions, which may be increased or decreased from time to time;
“Mortgage Reserve Credit And Aggregate Debt Limit Increase”	An increase in a Mortgage Reserve Credit Limit in relation to a Reference Mortgage Reserve that causes the aggregate permitted debt owed by a Borrower in respect of its Mortgage Account to increase;
“Mortgage Reserve Interest”	The amount of interest charged to a Borrower on such Borrower’s Reference Mortgage Reserve, from time to time;
“Mortgage Reserve Principal Repayment Amount”	In relation to a Reference Mortgage Reserve, an amount equal to the Mortgage Reserve Account Balance of the relevant Reference Mortgage Reserve at the start of the immediately preceding Calculation Period minus the Mortgage Reserve Account Balance of such Reference Mortgage Reserve at the end of the immediately preceding Calculation Period (save that: <ul style="list-style-type: none"> (a) if the result of such calculation is a negative amount then the Mortgage Reserve Principal Repayment Amount for such Reference Mortgage Reserve shall equal zero;

- (b) any released Potential MRCLN Interest in respect of such reference Mortgage Reserve shall be excluded for these purposes (and thus reduce the size of such Mortgage Reserve Principal Repayment Amount);
- (c) if the Reference Mortgage Reserve was not a Reference Mortgage Reserve at the beginning of the Calculation Period, reference shall be made to the Mortgage Reserve Account Balance of the relevant Mortgage Reserve as at the time when it became a Reference Mortgage Reserve; and
- (d) if the Reference Mortgage Reserve is not a Reference Mortgage Reserve at the end of the Calculation Period (for whatsoever reason (for example, the associated Mortgage Loan has been repaid or repurchased by the Seller)), then the Mortgage Reserve Principal Repayment Amount for such Reference Mortgage Reserve is equal to the Mortgage Reserve Account Balance of such Reference Mortgage Reserve as at the beginning of the Calculation Period) less any Aggregate Potential MRCLN Interest for such Reference Mortgage Reserve, save that, in this respect, if the Mortgage Loan associated with a Reference Mortgage Reserve is repurchased on a Calculation Date, then, for the purposes of determining the amount and timing of when the MRCLN should be repaid (as a result of such Reference Mortgage Reserve ceasing to be a Reference Mortgage Reserve as a consequence), the relevant Reference Mortgage Reserve shall be deemed to have ceased to have been a Reference Mortgage Reserve during the immediately prior Calculation Period (with, for the avoidance of doubt, the resulting Mortgage Reserve repayment amount in respect of such Reference Mortgage Reserve therefore contributing to the amount of principal to be repaid on the MRCLN on the MRCLN Payment Date immediately following such Calculation Date));

“Mortgage Reserve Security Enforcement Proceed Amounts”

The proceeds which the LLP receives following enforcement of any Related Security that are to be applied to reduce the Mortgage Reserve Account Balance of the associated Reference Mortgage Reserves;

“Mortgage Sale Agreement”

The mortgage sale agreement entered into on the Programme Date, as amended and/or supplemented and/or restated from time to time, between the Seller, the LLP and the Security Trustee;

“Mortgaged Property”
collectively, **“Mortgaged Properties”**

(i) in relation to any English Mortgage Loan, the freehold or leasehold property in England and Wales subject to the relevant Mortgage securing repayment of the English Mortgage Loan, (ii) in relation to any Scottish Mortgage Loan, the heritable or long leasehold property in Scotland, and all rights and security attached or appurtenant or related thereto and all buildings and fixtures and fittings thereon which are subject to the Mortgage securing repayment of such Mortgage Loan and (iii) in relation to any Northern Irish Mortgage Loan the freehold or leasehold property in Northern Ireland subject to the relevant Mortgage securing repayment of the relevant Northern Irish Mortgage Loan;

“MRCLN”

A variable funding credit linked note to be issued by the Seller to the LLP on the First Transfer Date, pursuant to the MRCLN Note Purchase Facility Agreement;

“MRCLN Aggregate Debt Principal Balancing Amount”

The then sum of all Mortgage Account Debt Principal Balancing Amounts for each and every Mortgage Account (as calculated on a Mortgage Account by Mortgage Account basis) for the then relevant Calculation Period;

“MRCLN Collateral”	Any collateral that is to be provided by the Seller to the LLP pursuant to the MRCLN Collateral Agreement;
“MRCLN Collateral Agreement”	The MRCLN Collateral agreement entered into on the Programme Date, as amended and/or supplemented and/or restated from time to time, between, <i>inter alios</i> , the Seller and the LLP;
“MRCLN Collateral Release Amount”	Any amount of MRCLN Collateral that is permitted to be released and paid back to the Seller (together with, if applicable, any interest on any permitted securities and/or other permitted investments that constitutes the MRCLN Collateral at any time);
“MRCLN Deferred Subscription Price”	From time to time and in accordance with the terms of MRCLN Note Facility, an amount determined in accordance with the then application of the MRCLN Deferred Subscription Price Calculation Formula;
“MRCLN Deferred Subscription Price Amount”	The amount of the MRCLN Deferred Subscription Price calculated in accordance with the MRCLN Deferred Subscription Price Calculation formula;
“MRCLN Deferred Subscription Price Calculation Formula”	The formula used to determine the amount of MRCLN Deferred Subscription Price that is payable on a MRCLN Payment Date and shall be equal to:

$$TDC \times \left(\frac{PAO}{ACB + PAO} \right)$$

where:

TDC = the amounts of Available Revenue Receipts on such LLP Payment Date after payment of all other amounts at items (i) to (xiii) of the Pre-Acceleration Revenue Priority of Payments;

PAO = the then MRCLN Principal Amount Outstanding as at the immediately preceding Determination Date;

ACB = the aggregate Current Balance on the Mortgage Loans in the then Mortgage Loan Portfolio as at the immediately preceding Determination Date; and

“MRCLN Event of Default”	<ul style="list-style-type: none"> (a) A failure to pay by the Seller; (b) a breach of undertakings by either party to the MRCLN Note Purchase Facility Agreement; (c) a failure by the Seller to post any required MRCLN Collateral as and when required pursuant to the terms of the MRCLN Collateral Agreement; (d) the insolvency of the Seller; and/or (e) repudiation;
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“MRCLN Immediately Due and Payable Interest”	In respect of each MRCLN Payment Date as an amount equal to the sum of (in aggregate in respect of every Mortgage Reserve but as determined on a Reference Mortgage Reserve by Reference Mortgage Reserve basis);
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- (a) in relation to each Borrower whose Mortgage Reserve Account Balance as at the beginning of the immediately preceding Calculation Period is greater than or equal to the Mortgage Reserve Account Balance for such Mortgage Reserve as at the end of such immediately preceding Calculation Period, the amount of Mortgage Reserve Interest charged to such Borrower and debited from such Borrower’s Reference Mortgage Reserve during such immediately preceding Calculation Period;

- (b) in relation to each Borrower:
 - (i) whose Mortgage Reserve Account Balance as at the beginning of the immediately preceding Calculation Period is less than the Mortgage Reserve Account Balance for such Mortgage Reserve as at the end of such immediately preceding Calculation Period;
 - (ii) whose Mortgage Reserve Account Balance as at the end of such immediately preceding Calculation Period is less than or equal to the Mortgage Reserve Credit Limit as at the end of such immediately preceding Calculation Period,

the amount of Mortgage Reserve Interest charged to such Borrower and debited from such Borrower's Reference Mortgage Reserve during such immediately Calculation Period;

- (c) in relation to each Borrower:
 - (i) whose Mortgage Reserve Account Balance as at the beginning of the immediately preceding Calculation Period is less than the Mortgage Reserve Account Balance for such Mortgage Reserve as at the end of the immediately preceding Calculation Period; and
 - (ii) where: (A) the amount equal to the Mortgage Reserve Account Balance as at the end of the immediately preceding Calculation Period minus the amount equal to the amount of the Mortgage Reserve Interest charged to such Borrower and debited from such Borrower's Reference Mortgage Reserve during such immediately preceding Calculation Period; is greater than or equal to (B) the Mortgage Reserve Credit Limit as at the end of such immediately preceding Calculation Period,

the amount equal to: (i) the Mortgage Reserve Account Balance as at the beginning of such immediately preceding Calculation Period; minus (ii) the amount equal to the Mortgage Reserve Account Balance as at the end of such immediately preceding Calculation Period minus the amount of Mortgage Reserve Interest charged to such Borrower and debited from such Borrower's Reference Mortgage Reserve during such immediately preceding Calculation Period, save that if the total of the calculation described in this paragraph is less than zero then such total shall be deemed to equal zero;

- (d) in relation to each Borrower:
 - (i) whose Mortgage Reserve Account Balance as at the beginning of the immediately preceding Calculation Period is less than the Mortgage Reserve Account Balance for such Mortgage Reserve as at the end of such immediately preceding Calculation Period; and
 - (ii) where: (A) the amount equal to the Mortgage Reserve Account Balance as at the end of such immediately preceding Calculation Period minus the amount equal to the amount of Mortgage Reserve charged to such Borrower and debited from such Borrower's Reference Mortgage Reserve during such immediately preceding Calculation Period; is less than (B) the Mortgage Reserve Credit Limit as at the end of such immediately preceding Calculation Date; and

- (iii) where the Mortgage Reserve Account Balance as at the end of such immediately preceding Calculation Period is greater than the Mortgage Reserve Credit Limit as at the end of such immediately preceding Calculation Period, the amount equal to the greater of:

- (A) the amount equal to: (i) the Mortgage Reserve Account Balance as at the beginning of such immediately preceding Calculation Period; minus (ii) the amount equal to the Mortgage Reserve Account Balance as at the end of such immediately preceding Calculation Period minus the amount of Mortgage Reserve Interest charged to such Borrower and debited from such Borrower's Reference Mortgage Reserve during such immediately preceding Calculation Period; and
- (B) the amount equal to: (i) the Mortgage Reserve Credit Limit as at the end of such immediately preceding Calculation Period; minus (ii) the amount equal to the Mortgage Reserve Account Balance as at the end of such immediately preceding Calculation Period, minus the amount of Mortgage Reserve Interest charged to such Borrower and debited from such Borrower's Reference Mortgage Reserve during such immediately preceding Calculation Period;

and, in relation to any Borrower whose payment of Mortgage Reserve Interest falls into one of the scenarios described in paragraphs (c) or (d) above, the amount which (by reference to the above paragraphs and still on a Borrower by Borrower and Reference Mortgage Reserve by Reference Mortgage Reserve basis) is equal to the sum of Potential MRCLN Interest ;

“MRCLN Initial Subscription Price”	An amount equal to the then aggregate Mortgage Reserve Account Balances of all Reference Mortgage Reserves which are linked to the Mortgage Loans to be purchased by the LLP on the Programme Date;
“MRCLN Interest”	On any MRCLN Payment Date, the amount of interest that is charged on the MRCLN Principal Amount Outstanding in respect of the immediately preceding Calculation Period and which becomes due and payable under the MRCLN Note Purchase Facility Agreement in relation to such Calculation Period on that MRCLN Payment Date and shall be equal to the sum of: <ul style="list-style-type: none"> (a) the amount of MRCLN Immediately Due and Payable Interest that is due and payable on such MRCLN Payment Date; and (b) the amount of MRCLN Subsequently Due and Payable Interest that is due and payable on such MRCLN Payment Date;
“MRCLN Note Purchase Facility Agreement”	The MRCLN note purchase facility agreement dated the Programme Date, as amended, restated, novated, varied or supplemented from time to time, between the Seller, the MRCLN Registrar, the LLP and the Security Trustee;
“MRCLN Payment Date”	In relation to any Calculation Period, the immediately following LLP Payment Date;
“MRCLN Principal Amount Outstanding”	At any time, the principal amount outstanding on the MRCLN;

“MRCLN Principal Receipts”	Any payment of principal received by the LLP from the Seller from time to time, to reduce the Principal Amount Outstanding under the MRCLN in accordance with the MRCLN Note Purchase Facility Agreement and also includes any additional payments relating in respect of such principal, where such additional payment is made because of a deduction or withholding is requested to be made from any payment of principal made in connection with the MRCLN;
“MRCLN Revenue Receipts ”	Any payment of MRCLN Interest or other amount (other than principal) received by the LLP from the Seller from time to time in connection with the MRCLN in accordance with the MRCLN Note Purchase Facility Agreement and also includes (a) any additional payment relating to such interest where such additional payment is made because a deduction or withholding is required to be made from any payment of interest made in connection with the MRCLN; and (b) payment made by the Seller under Clause 11.6 of the MRCLN Note Purchase Facility Agreement;
“MRCLN Registrar”	Barclays Bank PLC, or such other person (if appointed) for the time being acting on the MRCLN registrar pursuant to the MRCLN Note Purchase Facility Agreement;
“MRCLN Subsequently Due and Payable Interest”	<p>In respect of each MRCLN Payment Date is an amount equal to the aggregate of the Released Potential MRCLN Interest for each Reference Mortgage Reserve during the immediately preceding Calculation Period, where “Released Potential MRCLN Interest” will arise if the following two statement are true in respect of such Calculation Period:</p> <ul style="list-style-type: none"> (a) the Relevant Reference Mortgage Reserve at the beginning of a Calculation Period has Aggregate Potential MRCLN Interest recorded against it at such time; and (b) the Mortgage Reserve Account Balance for such Reference Mortgage Reserve as at the end of the last day of the relevant Calculation Period is less than the Mortgage Reserve Account Balance for such reference Mortgage Reserve as at the beginning of the first day of such Calculation Period, <p>and if so, the Released Potential MRCLN Interest for such Reference Mortgage Reserve will be an amount equal to the lesser of:</p> <ul style="list-style-type: none"> (i) an amount equal to the Mortgage Reserve Account Balance for such Reference Mortgage Reserve as at the beginning of the first day of such Calculation Period minus the Mortgage Reserve Account Balance for such Reference Mortgage Reserve as at the end of the last day of the relevant Calculation Period; and (ii) the then Aggregate Potential MRCLN Interest for such Reference Mortgage Reserve, <p>and the Aggregate Potential MRCLN Interest amount will thereafter be reduced by an amount equal to such Released Potential MRCLN Interest. In addition, Released Potential MRCLN Interest will also be deemed to have arisen in relation to a Reference Mortgage Reserve and in an amount equal to the total Aggregate Potential MRCLN Interest recorded in respect of such Reference Mortgage Reserve is, by the end of such Calculation Period, no longer a Reference Mortgage Reserve (for whatsoever reason (for example, the associated Mortgage Loan has been repaid or repurchased by the Seller) save that, in this respect, if the Mortgage Loan associated with a Reference Mortgage Reserve is repurchased on or before a</p>

Calculation Date, then, for the purposes of determining the amount and timing of when Released Potential MRCLN Interest is deemed to have arisen (as a result of such Reference Mortgage Reserve ceasing to be a Reference Mortgage Reserve as a consequence), the relevant Reference Mortgage Reserve shall be deemed to have ceased to have been a Reference Mortgage Reserve during the immediately prior Calculation Period (with, for the avoidance of doubt, the resulting Released Potential MRCLN Interest in respect of such Reference Mortgage Reserve therefore contributing to the amount of interest to be paid on the MRCLN on the MRCLN Payment Date immediately following such Calculation Date));

“Negative Carry Factor”	The meaning given on page 80;
“New English Mortgage Loans”	English Mortgage Loans, other than the Initial English Mortgage Loans, which the Seller agrees from time to time to sell and assign to the LLP after the Programme Date on any Transfer Date;
“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 Mortgage Loans. For the avoidance of doubt, a mortgage loan will not constitute a New Loan Type if it differs from the Mortgage 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 Mortgage Account”	Mortgage Accounts, other than the Mortgage Accounts comprised in the Portfolio on the Programme Date;
“New Mortgage Loan”	Mortgage Loans, which the Seller may assign or transfer to the LLP after the Programme Date pursuant to the Mortgage Sale Agreement;
“New Mortgage Loan Portfolio”	The meaning given in <i>“The Mortgage Loan Portfolio”</i> on page 103;
“New Mortgage Loan 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 Northern Irish Mortgage Loan Portfolio”	That part of the New Mortgage Loan Portfolio that comprises New Northern Irish Mortgage Loans and their Related Security;
“New Northern Irish Mortgage Loans”	Northern Irish Mortgage Loans, other than the Initial Northern Irish Mortgage Loans, which the Seller agrees from time to time to sell and assign to the LLP after the Programme Date on any Transfer Date;
“New Scottish Mortgage Loan”	Scottish Mortgage Loans, other than the Initial Scottish Mortgage Loans, which the Seller agrees from time to time to sell and assign to the LLP after the Programme Date on any Transfer Date;
“New Scottish Mortgage Loans Portfolio”	That part of the New Mortgage Loan Portfolio that comprises New Scottish Mortgage Loans and their Related Security;
“New Seller”	Any other member of the Barclays Group which accedes to, amongst other things, the Mortgage Sale Agreement, the LLP Deed and the Programme Agreement at any time after the Programme Date;
“NGCB”	New Global Covered Bond;

“Northern Irish Mortgage”	A first ranking mortgage (in the case of unregistered land) or a first ranking charge (in the case of registered land) over a residential property in Northern Ireland;
“Northern Irish Mortgage Loans”	Mortgage Loans secured by a Northern Irish Mortgage;
“Notice to Pay”	The meaning given in Condition 9(a) (<i>Issuer Events of Default</i>) in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 136;
“Official List”	Official list of the UK Listing Authority;
“OFT”	Office of Fair Trading;
“Ombudsman”	Financial Ombudsman Service under the FSMA;
“Order”	The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI2001/544), as amended;
“Original Due for Payment Date”	The meaning given in paragraph (a)(i) of the definition of “ <i>Due for Payment</i> ”;
“Overpayment”	A payment by a Borrower in an amount greater than the amount due on a Monthly Payment Date which (a) is permitted by the terms of such Mortgage Loan or by agreement with the Borrower and (b) reduces the outstanding principal balance of such Mortgage Loan;
“Partial Portfolio”	Part of any portfolio of Selected Mortgage Loans;
“Partly-Paid Covered Bonds”	Covered Bonds which are only partly paid up on issue, in respect of which interest will accrue in accordance with Condition 4(d) (<i>Interest on Partly-Paid Covered Bonds</i>) on the paid-up amount of such Covered Bonds or on such other basis as may be agreed between the Issuer and the relevant Dealer(s) and indicated in the applicable Final Terms;
“Paying Agents”	The meaning given in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 114;
“Payment Day”	The meaning given in Condition 5 (<i>Payments</i>) in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 128;
“Permanent Global Covered Bond”	The meaning given in “ <i>Form of the Covered Bonds</i> ” on page 110;
“Portfolio”	The portfolio of Mortgage Accounts from time to time;
“Post-Enforcement Priority of Payments”	The meaning given in “ <i>Cashflows</i> ” on page 101;
“Potential Issuer Event of Default”	The meaning given in Condition 14 (<i>Meetings of holders of the Covered Bonds, Modification, Waiver and Substitution</i>) in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 142;
“Potential LLP Event of Default”	The meaning given in Condition 14 (<i>Meetings of holders of the Covered Bonds, Modification, Waiver and Substitution</i>) in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 142;
“Potential MRCLN Interest”	In respect of each MRCLN Payment Date and in relation to each Mortgage Reserve, the sum of: <ul style="list-style-type: none"> (a) the amount of Mortgage Reserve Interest charged to such Borrower and debited from such Borrower’s Reference Mortgage Reserve during the immediately preceding Calculation Period; <p style="margin-left: 2em;"><i>minus,</i></p> (b) the result of the relevant calculation for such Reference Mortgage Reserve as set out in paragraphs (c) or (d) (as applicable) of the definition of MRCLN Immediately Due and Payable Interest;

“Pre-Acceleration Principal Priority of Payments”	The meaning given in “ <i>Cashflows</i> ” on page 97;
“Pre-Acceleration Revenue Priority of Payments”	The meaning given in “ <i>Cashflows</i> ” on page 95;
“Pre-Maturity Test”	<p>On a Pre-Maturity Test Date if the Issuer fails or breaches the following conditions:</p> <p>(a) the Issuer’s short-term credit rating, as applicable, from S&P falls to A-1 (or lower) and the Final Maturity Date of the Series of Hard Bullet Covered Bonds will fall within 6 months from the relevant Pre-Maturity Test Date; or</p> <p>(b) the Issuer’s (i) long-term credit rating, as applicable, from Moody’s falls to A2 (or lower) and the Final Maturity Date of the Series of Hard Bullet Covered Bonds will fall within 6 months from the relevant Pre-Maturity Test Date or (ii) short-term credit rating or Deemed Rating, as applicable, from Moody’s falls to P-2 (or lower) and the Final Maturity Date of the Series of Hard Bullet Covered Bonds will fall within 12 months from the relevant Pre-Maturity Test Date; or</p> <p>(c) the Issuer’s (i) short-term credit rating, as applicable, from Fitch falls to F1 (or lower) and the Final Maturity Date of the Series of Hard Bullet Covered Bonds will fall within 6 months from the relevant Pre-Maturity Test Date or (ii) short-term credit rating from Fitch falls to F2 (or lower) and the Final Maturity Date of the Series of Hard Bullet Covered Bonds will fall within 12 months from the relevant Pre-Maturity Test Date;</p>
“Pre-Maturity Test Date”	Each Business Day prior to the occurrence of an Issuer Event of Default or the occurrence of an LLP Event of Default on which the LLP or the Cash Manager on its behalf will determine if the Pre-Maturity Test has been breached, and if so, it shall immediately notify the Members and the Security Trustee thereof;
“Pre-Maturity Liquidity Ledger”	The monthly ledger maintained by the Cash Manager pursuant to the Cash Management Agreement to record the credits and debits of moneys available to repay any Series of Covered Bonds on the Final Maturity date thereof if the Pre-Maturity Test has been breached;
“Preceding Business Day Convention”	The meaning given in Condition 4(b) (<i>Interest on Floating Rate Covered Bonds and Index Linked Interest Covered Bonds</i>) in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 122;
“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 holder of the Covered Bonds in respect thereof;
“Principal Ledger”	The monthly ledger on the GIC Account of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record the credits and debits of Principal Receipts in accordance with the terms of the LLP Deed;
“Principal Paying Agent”	The meaning given in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 114;
“Principal Receipts”	Any Mortgages Loan Principal Receipts and/or MRCLN Principal Receipts, as the case may be;
“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 Mortgage Loan will be deemed to be the subject of a “Product Switch” if there is any variation of the financial terms and conditions of the Mortgage Loan other than: <ul style="list-style-type: none"> (a) a change which was previously agreed with the Borrower at the time of the origination of the original Mortgage Loan (for example, the seller and the borrower may agree at the time of origination of a Mortgage Loan that a fixed rate mortgage loan may become a standard variable rate mortgage loan at a specified time in the future); (b) a change from an interest-only Mortgage Loan to a repayment Mortgage Loan; (c) a transfer of equity; (d) a release of a party to a Mortgage Loan or a release of part of the land subject to the mortgage; (e) any variation agreed with a Borrower to control or manage Arrears on a Mortgage Loan; (f) any variation which extends the maturity date of the Mortgage Loan unless, while any Covered Bonds are outstanding, it is extended beyond the then maximum permitted Mortgage Loan maturity date; and (g) any variation imposed by statute;
“Programme”	€15 billion covered bond programme;
“Programme Agreement”	The meaning given in “ <i>Subscription and Sale, and Transfer and Selling Restrictions</i> ” on page 146;
“Programme Date”	On or about 18 December 2007;
“Programme Resolution”	Any Extraordinary Resolution to direct the Bond Trustee to accelerate the Covered Bonds pursuant to Condition 9 (<i>Events of Default and Enforcement</i>) or to direct the Bond Trustee or the Security Trustee to take any enforcement action;
“Property”	A freehold or leasehold property (or in Scotland a heritable property or a property held under a long lease) which is subject to a Mortgage;
“Prospectus Directive”	Prospectus Directive (Directive 2003/71/EC);
“Prospectus Rules”	The rules made by the UK Listing Authority under the FSMA as amended by the Prospectus Regulations 2005;
“Prudent Mortgage Lender”	The Seller and/or the Administrator, as applicable, acting in accordance with the standards of a reasonably prudent residential mortgage lender lending to borrowers in England, Wales, Scotland and/or Northern Ireland who generally satisfy the lending criteria of traditional sources of residential mortgage capital;
“Purchaser”	Any third party or the Seller to whom the LLP offers to sell Selected Mortgage Loans;
“QIB”	A “qualified institutional buyer” within the meaning of Rule 144A;
“Qualified Institutional Buyer”	U.S. persons in a private transaction within the meaning of Rule 144A under the Securities Act;
“Rating Agencies”	Moody’s, S&P and Fitch, and each a “ Rating Agency ”;
“Rating Agency Confirmation”	A confirmation in writing by each of the Rating Agencies that the then current ratings of the Covered Bonds will not be adversely affected by or withdrawn as a result of the relevant event or matter;

“RCB Regulations” or “Regulated Covered Bonds Regulations 2008”	The meaning given on the cover page.
“RCB Sourcebook”	Means the FSA Regulated Covered Bonds Sourcebook;
“Receiptholders”	The holders of the Receipts;
“Receipts”	The meaning given in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 114;
“Record Date”	The meaning given in Condition 5 (<i>Payments</i>) in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 127;
“Redeemed Covered Bonds”	The meaning given in Condition 6 (<i>Redemption and Purchase</i>) in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 131;
“Reference Mortgage Reserve”	Any Mortgage Reserve linked to a Mortgage Loan which is sold to the LLP pursuant to the Mortgage Sale Agreement and thus forms part of the then Mortgage Loan Portfolio;
“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 9 of Schedule 2 to the Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s) and having the 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 Northern Ireland”	The Land Registry of Northern Ireland and/or the Registry of Deeds of Northern Ireland;
“Registers of Scotland”	The Land Register of Scotland and the General Register of Sasines;
“Registrar”	The meaning given in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 114;
“Regulated Market of the London Stock Exchange”	A regulated market for the purposes of the Markets in Financial Investments Directive 2004/39/EC of the London Stock Exchange;
“Regulated Market”	The Regulated Market of the London Stock Exchange;
“Regulated Mortgage Contract”	The meaning given in Regulatory changes by the Office of Fair Trading, the Financial Services Authority and any other regulatory authorities;
“Regulation S”	Regulation S under the Securities Act;
“Regulation S Covered Bonds”	The meaning given in “ <i>Subscription and Sale and Transfer and Selling Restrictions</i> ” on page 148;
“Regulation S Global Covered Bond”	The meaning given in “ <i>Form of Covered Bonds</i> ” on page 111;

“Regulations”	The Financial Services (Distance Marketing) Regulations 2004;
“Related Security”	In relation to a Mortgage Loan, the security for the repayment of that Loan including the relevant Mortgage and all other matters applicable thereto acquired as part of the Mortgage Loan Portfolio;
“Relevant Date”	The meaning given in Condition 7 (<i>Taxation</i>) in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 134;
“Relevant Dealers”	In the case of an issue of Covered Bonds being (or intended to be) subscribed for by more than one Dealer, be all the Dealers agreeing to subscribe for such Covered Bonds;
“Relevant Final Terms”	The Final Terms with respect to the series of Covered Bonds offered which accompany the Base Prospectus when delivered to the US;
“Relevant Implementation Date”	The date on which the Prospectus Directive is implemented in that Relevant Member State;
“Relevant Member State”	Each Member State of the European Economic Area which has implemented the Prospectus Directive;
“Relevant Series of Covered Bonds”	A series of covered bonds which the Final Terms provide that such Covered Bonds are subject to an Extended Due for Payment Date;
“Representations and Warranties”	The representations and warranties set out in Schedule 1 (<i>Representations and Warranties</i>) of the Mortgage Sale Agreement;
“Required Principal Outstanding Balance Amount”	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 82;
“Required Redemption Amount”	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 69;
“Reserve Fund”	The reserve fund that the LLP will be required to establish in the GIC Account which will be credited with part of a Term Advance (in the LLP’s discretion) and the proceeds of Available Revenue Receipts up to an amount equal to the Reserve Fund Required Amount;
“Reserve Fund Required Amount”	If the Issuer’s short-term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least A-1+ by S&P, F1+ by Fitch and P-1 by Moody’s, nil or such other amount as Barclays shall direct the LLP from time to time and otherwise, an amount equal to the Sterling Equivalent of one month’s interest due on each Series of Covered Bonds together with an amount equal to one-twelfth of the anticipated aggregate annual amount payable in respect of the items specified in paragraphs (ii) to (iii) of the Pre-Acceleration Revenue Priority of Payments plus £600,000;
“Reserve Ledger”	The monthly ledger on the GIC Account of such name maintained by the Cash Manager pursuant to the Cash Management Agreement, to record the crediting of Revenue Receipts 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 monthly ledger on the GIC Account of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record credits and debits of Revenue Receipts in accordance with the terms of the LLP Deed;
“Revenue Receipts”	Any Mortgages Loan Revenue Receipts and/or MRCLN Revenue Receipts, as the case may be;
“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;
“S&P”	Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc.;
“Sale Proceeds”	The cash proceeds realised from the sale of Selected Mortgage Loans and their Related Security;
“Scheduled Interest”	An amount equal to the amount in respect of interest which would have been due and payable under the Covered Bonds on each Interest Payment Date as specified in Condition 4 (<i>Interest</i>) (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 (<i>Taxation</i>);
“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) (<i>Final Redemption</i>) and Condition 6(e) (<i>Redemption due to illegality</i>) (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 Mortgage Loans and their Related Security made pursuant to the Mortgage Sale Agreement by means of which the sale of such Scottish Mortgage Loans and their Related Security by the Seller to the LLP and the transfer of the beneficial interest therein to the LLP are given effect;
“Scottish Mortgage”	A first ranking standard security over a residential property in Scotland;
“Scottish Mortgage Loans”	Mortgage Loans secured by Scottish Mortgages;
“Scottish Supplemental Charge”	Each supplemental assignation in security governed by Scots law granted by the LLP in favour of the Security Trustee pursuant to the Deed of Charge;
“SEC”	The 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 holders of the Covered Bonds), the holders of the Covered Bonds, the Receiptholders, the Couponholders, the Issuer, the Seller, the Administrator, the Account Bank, the GIC Provider, the Stand-by Account Bank, the Stand-by GIC Provider, the Cash Manager, the Swap Providers, the Corporate Services Providers, the Paying Agents and any other person which becomes a Secured Creditor pursuant to the Deed of Charge;
“Securities Act”	The U.S. Securities Act of 1933, as amended;
“Security”	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 90;
“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 Mortgage Loan Offer Notice”	A notice from the LLP served on the Seller offering to sell Selected Mortgage Loans and their Related Security for an offer price equal to the greater of the then outstanding principal balance of the Selected Mortgage Loans and the Adjusted Required Redemption Amount;
“Selected Mortgage Loan Repurchase Notice”	A notice from the Seller served on the LLP accepting an offer set out in a Selected Mortgage Loan Offer Notice;
“Selected Mortgage Loans”	Mortgage Loans and their Related Security to be sold by the LLP pursuant to the terms of the LLP Deed having in aggregate the Required Principal Outstanding Balance Amount;
“Selection Date”	The meaning given in Condition 6 (<i>Redemption and Purchase</i>) in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 131;
“Seller”	Barclays in its capacity as seller pursuant to the Mortgage Sale Agreement entered into on the Programme Date;
“Seller’s Policy”	The originating, lending and underwriting, administration, arrears and enforcement policies and procedures which are applied from time to time by the Seller to Mortgage Loans and the Related Security for their repayment which are beneficially owned solely by the Seller and which may be amended by the Seller from time to time;
“Series”	A Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices;
“Series Reserved Matter”	In relation to Covered Bonds of a Series: <ul style="list-style-type: none"> (a) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds; (b) alteration of the currency in which payments under the Covered Bonds, Receipts and Coupons are to be made; (c) alteration of the 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(j) (*Cancellation*) or Condition 14 (*Meetings of holders of Covered Bonds, Modification, Waiver and Substitution*), 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;

“Share Trustee”	SFM Corporate Services having its registered office at 35 St. Helen’s, London EC3A 6AP;
“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;
“Sterling Equivalent”	In relation to an amount which is denominated in (a) a currency other than Sterling, the Sterling equivalent of such amount ascertained using the relevant Swap Rate and (b) Sterling, the applicable amount in Sterling;
“Subsidiary”	In relation to any person (the “ First Person ”) at any particular time, any other person (the “ Second Person ”): <ul style="list-style-type: none"> (a) whose affairs and policies the First Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the Second Person or otherwise; or (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the First Person;
“Substitution Assets”	Each of: <ul style="list-style-type: none"> (a) Sterling gilt-edged securities; (b) Sterling demand or time deposits, certificates of deposit, long-term debt obligations and short-term debt obligations (including commercial paper) 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, A-1+/AA- by S&P and F1+ by Fitch or their equivalents by three other internationally recognised rating agencies;

- (c) Sterling denominated government and public securities, as defined from time to time by the FSA, provided that such investments have a remaining period to maturity of one year or less and which are rated at least Aaa by Moody's, AAA by S&P and F1+ by Fitch or their equivalents by three other internationally recognised rating agencies; and
- (d) Sterling denominated residential mortgage backed securities provided that such investments have a remaining period to maturity of one year or less, are actively traded in a continuous, liquid market on a recognised stock exchange, are held widely across the financial system, are available in an adequate supply and which are rated at least Aaa by Moody's, AAA by S&P and F1+ by Fitch or their equivalents by three other internationally recognised rating agencies,

provided that any such substitution asset satisfies the requirements for eligible assets that may collateralise covered bonds in accordance with Regulation 2 (*Eligible Property*) 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 (<i>Meetings of holders of Covered Bonds, Modification, Waiver and Substitution</i>) of the “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 201;
“Swap Agreements”	Each agreement between the LLP, a Swap Provider and the Security Trustee governing Swaps entered into with such Swap Provider in the form of an ISDA Master Agreement, including a schedule, any relevant Swap Agreement Credit Support Document and confirmations and each a “ Swap Agreement ”;
“Swap Agreement Credit Support Document”	Each credit support document entered into between the LLP and a Swap Provider in the form of the ISDA 1995 Credit Support Annex (Transfer-English law);
“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 Swap Collateral Cash Account together with the Swap Collateral Custody Account;
“Swap Collateral Cash Accounts”	The account in the name of the LLP held with the Account Bank and maintained subject to the terms of the Account Bank Agreement and the relevant Swap Agreement Credit Support Document into which cash is deposited by a Swap Provider as collateral to secure the performance by such Swap Provider of its obligations under the relevant Swap Agreement;
“Swap Collateral Custody Accounts”	The account in the name of the LLP held with the Account Bank and maintained subject to the terms of the Account Bank Agreement and the relevant Swap Agreement Credit Support Document into

	which securities are deposited by a Swap Provider as collateral to secure the performance by such Swap Provider of its obligations under the relevant Swap Agreement;
“Swap Collateral Excluded Amounts”	At any time, the amount of Swap Collateral which may not be applied under the terms of the relevant Swap Agreement at that time in satisfaction of the relevant Swap Provider’s obligations to the LLP, including Swap Collateral which is to be returned to the relevant Swap Provider from time to time in accordance with the terms of the Swap Agreements and ultimately upon termination of the relevant Swap Agreement;
“Swap Provider Default”	The occurrence of an Event of Default or Termination Event (each as defined in each of the Swap Agreements) where the relevant Swap Provider is the Defaulting Party (as defined in 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 TRS Provider and the Covered Bond Swap Provider, and each a “Swap Provider”;
“Swap Rate”	In relation to a Covered Bond or Series of Covered Bonds, the exchange rate specified in the Swap Agreement relating to such Covered Bond or Series of Covered Bonds or, if the Swap Agreement has terminated, the applicable spot rate;
“Swaps”	The TRS together with the Covered Bond Swap;
“Talons”	The meaning given in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 114;
“TARGET System”	Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System;
“Temporary Global Covered Bond”	The meaning given in “ <i>Form of Covered Bonds</i> ” on page 110;
“Term Advance”	Each term advance made by the Issuer to the LLP from the proceeds of Covered Bonds pursuant to the Intercompany Loan Agreement;
“Third Party Amounts”	Each of: <ul style="list-style-type: none"> (a) payments of insurance premiums, if any, due to the Seller in respect of any Seller arranged insurance policy to the extent not paid or payable by the Seller (or to the extent 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 Fees) and other charges which are due to the Seller; and (d) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service (including giving insurance cover) to any of that Borrower or the Seller or the LLP any amounts due or arising from any overpayment by any person or arising from any reimbursement by any person of any such overpayment

(including, for the avoidance of doubt, where arising from the failure of a direct debit);

- (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 8 (*Trust of Monies*) of the Mortgage Sale Agreement; and
- (g) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service (including giving insurance cover) to any of that Borrower or the Seller or the LLP,

which amounts may be paid daily from monies on deposit in the GIC Account;

"Title Deeds"

In relation to each Loan and its Related Security and the Property relating thereto, all conveyancing deeds and documents, whether stored in paper or electronic format, 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;

"Tranche"

Covered Bonds which are identical in all respects (including as to listing);

"Transaction Accounts"

The Euro Transaction Account and such other accounts as may for the time being be in place with the prior consent of the Security Trustee and designated as such;

"Transaction Documents"

- (a) Mortgage Sale Agreement;
- (b) each Scottish Declaration of Trust;
- (c) Administration Agreement;
- (d) Asset Monitor Agreement;
- (e) Intercompany Loan Agreement;
- (f) LLP Deed;
- (g) MRCLN Note Purchase Facility Agreement;
- (h) MRCLN Collateral Agreement;
- (i) Cash Management Agreement;
- (j) Swap Agreements;
- (k) Account Bank Agreement;
- (l) Corporate Services Agreement;
- (m) Deed of Charge (and any documents entered into pursuant to the Deed of Charge, including without limitation each Scottish Supplemental Charge);
- (n) Trust Deed;
- (o) Agency Agreement;
- (p) Programme Agreement;
- (q) each set of Final Terms (as applicable in the case of each issue of listed Covered Bonds subscribed pursuant to a subscription agreement);
- (r) each Subscription Agreement (as applicable in the case of each issue of listed Covered Bonds subscribed pursuant to a subscription agreement); and
- (s) Master Definitions Schedule;

“Transfer Agent”	The meaning given in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 114;
“Transfer Certificate”	The meaning given in Condition 2(e) (<i>Transfers of interests in Regulation S Global Covered Bonds</i>) in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 118;
“Transfer Date”	The date on which the sale of any New Mortgage Loan Portfolio to the LLP, the Seller, subject to the fulfilment of certain conditions, agrees to sell and assign a New Loan Portfolio to the LLP in accordance with the Mortgage Sale Agreement;
“Trust Deed”	The meaning given in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 114;
“TRS”	The total return swap transaction(s) entered into between the LLP and the TRS Provider;
“TRS Provider”	Barclays, in its capacity as total return swap provider under the TRS together with any successor thereto;
“TRS Rate”	The Sterling amount that the TRS Provider will pay to the LLP under the TRS Agreement in respect of each corresponding LLP Payment Period calculated by reference to the TRS Provider Notional Amount and one-month LIBOR plus a margin;
“UCITS Directive”	Directive 85/11/EEC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities, as amended;
“UK Listing Authority”	Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the UK Listing Authority);
“Unfair Practices Directives”	A directive on unfair business to consumer commercial practices adopted by the European Parliament and the Council adopted in May 2005;
“United Kingdom” and “UK”	Abbreviated references to the United Kingdom of Great Britain and Northern Ireland;
“United States”, “U.S.”, and “US”	Abbreviated references to the United States of America;
“UTCCR”	Unfair Terms in Consumer Contracts Regulations 1999 and the Unfair Terms in Consumer Contracts Regulations 1994 as amended;
“Valuation Report”	The valuation report or reports for mortgage purposes, in the form of from of the Seller’s in house valuation department or from an independent firm of professional valuers selected from a panel of approved valuers by the Seller;
“WAFF”	Weighted average foreclosure frequency in respect of the Mortgage Loan Portfolio determined in accordance with the methodologies prescribed by the Rating Agencies
“WALS”	Weighted average loss severity in respect of the Mortgage Loan Portfolio determined in accordance with the methodologies prescribed by the Rating Agencies;
“Yield Shortfall Test”	After an Issuer Event of Default, the test as to whether the aggregate amount of interest on the Mortgage Loans and amounts under the Interest Rate Swap Agreement to be received by the LLP during the relevant LLP Payment Period would give a yield on the Mortgage Loans of at least LIBOR plus 0.50 per cent.; and
“Zero Coupon Covered Bonds”	Covered Bonds which will be offered and sold at a discount to their nominal amount and which will not bear interest.

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ISSUER

Barclays Bank PLC
1 Churchill Place
London E14 5HP

THE LLP

Barclays Covered Bonds LLP
1 Churchill Place
London E14 5HP

SECURITY TRUSTEE AND BOND TRUSTEE

Citicorp Trustee Company Limited
Citigroup Centre
Canada Square
London E14 5LB

PRINCIPAL PAYING AGENT, REGISTRAR AND EXCHANGE AGENT

Citibank, N.A., London Branch
Citigroup Centre
Canada Square
London E14 5LB

LEGAL ADVISERS

*To the Issuer, the LLP and the Seller as to
English and United States law*

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ

*To the Issuer, the LLP and the Seller
as to Northern Irish Law*

Tughans Solicitors
Marlborough House
30 Victoria Street
Belfast BT1 3GS
Northern Ireland

*To the Issuer, the LLP and the Seller
as to Scots law*

Maclay Murray & Spens LLP
3 Glenfinlas Street
Edinburgh
EH3 6AQ

*To the Arranger as to English and
United States law*

Weil, Gotshal & Manges
One South Place
London EC2M 2WG

*To the Security Trustee and the Bond Trustee
as to English law*

Weil, Gotshal & Manges
One South Place
London EC2M 2WG

AUDITORS

To the LLP and the Issuer

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

ARRANGER

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB