TSB BANK PLC
(incorporated with limited liability in Scotland with registered number SC095237)
(LEI Number 549300XP222MV7P3CC54)

£10 billion
Global Covered Bond Programme

unconditionally and irrevocably guaranteed as to payments of interest and principal by
TSB COVERED BONDS LLP
(a limited liability partnership incorporated in England and Wales with registered number OC411834)

Under this £10 billion global covered bond programme (the **Programme**), TSB 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 (as defined below).

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

Covered Bonds may be issued in bearer or registered form. The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed £10 billion (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

Covered Bonds may be issued on a continuing basis to the Dealer specified under "*Overview of the Programme*" and any additional Dealer(s) appointed under the Programme from time to time by the Issuer (each a **Dealer**, and together, the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Prospectus to the **relevant Dealer** shall, in the case of an issue of Covered Bonds which are to be subscribed for by one or more Dealers, be to all Dealers agreeing to subscribe for such Covered Bonds.

This Prospectus has been approved as a base prospectus by the Financial Conduct Authority (the **FCA**), as competent authority under Regulation (EU) 2017/1129 as it forms part of the UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) as amended, varied, superseded or substituted from time to time (**EUWA**) (the **UK Prospectus Regulation**). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Approval by the FCA should not be considered as an endorsement of the Issuer and/or the LLP or of the quality of the Covered Bonds that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Covered Bonds.

Application has been made to the FCA for Covered Bonds issued under the Programme during the period of 12 months from the date of this Prospectus to be admitted to the official list of the FCA (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Covered Bonds to be admitted to trading on the main market of the London Stock Exchange which is a "UK regulated market" for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of the UK domestic law by virtue of the EUWA (**UK MiFIR**) (the **UK regulated market of the London Stock Exchange**).

This Prospectus is valid for 12 months from its date in relation to Covered Bonds which are to be admitted to trading on a regulated market in the United Kingdom (the **UK**). The obligation to

supplement this Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Prospectus is no longer valid.

As at the date of this Prospectus: (i) long-term senior obligations of the Issuer are rated "Baa1" by Moody's Investors Service Limited (**Moody's**); and (ii) short-term obligations of the Issuer are rated "P-2" by Moody's; (iii) the long-term counterparty risk assessment of the Issuer by Moody's is "A2"; and (iv) the short-term counterparty risk assessment of the Issuer by Moody's is "P-1". Moody's is established in the UK and is registered under Regulation (EC) No. 1060/2009 as it forms part of UK domestic law by virtue of the EUWA (the **UK CRA Regulation**). Moody's is included in the list of credit rating agencies published by the FCA on its website in accordance with the UK CRA Regulation. Moody's is not established in the EEA and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). The ratings issued by Moody's have been endorsed by Moody's Deutschland GmbH in accordance with the CRA Regulation. Moody's Deutschland GmbH is established in the EEA and registered under the CRA Regulation. As such, Moody's Deutschland GmbH is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation.

References in this Prospectus to Covered Bonds being listed (and all related references) shall, unless the context otherwise requires, mean that such Covered Bonds have been admitted to trading on the UK regulated market of the London Stock Exchange and have been admitted to the Official List.

The price and amount of Covered Bonds to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions. Notice of the aggregate nominal amount of Covered Bonds, interest (if any) payable in respect of Covered Bonds and the issue price of Covered Bonds will be set out in a separate document containing the final terms for that Tranche (each, a **Final Terms**) which, with respect to Covered Bonds to be listed on the London Stock Exchange, will be delivered to the FCA and the London Stock Exchange on or before the date of issue of such Tranche of Covered Bonds.

The Issuer may issue N Covered Bonds from time to time, which will not be issued pursuant to this Prospectus, or pursuant to any Final Terms under this Prospectus.

The FCA has neither approved nor reviewed information contained in this Prospectus in connection with any N Covered Bonds and as such N Covered Bonds shall not form part of this Prospectus.

On 24 February 2017, the Issuer was admitted to the register of issuers and the Programme was admitted to the register of regulated covered bonds pursuant to Regulation 14 of the Regulated Covered Bonds Regulations (SI 2008/346) as amended by the Regulated Covered Bonds (Amendment) Regulations 2008 (SI 2008/1714), the Regulated Covered Bonds (Amendment) Regulations 2011 (SI 2011/2859) and the Regulated Covered Bonds (Amendment) Regulations 2012 (SI 2012/2977) (the **RCB Regulations**).

Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in this Prospectus. This Prospectus does not describe all of the risks of an investment in the Covered Bonds.

Prospective investors in Covered Bonds should ensure that they understand the nature of the relevant Covered Bonds and the extent of their exposure to risks and that they consider the suitability of the relevant Covered Bonds as an investment in the light of their own circumstances and financial conditions.

CERTAIN ISSUES OF COVERED BONDS INVOLVE A HIGH DEGREE OF RISK AND POTENTIAL INVESTORS SHOULD BE PREPARED TO SUSTAIN A LOSS OF ALL OR PART OF THEIR INVESTMENT. It is the responsibility of prospective investors to ensure that they have sufficient knowledge, experience and professional advice to make their own legal, financial, tax, accounting and other business evaluation of the merits and risks of investing in the Covered Bonds and are not relying on the advice of the Issuer, the Security Trustee (as defined herein), Bond Trustee (as defined herein) or the relevant Dealer in that regard.

The Covered Bonds and the Covered Bond Guarantee (defined below) have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), or registered or qualified under the securities laws of any state or other territory or jurisdiction of the United States. The Issuer has not been and will not be registered under the U.S. Investment Company Act of 1940, as amended (the **Investment Company Act**). The securities may not be offered, sold or, in the case of Bearer Covered Bonds, delivered within the U.S. or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (**Regulation S**)), unless such securities are registered under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable state or local securities law in accordance with all applicable state or local securities laws. The Covered Bonds that are in bearer form are subject to U.S. tax law requirements. Subject to certain exceptions, these Covered Bonds may not be offered, sold or delivered within the United States or to U.S. persons (as defined in the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder). See "*Form of the Covered Bonds*" for a description of the manner in which Covered Bonds will be issued. Registered Covered Bonds (as defined below) are subject to certain restrictions on transfer (see "*Subscription and Sale and Transfer and Selling Restrictions*").

The Covered Bonds issued under the Programme are expected on issue to be assigned an "Aaa" rating by Moody's. 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. Whether or not each credit rating applied for in relation to a relevant Series of Covered Bonds will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes, unless such ratings are issued by a credit rating agency established in the European Union and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended.

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

Arranger for the Programme

Lloyds Bank Corporate Markets

Dealers

Banco de Sabadell, S.A.

Lloyds Bank Corporate Markets

The date of this Prospectus is 10 October 2025

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

The Issuer and the LLP (the **Responsible Persons**) each accept responsibility for the information contained in this prospectus (the **Prospectus**) and the Final Terms of each Tranche of Covered Bonds issued under the Programme. To the best of the knowledge of each of the Responsible Persons the information contained in this Prospectus is in accordance with the facts and the Prospectus does not omit anything likely to affect its import. Any information sourced from third parties contained in this Prospectus has been accurately reproduced (and is clearly sourced where it appears in the document) and, as far as each of the Issuer and the LLP are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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

On 24 February 2017, the Issuer was admitted to the register of issuers and the Programme was admitted to the register of regulated covered bonds pursuant to Regulation 14 of the RCB Regulations.

Copies of each set of Final Terms (in the case of Covered Bonds to be admitted to the Official List) will be available from the registered office of the Issuer and from the specified office of each of the Paying Agents (as defined below). Final Terms relating to the Covered Bonds which are admitted to trading on the UK regulated market of the London Stock Exchange will be available for inspection via the website of the Regulatory News Service operated by the London Stock Exchange at *www.londonstockexchange.com/exchange/news/market-news/market-news-home.html*.

This Prospectus is to be read in conjunction with any supplementary prospectus hereto, the financial statements of TSB Bank plc which form part of this Prospectus and are included herein (see the section entitled "*Documents Incorporated by Reference*" below) and any Final Terms. This Prospectus shall be read and construed on the basis that such documents are so incorporated and form part of this Prospectus.

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

The information contained in this Prospectus was obtained from the Issuer, the Seller, the LLP and other sources, but no assurance can be given by the relevant Dealer, the Arranger, 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 relevant Dealer, the Arranger, the Bond Trustee or the Security Trustee as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer, the Seller and the LLP in connection with the Programme. Neither the relevant Dealer, the Arranger, the Bond Trustee nor the Security Trustee accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer, the Seller and the LLP in connection with the Programme.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Prospectus in connection with an offer of Covered Bonds are the persons named in the applicable Final Terms as the relevant Dealer.

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

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

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Covered Bonds shall in any circumstances imply that the information contained herein concerning the Issuer and the LLP is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct at any time subsequent to the date indicated in the document containing the same. The relevant Dealer, the Arranger, the Bond Trustee and the Security Trustee expressly do not undertake to review the financial condition or affairs of the Issuer, the Seller or the LLP during the life of the Programme or to advise any investor in the Covered Bonds of any information coming to their attention.

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

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

This Prospectus has been prepared on the basis that any offer of Covered Bonds in the UK and any Member State of the EEA will be made pursuant to an exemption under the FSMA and Regulation (EU) 2017/1129 (the **Prospectus Regulation**), respectively, from the requirement to publish a prospectus for offers of Covered Bonds. Accordingly, any person making or intending to make an offer of Covered Bonds in the UK or a Member State of the EEA, which are the subject of an offering contemplated in this Prospectus as completed by a Final Terms in relation to the offer of those Covered Bonds may only do so in circumstances in which no obligation arises for the Issuer or the relevant Dealer to publish a prospectus pursuant to section 85 of the FSMA or Article 3 of the Prospectus Regulation (as applicable) or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation or Article 23 of the Prospectus Regulation (as applicable), in each case, in relation to such offer.

Neither the Issuer nor the relevant Dealer has authorised, nor do they authorise, the making of any offer of Covered Bonds in circumstances in which an obligation arises for the Issuer or the relevant Dealer to publish or supplement a prospectus for such offer.

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds, the merits and risks of investing in the Covered Bonds and the information contained or incorporated by reference in this Prospectus or any applicable supplemental prospectus;
- 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 such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including where principal or interest in respect of the Covered Bonds is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets;
- 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; and
- understand the accounting, legal, regulatory and tax implications of a purchase, holding and disposal of an interest in the relevant Covered Bonds.

None of the relevant Dealer(s), the Arranger, the Issuer, the Seller, 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.

General legal investment considerations

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal and/or other advisers to determine whether and to what extent (1) Covered Bonds are legal investments for it, (2) Covered Bonds can be used as collateral for various types of borrowing, (3) Covered Bonds can be used as repo-eligible securities, (4) other restrictions apply to its purchase or pledge of any Covered Bonds and (5) the Covered Bonds may be treated as liquid assets. Financial institutions should consult their legal and/or other advisers or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

Some Covered Bonds are complex financial instruments and such instruments may be purchased by investors as a way to reduce risk or enhance yield with an understood, measured, appropriate addition

of risk to their overall portfolios. A potential investor should not invest in Covered Bonds which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Covered Bonds will perform under changing conditions, the resulting effects on the value of such Covered Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Halifax House Price Index

The Halifax House Price Index (the **Index**) referenced herein is the property of Markit Economics Limited (**Index Owner**) and has been licensed for use in connection with the Programme. Each Party to the Programme acknowledges and agrees that the Programme is not sponsored, endorsed or promoted by the Index Owner. The Index Owner makes no representation whatsoever, whether express or implied, and hereby expressly disclaims all warranties (including, without limitation, those of merchantability or fitness for a particular purpose or use), with respect to the Index or any data included therein or relating thereto, and in particular disclaims any warranty either as to the quality, accuracy and/or completeness of the Index or any data included therein, the results obtained from the use of the Index and/or the composition of the Index at any particular time, on any particular date or otherwise and/or the creditworthiness of any entity, or the likelihood of the occurrence of a credit event or similar event (however defined) with respect to an obligation, in the Index at any particular time on any particular date or otherwise. The Index Owner shall not be liable (whether in negligence or otherwise) to the parties or any other person for any error in the Index, and the Index Owner is under no obligation to advise the parties or any person of any error therein.

The Index Owner makes no representation whatsoever, whether express or implied, as to the advisability of purchasing or selling the Covered Bonds, the ability of the Index to track relevant markets' performances, or otherwise relating to the Index or any transaction or product with respect thereto, or of assuming any risks in connection therewith. The Index Owner has no obligation to take the needs of any party into consideration in determining, composing or calculating the Index. No party purchasing or selling Covered Bonds, nor the Index Owner, shall have any liability to any party for any act or failure to act by the Index Owner in connection with the determination, adjustment, calculation or maintenance of the Index.

The Index is the property of Markit Economics Limited and is used under licence. The Programme is not sponsored, endorsed, or promoted by Markit Economics Limited or any of its affiliates.

MiFID II Product Governance/Target Market

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

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 as amended or superseded (the **MiFID Product Governance Rules**), any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise none of the Arranger, the Dealers and any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR Product Governance/Target Market

The Final Terms in respect of any Covered Bonds will include a legend entitled "*UK MiFIR Product Governance*" which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention

and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise none of the Arranger, the Dealers and any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

Prohibition of sales to EEA Retail Investors

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

Prohibition of sales to UK Retail Investors

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

FORWARD-LOOKING STATEMENTS

This Prospectus and the information incorporated by reference into this Prospectus include statements that are, or may be deemed to be, "forward-looking statements".

These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "plans", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and the information incorporated by reference into this Prospectus and include statements regarding the intentions, beliefs or current expectations of the Issuer or the Group concerning, amongst other things, the operating results, financial condition, prospects, growth, strategies and dividend policy of the Issuer and the sectors and markets in which they operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond the Group's ability to control or predict. Forward-looking statements are not guarantees of future performance.

The Group's actual operating results, financial condition and the development of the sectors and markets in which they operate may differ materially from the impression created by the forward-looking statements contained in this Prospectus and/or the information incorporated by reference into this Prospectus. In addition, even if the operating results and financial condition of the Issuer, and the development of the sectors and markets in which they operate, are consistent with the forward-looking statements contained in this document and/or the information incorporated by reference into this Prospectus, those results or developments may not be indicative of results or the development of such sectors and markets in subsequent periods. Important factors that could cause these differences include, but are not limited to, general political, economic and business conditions, sector and market trends, changes in government, changes in law or regulation, stakeholder perception of the Issuer and/or the sectors or markets in which it operates and those risks described in the section of this document headed "*Risk Factors*".

Investors are advised to read this Prospectus and the information incorporated by reference into this Prospectus in their entirety, and, in particular, the section of this document headed "*Risk Factors*", for a further discussion of the factors that could affect the Issuer future performance and the sectors and markets in which they operate. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document and/or the information incorporated by reference into this document may not occur.

Other than in accordance with their legal or regulatory obligations neither the Issuer nor the Dealer undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

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

CERTAIN DEFINITIONS

In this Prospectus, reference to:

TSB Banking Group is to TSB Banking Group plc;

EEA is to the European Economic Area;

EU is to the European Union;

FCA is to the United Kingdom Financial Conduct Authority;

FSA is to the United Kingdom Financial Services Authority;

FSMA is to the Financial Services and Markets Act 2000, as amended;

Group is to the Issuer and its subsidiaries and/or associated undertakings;

Issuer is to TSB Bank plc;

Member State is to a member state of the EU or the EEA (as applicable);

PRA is to the United Kingdom Prudential Regulation Authority;

Sabadell is Banco de Sabadell, S.A.;

Sabadell Group is to Banco de Sabadell, S.A. and its associated and subsidiary undertakings;

TSB Bank is to TSB Bank plc;

UK is to the United Kingdom; and

U.S. is to the United States of America.

PRESENTATION OF FINANCIAL AND OPERATING INFORMATION

In this Prospectus, references to the **financial statements** are to the Issuer's financial statements included in the Issuer's 2024 Annual Report and Accounts unless indicated otherwise.

The financial statements of the Issuer incorporated by reference within the Prospectus have been prepared in accordance with UK adopted international accounting standards (**UK IAS**) and applicable law.

In this Prospectus, references to **sterling**, **GBP** or **£** are to the lawful currency of the United Kingdom of Great Britain and Northern Ireland, references to **pence** and **p** are to one-hundredth of one pound sterling; references to **U.S. Dollars**, **U.S.$** or **$** are to the lawful currency of the U.S.; references to **cent** or **c** are to one-hundredth of one U.S. Dollar; references to **Euro**, **euro** or **€** are to the lawful currency of the Member States of the European Union that have adopted a single currency in accordance with the Treaty establishing the European Communities, as amended by the Treaty of European Union; and references to **Japanese yen**, **Japanese ¥** or **¥** are to the lawful currency of Japan.

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

TABLE OF CONTENTS

Principal Characteristics of the Programme 0
Documents Incorporated by Reference 2
Structure Overview 4
Overview of the Programme 11
Risk Factors 19
Form of the Covered Bonds 88
Form of Final Terms 92
Terms and Conditions of the Covered Bonds 102
Use of Proceeds 162
TSB Bank plc 163
The LLP 179
Summary of the Principal Documents 182
Credit Structure 220
Cashflows 225
The Portfolio 239
Description of the UK Regulated Covered Bond Regime 248
Description of Limited Liability Partnerships 250
Book-Entry Clearance Systems 251
UK Mortgage Regulation 253
Taxation 270
Subscription and Sale and Transfer and Selling Restrictions 272
General Information 278
Glossary 281

PRINCIPAL CHARACTERISTICS OF THE PROGRAMME

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

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

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

Issuer:	TSB Bank plc was incorporated on 24 September 1985 (Registration number SC095237). The Issuer's registered office is at Henry Duncan House, 120 George Street, Edinburgh EH2 4LH, Scotland, telephone number +44 (0) 1452 841 380. The Issuer is a wholly owned subsidiary of TSB Banking Group plc which in turn is wholly owned by Banco de Sabadell, S.A.
Guarantor:	TSB Covered Bonds LLP
Regulated Covered Bonds:	On 24 February 2017, the Issuer was admitted to the register of issuers and the Programme was admitted to the register of regulated covered bonds pursuant to Regulation 14 of the RCB Regulations
Nature of eligible property:	Residential mortgage loans, Substitution Assets up to the prescribed limit and Authorised Investments
Location of eligible residential property underlying Loans:	England, Wales or Scotland
Maximum Current Balance to Indexed Valuation ratio given credit under the Asset Coverage Test:	75.0 per cent.
Maximum Asset Percentage:	94.0 per cent.
Asset Coverage Test:	Yes, see further "*Summary of the Principal Documents – LLP Deed – Asset Coverage Test*"
Statutory minimum overcollateralisation:	The eligible property (as defined in the RCB Regulations) in the Asset Pool must be more than 108 per cent. of the Principal Amount Outstanding of the Covered Bonds
Statutory interest cover test:	The interest received on the eligible property must be equal to or greater than interest due on the Covered Bonds over a twelve month period
Amortisation Test:	Yes, see further "*Summary of the Principal Documents – LLP Deed – Amortisation Test*"
Reserve Fund:	Yes, see further "*Credit Structure – Reserve Fund*"
Extended Maturities:	Available
Hard Bullet Option:	Available
Asset Monitor:	PricewaterhouseCoopers LLP
Asset Segregation:	Yes

***Namensschuldverschreibungen* option:**	Yes
Single/multi asset pool designation:	Single asset pool, consisting of residential mortgage loans and liquid assets
Substitution Assets:	Asset-backed securities are not eligible property and cannot form part of the Asset Pool

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the following documents, which shall be deemed to be incorporated in, and form part of, this Prospectus:

TSB Bank plc financial statements:

(i) The Issuer's Annual Report and Accounts 2024 including the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2024, together with the audit report thereon, as set out on pages 38 to 98 and 99 to 106, respectively (the **Issuer's 2024 Annual Report and Accounts**) available at (https://www.tsb.co.uk/content/dam/tsb-public/documents/investors/financial-results-and-reports/2024/TSB-Bank-ARA-2024.pdf);

(ii) The Issuer's Annual Report and Accounts 2023 including the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2023, together with the audit report thereon, as set out on pages 28 to 84 and 85 to 92, respectively (the **Issuer's 2023 Annual Report and Accounts**) available at (https://www.tsb.co.uk/content/dam/tsb-public/documents/investors/financial-results-and-reports/2023/TSB-Bank-2023.pdf); and

Other documents incorporated by reference:

(i) The Member's Report and audited Financial Statements of the LLP for the financial period ended 31 December 2024, together with the audit report thereon (the **LLP's 2024 Annual Financial Statements**) available at (https://www.tsb.co.uk/content/dam/tsb-public/documents/investors/tsb-covered-bonds-llp-annual-reports-and-financial-statements/tsb-covered-bonds-llp-annual-reports-and-financial-statements-2024.pdf);

(ii) The Member's Report and audited Financial Statements of the LLP for the financial period ended 31 December 2023, together with the audit report thereon (the **LLP's 2023 Annual Financial Statements**) available at (https://www.tsb.co.uk/content/dam/tsb-public/documents/investors/tsb-covered-bonds-llp-annual-reports-and-financial-statements/tsb-covered-bonds-llp-annual-reports-and-financial-statements-2023.pdf);

(iii) a statement regarding "*Agreement for Sale of TSB*" published by the Issuer through the Regulatory News Service of the London Stock Exchange on 2 July 2025 (available at Agreement for sale of TSB - 07:00:06 02 Jul 2025 - 92ZV News article | London Stock Exchange);

(iv) The terms and conditions of the Covered Bonds set out on pages 105 to 145 (inclusive) of the Prospectus dated 24 February 2017 available at https://www.tsb.co.uk/content/dam/tsb-public/documents/investors/tsb-covered-bond-prospectus/base-prospectus-2017-february-24.pdf and prepared by the Issuer and the Guarantor in connection with the Programme;

(v) The terms and conditions of the Covered Bonds set out on pages 109 to 154 (inclusive) of the Prospectus dated 1 November 2018 available at https://www.tsb.co.uk/content/dam/tsb-public/documents/investors/tsb-covered-bond-prospectus/base-prospectus-2018-november-01.pdf and prepared by the Issuer and the Guarantor in connection with the Programme;

(vi) The terms and conditions of the Covered Bonds set out on pages 101 to 146 (inclusive) of the Prospectus dated 12 December 2019 available at https://www.tsb.co.uk/content/dam/tsb-public/documents/investors/tsb-covered-bond-prospectus/base-prospectus-2019-december-12.pdf and prepared by the Issuer and the Guarantor in connection with the Programme;

(vii) The terms and conditions of the Covered Bonds set out on pages 118 to 165 (inclusive) of the Prospectus dated 29 April 2021 available at https://www.tsb.co.uk/content/dam/tsb-public/documents/investors/tsb-covered-bond-prospectus/base-prospectus-2021-april-29.pdf and prepared by the Issuer and the Guarantor in connection with the Programme;

(viii) The terms and conditions of the Covered Bonds set out on pages 118 to 164 (inclusive) of the Prospectus dated 14 September 2022 available at https://www.tsb.co.uk/content/dam/tsb-public/documents/investors/tsb-covered-bond-prospectus/base-prospectus-2022-september-14.pdf and prepared by the Issuer and the Guarantor in connection with the Programme;

(ix) The terms and conditions of the Covered Bonds set out on pages 120 to 181 (inclusive) of the Prospectus dated 19 July 2023 available at https://www.tsb.co.uk/content/dam/tsb-public/documents/investors/tsb-covered-bond-prospectus/base-prospectus-2023-july-19.pdf and prepared by the Issuer and the Guarantor in connection with the Programme; and

(x) The terms and conditions of the Covered Bonds set out on pages 120 to 181 (inclusive) of the Prospectus dated 13 August 2024 available at https://www.tsb.co.uk/content/dam/tsb-public/documents/investors/tsb-covered-bond-prospectus/TSB_CB_Final_2024_Base_Prospectus_August%202024.pdf and prepared by the Issuer and the Guarantor in connection with the Programme.

all of which have been previously published and filed with the FCA and which shall be deemed to be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. Any documents or information themselves incorporated by reference in, or cross referred to in, the documents incorporated by reference in this Prospectus shall not form part of this Prospectus unless also separately incorporated by reference above. In each case, where only certain sections of a document referred to above are incorporated by reference in this Prospectus, the parts of the document which are not incorporated by reference (which for the avoidance of doubt means any parts not listed in the cross-reference list above) are either not relevant to prospective investors in the Covered Bonds or are covered elsewhere in this Prospectus.

The Issuer will provide, without charge, to each person to whom a copy of this Prospectus has been delivered, upon the oral or written request of such person, a copy of any or all of the documents which are incorporated in whole or in part by reference herein. Written or oral requests for such documents should be directed to the Issuer at its registered office set out at the end of this Prospectus.

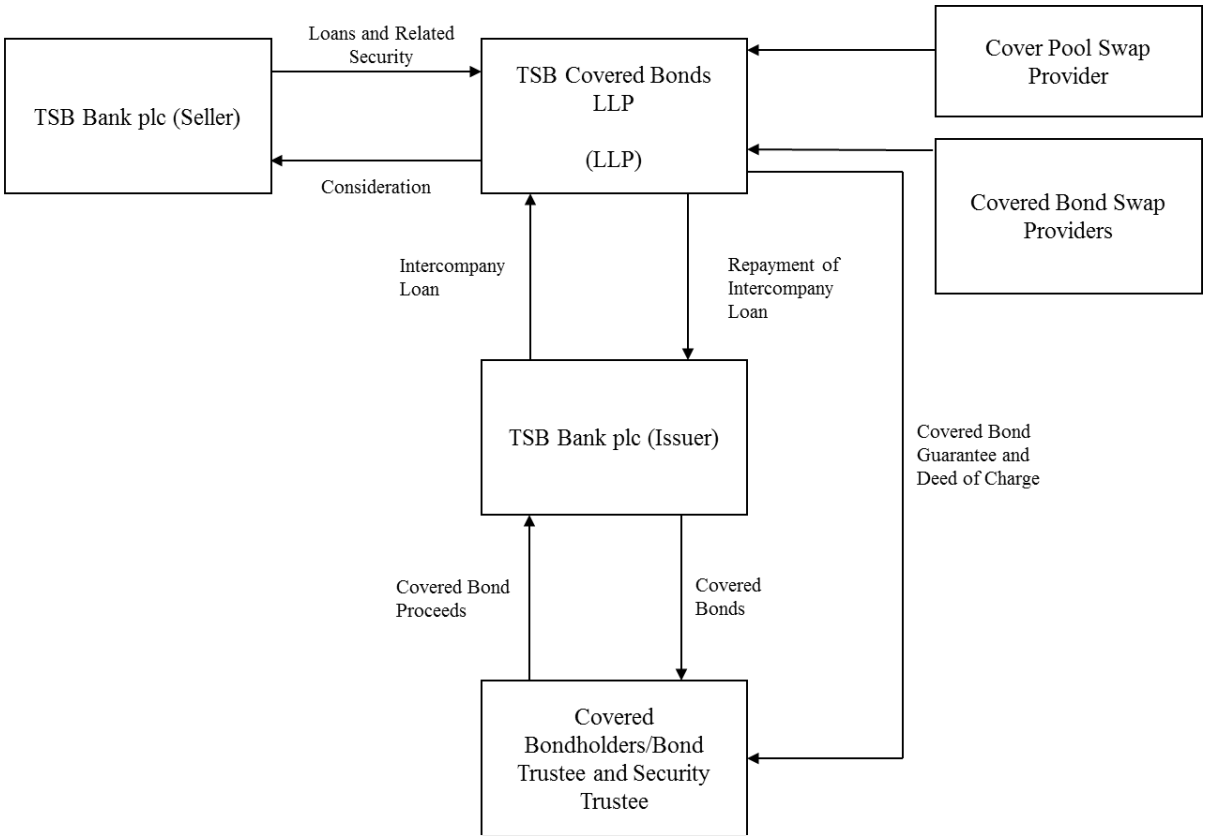
Copies of the documents incorporated by reference in this Prospectus will be available for viewing (i) at the registered office of the Issuer at Henry Duncan House, 120 George Street, Edinburgh EH2 4LH, (ii) via the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html or (iii) on the website of the Issuer at www.tsb.co.uk/investors/debt-investors. Copies will also be filed at the National Storage Mechanism (https://data.fca.org.uk/#/nsm/nationalstoragemechanism). Please note that websites and URLs referred to herein do not form part of this Prospectus.

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

STRUCTURE OVERVIEW

This overview must be read as an introduction to this Prospectus and any decision to invest in the Covered Bonds should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference. Words and expressions defined elsewhere in this Prospectus shall have the same meanings in this overview. A glossary of certain defined terms used in this document is contained at the end of this Prospectus.

Structure Diagram



Structure Overview

- *Programme:* Under the terms of the Programme, the Issuer will issue Covered Bonds to Covered Bondholders on each Issue Date. The Covered Bonds will be direct, unsecured and unconditional obligations of the Issuer.
- *Intercompany Loan Agreement:* Under the terms of the Intercompany Loan Agreement, the Issuer will make Term Advances to the LLP in an amount equal to the nominal value of each Series, or as applicable, Tranche of Covered Bonds. Payments by the Issuer of amounts due under the Covered Bonds are not conditional upon receipt by the Issuer of payments from the LLP pursuant to the Intercompany Loan Agreement. Amounts owed by the LLP under the Intercompany Loan Agreement will be subordinated to amounts owed by the LLP under the Covered Bond Guarantee.
- *Covered Bond Guarantee:* Under the terms of the Trust Deed, the LLP has provided a guarantee as to payments of interest and principal under the Covered Bonds. The LLP has agreed to pay an amount equal to the Guaranteed Amounts when the same shall become Due for Payment but which would otherwise be unpaid by the Issuer. The obligations of the LLP under the Covered Bond Guarantee constitute direct, irrevocable and (following service of a Notice to Pay or an LLP Acceleration Notice) unconditional obligations of the LLP, secured as provided in the Deed of Charge. The Bond Trustee will be required to serve a Notice to Pay on the LLP

following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice. An LLP Acceleration Notice may be served by the Bond Trustee on the LLP following the occurrence of an LLP Event of Default.

If an LLP Acceleration Notice is served, the Covered Bonds will (if an Issuer Acceleration Notice has not already been served) become immediately due and payable as against the Issuer, and the LLP's obligations under the Covered Bond Guarantee will be accelerated and the Security will be enforceable. 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, as the case may be, the Post-Enforcement Priority of Payments. The recourse of the Covered Bondholders to the LLP under the Covered Bond Guarantee will be limited to the assets of the LLP from time to time.

- *The proceeds of Term Advances:* The LLP will use the proceeds of the Term Advances received under the Intercompany Loan Agreement from time to time (if not denominated in Sterling, upon exchange into Sterling under the applicable Covered Bond Swap) as consideration in part for the acquisition of Loans and their Related Security from the Seller pursuant to the terms of the Mortgage Sale Agreement and/or Substitution Assets (in an amount up to but not exceeding the prescribed limit) so far as necessary for the purpose of complying with arrangements made pursuant to Regulation 23 and 24(i)(a) of the RCB Regulations and the Asset Coverage Test, and such proceeds may thereafter be applied by the LLP:

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

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

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

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

  (e) to make a deposit of all or part of the proceeds in the Transaction Accounts (including, without limitation, to fund the Reserve Fund to an amount not exceeding the Reserve Fund Required Amount).

  To protect the value of the Portfolio, under the terms of the LLP Deed, the LLP and the Members (other than the Liquidation Member) will be obliged to ensure that the Asset Coverage Test (as described below) will be satisfied on each Calculation Date.

- *Consideration:* Under the terms of the Mortgage Sale Agreement, the consideration payable to the Seller for the sale of Loans and their Related Security to the LLP on any Sale Date will be a combination of:

  (a) the LLP paying to the Seller a cash payment made by the LLP to the Seller from the Sterling Equivalent of the proceeds of the relevant Term Advance and/or from Available Principal Receipts;

  (b) the Seller being treated as having made a Capital Contribution in Kind to the LLP (in an amount up to the difference between the aggregate Current Balance of the Loans sold by the Seller as at the relevant Sale Date and the aggregate cash payment (if any) made by the LLP); and/or

  (c) Deferred Consideration (including any Postponed Deferred Consideration) which shall be paid by the LLP on each LLP Payment Date (provided there are available funds and after the making of any provisions in accordance with normal accounting practice) in accordance with the relevant Priorities of Payments.

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

- *Cashflows:* Provided no Asset Coverage Test Breach Notice is outstanding, prior to service on the LLP of a Notice to Pay or an LLP Acceleration Notice and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP, the LLP will:

  (a) apply Available Revenue Receipts to pay any amounts due (excluding principal amounts) on the Term Advances to the Issuer, to pay certain expenses and amounts due to the Covered Bond Swap Provider and to pay Deferred Consideration (including any Postponed Deferred Consideration) to the Seller in respect of the Loans sold by the Seller to the LLP. However, these payments will only be made after payment of certain items ranking higher in the Pre-Acceleration Revenue Priority of Payments (including, without limitation, certain expenses and amounts due to the Cover Pool Swap Provider and amounts required to be credited to the relevant Transaction Account with a corresponding credit to the Pre-Maturity Liquidity Ledger). For further details of the Pre-Acceleration Revenue Priority of Payments, see "*Cashflows*" below; and

  (b) apply Available Principal Receipts 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, without limitation, funding any liquidity reserves that may be required in respect of Hard Bullet Covered Bonds following any breach of the Pre-Maturity Liquidity Test, acquiring New Loans and their Related Security offered by the Seller to the LLP and making repayments of corresponding Term Advances). For further details of the Pre-Acceleration Principal Priority of Payments, see "*Cashflows*" below.

  For so long as an Asset Coverage Test Breach Notice is outstanding, but prior to service of a Notice to Pay or an LLP Acceleration Notice and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP, the LLP will continue to apply Available Revenue Receipts and Available Principal Receipts as described above, except that, whilst any Covered Bonds remain outstanding:

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

  (b) in respect of Available Principal Receipts, no payments will be made to acquire New Loans and their Related Security, other than after sufficient amounts have been credited to the Transaction Accounts to ensure that the LLP is in compliance with the Asset Coverage Test after exchange into Sterling (if required) in accordance with the relevant Covered Bond Swap (see "*Cashflows*" below), and have been paid to any of the Covered Bond Swap Providers to the extent due pursuant to the Covered Bond Swap Agreement.

  Following service of a Notice to Pay on the LLP (but prior to service of an LLP Acceleration Notice and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP) the LLP will use all moneys (other than Third Party Amounts) Tax Credits (including, for the avoidance of doubt, any amounts received by the LLP from a Member in respect of Tax Credits), Swap Collateral Excluded Amounts and Swap Provider Tax

Payments) to pay Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for Payment subject to paying certain higher ranking obligations of the LLP in the Guarantee Priority of Payments. In such circumstances, the Seller (as a Member of the LLP) will only be entitled to receive any remaining income of the LLP after all amounts due under the Covered Bond Guarantee in respect of the Covered Bonds have been paid in full.

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

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

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

  (a) prior to the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice or, if earlier, the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice, the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments will be modified as more particularly described in "*Cashflows – Allocation and distribution of Available Revenue Receipts whilst no Asset Coverage Test Breach Notice is outstanding and prior to the service on the LLP of a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security*" below;

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

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

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

- *Amortisation Test:* Following the service of a Notice to Pay (but prior to service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security) and, for so long as Covered Bonds remain outstanding, the LLP and the Members (other than the Liquidation Member) must ensure that on each following Calculation Date, the Amortisation Test Aggregate Loan Amount will be in an amount at least equal to the aggregate Sterling Equivalent of the Principal Amount Outstanding of the Covered Bonds on such Calculation Date. The Amortisation Test will be carried out by the Cash Manager on each Calculation Date following service of a Notice to Pay. A breach of the Amortisation Test will constitute an LLP Event of Default. Following the occurrence of an LLP Event of Default, the Bond Trustee may by service of an LLP Acceleration Notice accelerate the obligations of the Issuer under the Covered Bonds and require all amounts under the Covered Bond Guarantee to become immediately due and repayable. Thereafter, the Security Trustee may enforce the Security over the Charged Property.

- *Extendable obligations under the Covered Bond Guarantee:* An Extended Due for Payment Date may be specified as applicable 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 the applicable grace period), a Notice to Pay is served 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 service of a Notice to Pay, the LLP has insufficient moneys available in accordance with the Guarantee Priority of Payments to pay in full the Guaranteed Amounts equal to the Final Redemption Amount of the relevant Series of Covered Bonds), then payment of the unpaid portion of the Final Redemption Amount pursuant to the Covered Bond Guarantee shall be automatically deferred (without an LLP Event of Default occurring as a result of such non-payment). The unpaid portion of the Final Redemption Amount shall be due and repayable on the Extended Due for Payment Date as set out in the applicable Final Terms (subject to the applicable grace period and provided that the LLP shall, to the extent it has the funds available to it, pay such unpaid portion of the Final Redemption Amount on any Original Due for Payment Date up until the Extended Due for Payment Date). The LLP will pay the Guaranteed Amounts constituting Scheduled Interest on each Original Due for Payment Date and on the Extended Due for Payment Date.

- *Pre-Maturity Liquidity Test*: Hard Bullet Covered Bonds will be subject to a Pre-Maturity Liquidity Test. This provides liquidity for Hard Bullet Covered Bonds if the Issuer's credit ratings fall to or below the specified levels. On each Pre-Maturity Liquidity Test Date of any Series of Hard Bullet Covered Bonds and 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 there has been a breach of the Pre-Maturity Liquidity Test and, if so, it shall immediately notify the Members and the Security Trustee thereof. Following such breach, the LLP shall offer to sell Selected Loans 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. An Issuer Event of Default shall occur if the Pre-Maturity Liquidity Test is breached during the Pre-Maturity Liquidity Test Breach Period 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 Seller, the LLP and the Bond Trustee are notified of the breach of the Pre-Maturity Liquidity 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).

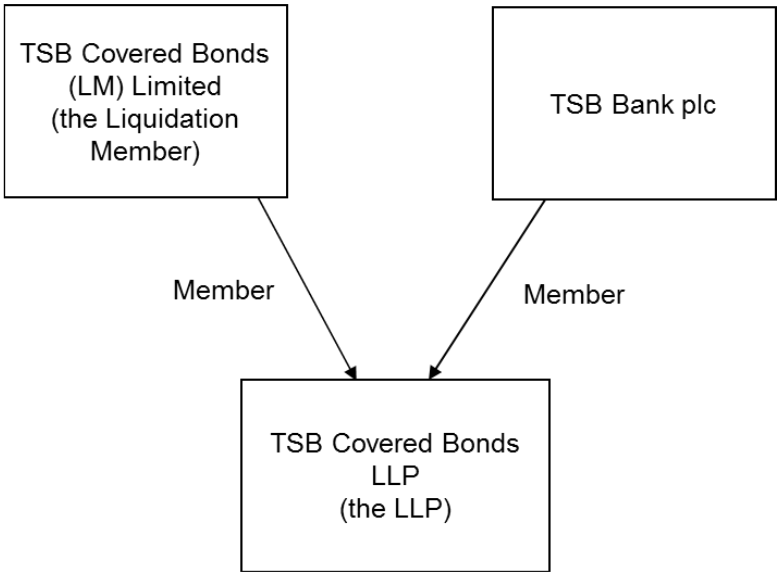
- *Servicing:* On the Programme Date, TSB Bank plc was appointed by the LLP as servicer of the Loans in the Portfolio pursuant to the terms of the Servicing Agreement to administer the Loans

and their Related Security in the Portfolio. In its capacity as Servicer, TSB Bank plc has agreed to provide or procure the provision of certain services in respect of the Loans and their Related Security sold by the Seller to the LLP.

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

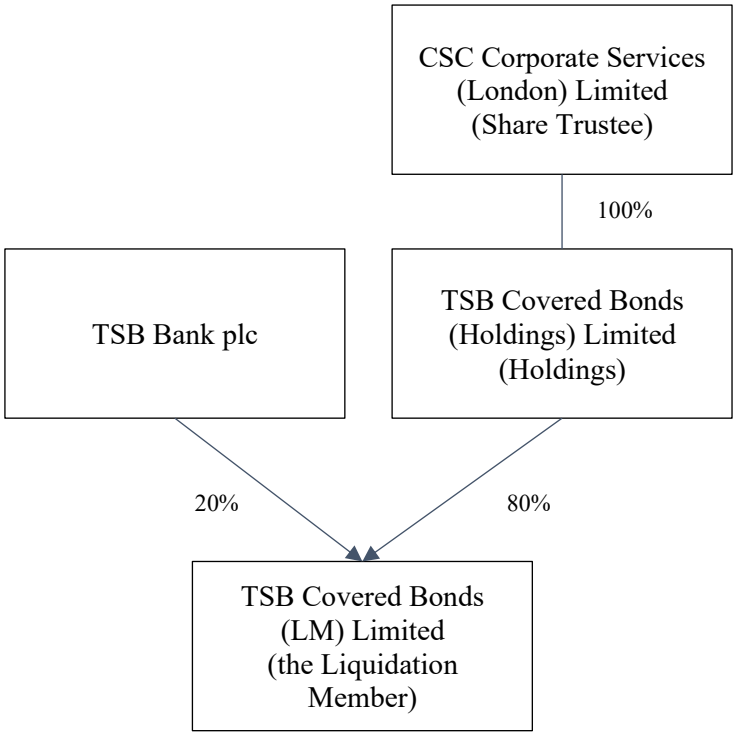
Ownership Structure of TSB Covered Bonds LLP

- As at the Programme Date the Members of the LLP are TSB Bank plc and the Liquidation Member.
- Any New Seller that wishes to sell New Seller Loans and their Related Security to the LLP (as described under "*Summary of the Principal Documents – Mortgage Sale Agreement*" below) will, amongst other things, be required to become a Member of the LLP and will accede to, *inter alia*, the LLP Deed.
- Other than in respect of those decisions reserved to the Members, the LLP Management Board (comprised of, as at the Programme Date, directors and/or officers and/or employees of TSB Bank plc) will manage and conduct the business of the LLP and will have all the rights, power and authority to act at all times for and on behalf of the LLP.
- In the event of a liquidation or administration of TSB Bank plc or a disposal of TSB Bank plc's interest in the Liquidation Member such that TSB Bank plc holds less than 20 per cent. of the share capital of the Liquidation Member (without the consent of the LLP and, whilst any Covered Bonds are outstanding, the Security Trustee), TSB Bank plc will automatically cease to be a Member of the LLP, the balance of any Capital Contributions outstanding of TSB Bank plc as at the date it ceases to be a Member in the LLP will be converted into a subordinated debt obligation owed by the LLP to TSB Bank plc under the LLP Deed and the Liquidation Member will appoint a new Member of the LLP (which will be a wholly-owned subsidiary of the Liquidation Member) pursuant to the terms of the LLP Deed. See further "*Summary of the Principal Documents – LLP Deed*" below.



Ownership Structure of the Liquidation Member

- As at the Programme Date, the issued share capital of the Liquidation Member is held 20 per cent. by TSB Bank plc and 80 per cent. by TSB Covered Bonds (Holdings) Limited (**Holdings**).
- The issued capital of Holdings is held 100 per cent. by CSC Corporate Services (London) Limited (formerly known as Intertrust Corporate Services Limited) as Share Trustee on trust for the benefit of certain discretionary objects.



OVERVIEW OF THE PROGRAMME

This overview must be read as an introduction to this Prospectus and any decision to invest in the Covered Bonds should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference and the relevant Final Terms.

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

Issuer:	TSB Bank plc TSB Bank plc (the **Issuer**) was incorporated in Scotland on 24 September 1985 (Registration number SC095237). The Issuer's registered office is at Henry Duncan House, 120 George Street, Edinburgh EH2 4LH. The Issuer is a wholly-owned subsidiary of TSB Banking Group plc, which in turn is wholly owned by Banco de Sabadell, S.A.
Issuer Legal Entity Identifier (LEI):	549300XP222MV7P3CC54
LLP:	TSB Covered Bonds LLP, a limited liability partnership incorporated in England and Wales (registered no. OC411834). The LLP is a subsidiary of TSB Bank plc and its Members on the Programme Date are TSB Bank plc and the Liquidation Member. The LLP is a special purpose vehicle whose business is to borrow Term Advances from the Issuer, acquire, *inter alia*, Loans and their Related Security from the Seller pursuant to the terms of the Mortgage Sale Agreement and to guarantee certain payments in respect of the Covered Bonds. The LLP will hold the Portfolio and the other Charged Property in accordance with the terms of the Transaction Documents. The LLP has provided a guarantee covering all Guaranteed Amounts when the same shall become Due for Payment, but only following service of a Notice to Pay or an LLP Acceleration Notice. The obligations of the LLP under the Covered Bond Guarantee and the other Transaction Documents to which it is a party are secured by the assets from time to time of the LLP and recourse against the LLP is limited to such assets. For a more detailed description of the LLP, see "*The LLP*" below.
LLP Legal Entity Identifier (LEI):	2138008QGA8JKVUBM807
Seller:	TSB Bank plc acting through its office at Henry Duncan House, 120 George Street, Edinburgh, EH2 4LH, which is in the business of originating residential mortgage loans and other banking activities, and the expression "Seller" shall be deemed to include where applicable TSB Bank plc as the originator of the Loans transferred to TSB Bank plc under the Lloyds 2013 Part VII Transfer. For a more detailed description of the Seller, see "*TSB Bank plc*" below.

Servicer:	TSB Bank plc has been appointed as servicer under the Servicing Agreement, pursuant to which it has agreed to provide or procure the provision of certain services in respect of the Loans and their Related Security sold by the Seller to the LLP.
Back-Up Servicer Facilitator:	CSC Management Services (UK) Limited (formerly Intertrust Management Limited) has been appointed to act as back-up servicer facilitator under the Servicing Agreement.
Cash Manager:	TSB Bank plc has been appointed, *inter alia*, to provide cash management services to the LLP and to monitor compliance by the LLP with the Asset Coverage Test, the Amortisation Test and the Pre-Maturity Liquidity Test pursuant to the Cash Management Agreement.
Back-Up Cash Manager Facilitator:	CSC Management Services (UK) Limited (formerly Intertrust Management Limited) has been appointed to act as back-up cash manager facilitator under the Cash Management Agreement.
Principal Paying Agent, Transfer Agent and Registrar:	Citibank N.A., London Branch acting through its office at Citigroup Centre, 25 Canada Square, Canary Wharf, London E14 5LB, has been appointed pursuant to the Agency Agreement as Principal Paying Agent, Transfer Agent and Registrar.
Bond Trustee:	Citicorp Trustee Company Limited, acting through its office at Citigroup Centre, 25 Canada Square, Canary Wharf, London E14 5LB, has been appointed to act as bond trustee on behalf of the Covered Bondholders in respect of the Covered Bonds and holds the benefit of, *inter alia*, the Covered Bond Guarantee on behalf of the Covered Bondholders pursuant to the Trust Deed.
Security Trustee:	Citicorp Trustee Company Limited, acting through its office at Citigroup Centre, 25 Canada Square, Canary Wharf, London E14 5LB, has been appointed to act as security trustee to hold the benefit of the security granted by the LLP to the Security Trustee (for itself, the Covered Bondholders and the other Secured Creditors) under the Deed of Charge.
Asset Monitor:	PricewaterhouseCoopers LLP 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.
Covered Bond Swap Provider:	Each swap provider which agrees to act as Covered Bond Swap Provider to the LLP to hedge certain interest rate and/or currency risks in respect of amounts received by the LLP under the Loans in the Portfolio and the Cover Pool Swaps and amounts due and payable by the LLP under the Intercompany Loan Agreement or, if a Notice to Pay or an LLP Acceleration Notice has been served, under the Covered Bond Guarantee in respect of the Covered Bonds by entering into Covered Bond Swaps with the LLP and the Security Trustee under the Covered Bond Swap Agreements. In the event that the ratings of a Covered Bond Swap Provider fall below a specified ratings level, the relevant Covered Bond Swap Provider may be required to post collateral for its obligations, transfer its obligations to an appropriately rated entity, obtain a guarantee of its obligations from an appropriately rated guarantor and/or, if applicable, put in place some other arrangements in order to maintain the then current ratings of the Covered Bonds. The Covered Bond Swap Provider shall satisfy the rating

	requirements set out in the relevant Covered Bond Swap Agreement, as to which see "*Summary of the Principal Documents – Covered Bond Swap Agreements*".
Cover Pool Swap Provider:	TSB Bank plc has agreed to act as Cover Pool Swap Provider to the LLP to hedge possible variances between the rates of interest payable on the Loans sold by the Seller to the LLP and SONIA by entering into Cover Pool Swaps with the LLP and the Security Trustee under the Cover Pool Swap Agreement. In each case the Cover Pool Swap Provider will be required to post collateral for its obligations, transfer its obligations to an appropriately rated entity, obtain a guarantee of its obligations from an appropriately rated guarantor and/or, if applicable, put in place other appropriate credit support arrangements (in order to maintain the then current ratings of the Covered Bonds) in the event that its ratings fall below a specified ratings level.
Account Banks:	HSBC Bank plc, acting through its office at 8 Canada Square, London E14 5HQ, has agreed to act as the HSBC Account Bank to the LLP pursuant to the HSBC Bank Account Agreement. Lloyds Bank plc, acting through its office at 33 Old Broad Street, London EC2N 1HZ, has agreed to act as the Lloyds Account Bank to the LLP pursuant to the Lloyds Bank Account Agreement. Further Account Banks may be appointed in respect of any other bank accounts (including additional Transaction Accounts and any swap collateral and custody accounts) under bank account agreements entered into from time to time between the LLP, the relevant Account Bank(s), the Cash Manager and the Security Trustee.
Swap Collateral Account Bank:	As at the Programme Date, HSBC Bank plc, acting through its office at 8 Canada Square, London E14 5HQ, has agreed to act as Swap Collateral Account Bank to the LLP pursuant to the Swap Collateral Bank Account Agreement. Further Swap Collateral Account Banks may be appointed in respect of any other swap collateral bank accounts under swap collateral account bank agreements entered into from time to time between the LLP, the relevant Swap Collateral Account Bank(s), the Cash Manager and the Security Trustee.
Liquidation Member:	TSB Covered Bonds (LM) Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 10181264). The Liquidation Member is 80 per cent. owned by Holdings and 20 per cent. owned by TSB Bank plc.
Holdings:	TSB Covered Bonds (Holdings) Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 10181392). All of the shares of Holdings are held by the Share Trustee on trust for the benefit of certain discretionary objects.
Share Trustee:	CSC Corporate Services (London) Limited (formerly known as Intertrust Corporate Services Limited), acting through its office at 5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU holds all of the shares of Holdings on trust for the benefit of certain discretionary objects.

Corporate Services Provider:	CSC Management Services (UK) Limited (Intertrust Management Limited, acting through its office at 5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU has been appointed to provide certain corporate services to the Liquidation Member, Holdings and the LLP, respectively, pursuant to the Corporate Services Agreement.
Programme description:	Global Covered Bond Programme.
Arranger:	Lloyds Bank Corporate Markets plc acting through its office at 33 Old Broad Street, London EC2N 1HZ.
Relevant Dealer:	To be selected from time to time in accordance with the terms of the Programme Agreement. As at the date of this Prospectus, the Dealers are Banco de Sabadell, S.A. and Lloyds Bank Corporate Markets plc (each referred to throughout this Prospectus as the **Dealer** and together the **Dealers**).
Certain restrictions:	Each issue of Covered Bonds denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time. See "*Subscription and Sale and Transfer and Selling Restrictions*" below.
Programme size:	Up to £10 billion (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time as described herein. The Issuer and the LLP may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Covered Bonds may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis, subject to the restrictions set forth in "*Subscription and Sale and Transfer and Selling Restrictions*" below.
Specified Currency:	Subject to any applicable legal or regulatory restrictions, such currency or currencies as may be agreed from time to time by the Issuer, the relevant Dealer, the Principal Paying Agent and the Bond Trustee (as set out in the applicable Final Terms).
Maturities:	The Covered Bonds will have such maturities as may be agreed between the Issuer and the relevant Dealer and indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by any relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Covered Bonds may be issued at par or at a premium or at a discount to par on a fully paid basis.
Form of Covered Bonds:	The Covered Bonds may be issued in bearer or registered form as described in "*Form of the Covered Bonds*". Registered Covered Bonds will not be exchangeable for Bearer Covered Bonds and vice versa.
Fixed Rate Covered Bonds:	Fixed Rate Covered Bonds will bear interest at a fixed rate, which will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer 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 (as set out in the applicable Final Terms).
Floating Rate Covered Bonds:	Floating Rate Covered Bonds will bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions; or (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (c) on such other basis as may be agreed between the Issuer and the relevant Dealer, as set out in the applicable Final Terms. The Margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each issue of Floating Rate Covered Bonds, as set out in the applicable Final Terms.
Other provisions in relation to Floating Rate Covered Bonds:	Floating Rate Covered Bonds may also have a Maximum Rate of Interest, a Minimum Rate of Interest or both (as indicated in the applicable Final Terms). Interest on Floating Rate Covered Bonds in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, in each case as may be agreed between the Issuer and the relevant Dealer.
Zero Coupon Covered Bonds:	Zero Coupon Covered Bonds, bearing no interest, may be offered and sold at a discount to their nominal amount unless otherwise specified in the applicable Final Terms.
Instalment Covered Bonds:	Covered Bonds may be issued on an instalment basis in which case such Covered Bonds will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Final Terms.
Hard Bullet Covered Bonds:	The applicable Final Terms may provide that certain Series of Covered Bonds may be scheduled to be redeemed in full on the Final Maturity Date therefore without any provision for an Extended Due for Payment Date under the Covered Bond Guarantee (the **Hard Bullet Covered Bonds**). In such a case, on each Pre-Maturity Liquidity 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 Liquidity Test has been breached and, if so, it shall immediately notify the Members and the Security Trustee thereof.
Redemption:	The applicable Final Terms relating to each Tranche of Covered Bonds will indicate either that such Covered Bonds cannot be redeemed prior to their stated maturity (other than for taxation reasons or if it becomes unlawful for any Term Advance to remain outstanding or following an Issuer Event of Default or an LLP

	Event of Default) or that such Covered Bonds will be redeemable or, following purchase of such Covered Bonds by the Issuer or any of its subsidiaries (including the LLP), any holding company of the Issuer or any subsidiary of any such holding company, cancellable at the option of the Issuer and/or the Covered Bondholders upon appropriate notice in accordance with the Terms and Conditions to the Bond Trustee, the Principal Paying Agent, the Registrar (in the case of the redemption of the Registered Covered Bonds) and the Covered Bondholders or to the Issuer (as the case may be), on one or more specified dates prior to their stated maturity and at a price or prices as may be agreed between the Issuer and the relevant Dealer.
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 equal to the Final Redemption Amount of the applicable Series of Covered Bonds on their Final Maturity Date may be deferred until the Extended Due for Payment Date. In such case, such deferral will occur automatically if the Issuer fails to pay the Final Redemption Amount of the relevant Series of Covered Bonds on their Final Maturity Date (in each case subject to the applicable grace period), a Notice to Pay has been served and the Guaranteed Amounts equal to the Final Redemption Amount in respect of such Series of Covered Bonds are not paid in full by the Extension Determination Date (for example, because the LLP has insufficient moneys to pay in full the Guaranteed Amounts equal to the Final Redemption Amount in respect of the relevant Series of Covered Bonds after payment of higher ranking amounts and taking into account amounts ranking *pari passu* in the Guarantee Priority of Payments). To the extent that the LLP has received a Notice to Pay by the time specified in Condition 6.1 (*Final redemption*) and has sufficient moneys under the Guarantee Priority of Payments to pay in part the Final Redemption Amount, partial payment of the Final Redemption Amount shall be made as described in Condition 6.1 (*Final redemption*). The LLP shall to the extent it has the funds available to it make payments in respect of the unpaid portion of the Final Redemption Amount on any Original Due for Payment Date up until the Extended Due for Payment Date. Interest will continue to accrue and be payable on the unpaid portion of the Final Redemption Amount up to the Extended Due for Payment Date in accordance with Condition 4 (*Interest and other Calculations*) and the LLP will make payments of Guaranteed Amounts constituting Scheduled Interest on each Original Due for Payment Date and the Extended Due for Payment Date.
Denomination of Covered Bonds:	The Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer and set out in the applicable Final Terms save that the minimum denomination of each Covered Bond will be at least €100,000 (or, if the Covered Bonds are denominated in a currency other than euro, the equivalent amount in such currency) or such other higher amount as may be required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

Taxation:	All payments by the Issuer in respect of the Covered Bonds will be made without deduction or withholding for or on account of UK taxes, unless such deduction or withholding is required by law. If any such deduction or withholding is made, the Issuer will, save as provided in Condition 7 (*Taxation*), be required to pay additional amounts in respect of the amounts so deducted or withheld. Under the Covered Bond Guarantee, the LLP will not be liable to pay amounts in respect of any such additional amounts payable by the Issuer under Condition 7 (*Taxation*).
Cross Default for Covered Bonds:	If an LLP Acceleration Notice is served in respect of any Series of Covered Bonds, then the obligation of the LLP to pay Guaranteed Amounts in respect of all Series of Covered Bonds then outstanding will be accelerated.
Status of the Covered Bonds:	The Covered Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank *pari passu* without any preference among themselves and (save for any obligations required to be preferred by law) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding.
Covered Bond Guarantee:	Payment of Guaranteed Amounts in respect of the Covered Bonds when Due for Payment will be irrevocably guaranteed by the LLP. The obligations of the LLP to make payment in respect of the Guaranteed Amounts when Due for Payment are subject to the condition that a Notice to Pay or an LLP Acceleration Notice has been served on the LLP. The obligations of the LLP under the Covered Bond Guarantee will accelerate against the LLP upon service of an LLP Acceleration Notice. The obligations of the LLP under the Covered Bond Guarantee constitute direct obligations of the LLP secured against the assets from time to time of the LLP and recourse against the LLP is limited to such assets.
Ratings:	Covered Bonds to be issued under the Programme are expected, at the time of issue, unless otherwise specified in the applicable Final Terms, be rated "Aaa" by Moody's. The rating of certain Series of Covered Bonds to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Covered Bonds will be issued by a credit rating agency established in the UK and registered under the UK CRA Regulation (and endorsed by a credit rating agency established in the EU and registered under the EU CRA) will be disclosed in the Final Terms. For more information see "*Risk Factors – Risks Relating to the Covered Bonds – Ratings of the Covered Bonds*" in this Prospectus.
Listing and admission to trading:	Application has been made to admit the Covered Bonds issued under the Programme and pursuant to the Prospectus to the Official List and to admit the Covered Bonds to trading on the UK regulated market of the London Stock Exchange.
Clearing:	The Covered Bonds will be eligible to clear through any of the Clearing Systems as indicated in the relevant Final Terms. It is

	anticipated that Registered Covered Bonds will clear through Euroclear and/or Clearstream, Luxembourg. Covered Bonds may be cleared through a Clearing System or, particularly in the case of Definitive Covered Bonds, may not be cleared through any Clearing System. Covered Bonds may also be cleared through a clearing system other than the Clearing Systems, as may be agreed between the Issuer, the Bond Trustee and the Principal Paying Agent 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 cleared and, if so, in which clearing system.
The RCB Regulations:	On 24 February 2017, the Issuer was admitted to the register of issuers and the Programme was admitted to the register of regulated covered bonds pursuant to Regulation 14 of the RCB Regulations.
Governing law:	The Covered Bonds issued pursuant to this Prospectus will be governed by, and construed in accordance with, English law.
Selling and Transfer Restrictions:	There are restrictions on the offer, sale and transfer of any Tranche of Covered Bonds in the U.S., the European Economic Area (including The Netherlands, the Republic of Italy, Germany and the Republic of France), the UK and Japan. Other restrictions may apply in connection with the offering and sale of a particular Tranche of Covered Bonds. See "*Subscription and Sale and Transfer and Selling Restrictions*".
Risk Factors:	There are certain risks related to any issue of Covered Bonds under the Programme, which investors should ensure they fully understand, a non exhaustive summary of which is set out under "*Risk Factors*" below.

RISK FACTORS

The Issuer and the LLP believe that the following factors may affect their ability to fulfil their respective obligations under the Covered Bonds issued under the Programme and the Covered Bond Guarantee respectively and confirm that the risks that are stated to apply to "the Group" below apply to the Issuer and/or its subsidiary and associated undertakings.

The Issuer and the LLP believe that the factors described below represent the principal risks inherent in investing in Covered Bonds issued under the Programme, but the inability of the Issuer or the LLP to pay interest, principal or other amounts on or in connection with any Covered Bonds may occur for other reasons and neither the Issuer nor the LLP represents that the statements below regarding the risks of holding any Covered Bonds are exhaustive. If any of the following risks actually materialise, the business, financial condition and results of operations of the Group and the Issuer's ability to fulfil its obligations under the Covered Bonds, could be materially and adversely affected. In addition, each of the risks highlighted below could adversely affect the trading price of the Covered Bonds or the rights of investors under the Covered Bonds and, as a result, investors could lose some or all of their investment.

Prospective investors should consider carefully the risks and uncertainties described below, together with all other information contained in this Prospectus and the information incorporated by reference herein before making any investment decision.

Unless otherwise defined herein, terms used in this section shall have the same meaning as in the Conditions.

1 ECONOMIC AND FINANCIAL RISKS

1.1 *The Group is subject to inherent risks arising from general macro-economic and geo-political conditions in the UK and globally*

The Group's business, financial condition and prospects are subject to inherent risks arising from general macroeconomic conditions in the UK and the state of the global financial markets both generally and as they specifically affect financial institutions. As the Group's customer revenue is derived almost entirely from retail and small to medium-sized enterprise (**SME**) customers based in the UK, the Group is particularly exposed to the condition of the UK economy.

Economic risks

The Group could be adversely impacted by volatility in various economic indicators, including (but not limited to):

(i) volatility in house prices (see the risk factor entitled "The Group faces risks related to volatility in UK house prices");

(ii) volatility in interest rates (see the risk factor entitled "The Group faces risks associated with interest rate levels and volatility");

(iii) increased levels of unemployment (see the risk factor entitled "The Group is exposed to risks relating to high levels of unemployment"); and/or

(iv) inflationary persistence leading to increased costs for the Group and sustained cost of living pressures for its customers (see the risk factor entitled "The Group faces risks arising from the impact of the increase in the cost of living").

As these economic indicators change, the Group's financial condition and operations may be impacted by:

(i) a decline in the credit quality of the Group's customers and counterparties and/or an adverse effect on the quality of the Issuer's loan portfolio which could result in changing customer behaviours and a rise in delinquency and default rates and reduce recoverability and value of any security held by the Group;

(ii) a material increase in impairment losses;

(iii) a significant reduction in the demand for the Group's products and services; and/or

(iv) a significant impact on and reduction in the Group's income streams.

In addition, volatility in the financial markets including the credit, currency and equity markets either in the UK or globally may result in uncertainty that could affect the operations and financial position of all banks, including the Group.

Geopolitical risks

The Group could be adversely affected by acts of war or terrorism, and geo-political tensions more generally. Political and policy uncertainty can also play a factor. These risks are often global, so the Group's direct exposure can be limited. However, it can be exposed to associated volatility and uncertainty in financial markets and via energy and commodity prices. Geopolitical conflicts could also lead to increased cyber-attacks on the Group and/or its third-party suppliers. A successful cyber-attack and/or the costs associated with potential or actual cyber-attacks could have a material adverse impact on the financial condition and prospects of the Group (for further detail, see the risk factors entitled "*The Group is exposed to operational risks related to systems and processes*" and "*The Group faces risks from the highly competitive environment in which it operates*").

Other risks

Beyond standard economic and financial risks, as well as the implications of geopolitical developments, the Group faces a wide array of additional risks that may have broader economic and financial consequences including (but not limited to) any natural disasters (including flooding) or climate risks more generally, the on-going uncertainties around the potential impacts of the UK's withdrawal from the EU, political or policy changes, or widespread health crises or the fear of such crises (such as COVID-19 or other epidemic infectious diseases) or technological disruptions such as the increasing adoption of artificial intelligence.

Any adverse effect on UK or global economic conditions could affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

The above factors singularly or collectively could also impact the ability of the Group to grow and/or retain its business in a materially adverse way. This in turn could affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

1.2 *The Group faces risks associated with interest rate levels and volatility*

Interest rates, which are impacted by factors outside of the Group's control, including the fiscal and monetary policies of governments and central banks, as well as UK and international political and economic conditions, affect the Group's results, profitability and consequential return on capital in three principal areas: cost and availability of funding, margins and revenues, and impairment levels.

Firstly, interest rates affect the cost and availability of the principal sources of the Group's funding, which is largely provided by customer deposits.

- Low interest rates keep the Group's costs of funding low by reducing the interest payable on customer deposits, but also reduce incentives for consumers to save and, therefore, constrain the Group's ability to earn revenue through the interest rates it receives by lending these funds to customers.
- Higher interest rates change both the incentive for customers to switch accounts and to transfer their money from overnight current accounts to term fixed rate products, which changes the funding mix, re-financing profile, behavioural assumptions, and interest rate risk of the Group.

There has been increasing public scrutiny of how banks are passing on rising interest rates to savers. While the Group has passed on rate increases to savers in line with its business model, if regulatory changes or public pressure on the matter resulted in the Group passing on, or being required to pass on, a higher percentage of interest rate increases this could have an impact on the Group's profitability and, in turn, could affect the Issuer's ability to repay the Covered Bonds.

Secondly, interest rates affect the Group's net interest margin and revenue. A low interest rate environment can put some pressure on deposit net interest margins.

Large and frequent changes in interest rates could prevent the Group re-pricing assets and liabilities at the same time which would create short-term re-pricing gaps which could impact margins.

Thirdly, interest rates impact the Group's mortgage impairment levels and customer affordability, as well as its unsecured financial products. If a high interest rate environment persists then this, could, for example, lead to an increase in default rates among customers with variable rate mortgages who can no longer afford their repayments, in turn leading to increased impairment charges and lower profitability for the Group. A high interest rate environment also reduces demand for mortgages and unsecured financial products generally, as individuals are less likely or less able to borrow when interest rates are high, thereby reducing the Group's revenue.

This in turn could affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

1.3 *The Group's business is subject to risks relating to the cost and availability of liquidity and funding*

Liquidity and funding is a key area of focus for the Group and the UK financial services industry as a whole. While the Group's current funding is primarily obtained through personal current account (**PCA**) and retail savings deposits, its funding needs are likely to increase and/or its funding structure may not continue to be efficient, giving rise, in both cases, to a requirement to raise wholesale funding (although PCA and retail savings deposits are expected to remain the primary source of the Group's funding for the foreseeable future).

The Group aims to maintain a prudent loan to deposit ratio, which means that the majority of its retail lending is funded by retail deposits. Medium-term growth in the Group's retail lending activities will therefore depend, in part, on the availability of retail deposit funding on acceptable terms, for which there may be increased competition and which is dependent on a variety of factors outside the Group's control. These factors include general macro-economic conditions and market volatility, the confidence of retail depositors in the economy, the financial services industry and in the Group, as well as the availability and extent of deposit guarantees. Availability of retail deposit funding may also be impacted by increased competition from other deposit takers as a result of their strategies (see the risk factor entitled "*The Group faces risks from the highly competitive environment in which it operates*") or factors that constrain the volume of liquidity in the market, including, but not limited to, the repayments of the Bank of England's Term Funding Scheme with additional incentives for SMEs or any other future change in structure or availability of other government or central bank support (see the risk factor entitled "*The Group faces risks from any tightening of monetary policy in the UK*"). Increases in the cost of retail deposit funding will impact the Group's margins and affect profit, and a lack of availability of (or reduced ability for the Group to attract) retail deposit funding could have a material adverse effect on the Group's future growth.

In response to the new environment of higher inflation and higher interest rates, the Group has seen the cost of retail funding increase as competitors offered more attractive overnight and term rates to savers, and customers showed more willingness to move to higher rates than when savings rates were close to zero per cent. If the cost of retail funding increases even further this could have an adverse impact on the Group's profitability and financial condition.

Any loss in consumer confidence in the Group could significantly increase the amount of retail deposit withdrawals in a short space of time. In such a situation, the Group may be more exposed to customer withdrawals as a significant proportion of its liabilities are in instant access products. Should the Group experience an unusually high and/or unforeseen level of withdrawals, the Group may require greater non retail sources of funding in the future, which it may be unable to access, which could in turn have a material adverse effect on the Group's financial condition and profitability. The collapse of Silicon Valley Bank in the United States in February 2023 demonstrated that in the age of social media, banking apps, and other consumer-led initiatives (for example, Open Banking (as defined below)) it is possible for banks to lose larger amounts of liquidity at a faster pace than even as recently as 2008. Were the Group to experience such an event, it might have limited ability to control the narrative on social media and any resulting deposit loss would have an adverse ability on the Group to meet its obligations under the Covered Bonds.

While the Group does not currently rely heavily on wholesale funding, if the wholesale funding markets were to be fully or partially closed, or where there is a significant deterioration in the Group's financial position or prospects and/or a downgrade in the credit rating of the Issuer (see the risk factor entitled "*The Group is exposed to the risk of a reduction in its credit rating*"), it is likely that wholesale funding would prove more difficult to obtain on commercial terms. Under such circumstances, the Group may be unlikely to be able to successfully deliver its growth strategy. Profound curtailments of central bank liquidity to the financial markets in connection with other market stresses might have a material adverse impact on the Group's financial position and results of operations depending on the Group's funding position at that time.

Failure to manage these or any other risks relating to the cost and availability of liquidity and funding may compromise the Group's ability to deliver its growth strategy and, consequently, have a material adverse impact on the Group's business, financial condition and results of operations. This in turn could affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

1.4 *The Group is subject to risks concerning customer and counterparty credit quality*

The Group has exposures to many different products, counterparties and obligors whose credit quality can have a significant adverse impact on the Group's earnings and the value of assets on the Group's balance sheet. As part of the ordinary course of its operations, the Group estimates and establishes provisions for credit risks and the potential credit losses inherent in these exposures. The Group may fail to adequately identify the relevant factors or accurately estimate the impact and/or magnitude of identified factors, which could adversely affect the Group's business, financial position and results of operations.

Less favourable business or economic conditions, whether generally or in a specific industry sector or geographic region, could cause counterparties and customers (especially those concentrated in areas experiencing less favourable business or economic conditions) to experience an adverse financial situation. This exposes the Group to the increased risk that those customers will fail to meet their obligations in accordance with agreed terms. A deterioration in the economic conditions in the UK could have an adverse impact on the Group's financial performance and position. Other factors that could have an adverse impact include further financial market dislocation, which could lead to falling confidence, increasing refinancing risk and contagion risk amongst market participants, counterparties and customers.

Further, there is a risk that, despite the Group's belief that it conducts an accurate assessment of customer credit quality, customers are unable to meet their commitments as they fall due as a result of customer-specific circumstances, macro-economic disruptions or other external factors. The failure of customers to meet such commitments may result in higher impairment charges or a negative impact on fair value in the Group's lending portfolio. A deterioration in customer credit quality and the consequent increase in impairments would have a material

adverse impact on the Group's business, financial condition and results of operations. This in turn could affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

1.5 *The Group faces risks related to volatility in UK house prices*

The value of the Group's residential mortgage portfolio is influenced by UK house prices. A significant portion of the Group's revenue is derived from interest and fees paid on its mortgage portfolio.

A significant decline in house prices in the UK would lead to a reduction in the recovery value of the Group's assets in the event of a customer default and could lead to higher impairment charges and lower profitability. Higher impairment provisions could reduce the Group's capital and its ability to engage in lending and other income generating activities.

As a result, a significant decline in house prices could have a material adverse effect on the Group's business and potentially on its ability to implement its strategy. An increase in house prices in the UK could see a negative impact to affordability, reducing demand for mortgages and customer ability to sell or move properties. Further, sustained volatility in house prices could also discourage potential homebuyers from committing to a purchase, thereby limiting the Group's ability to grow its mortgage portfolio.

Volatility in house prices (including a significant decline) driven by macro-economic, governmental or other variables could have an adverse impact on the Group's business, financial condition and results of operations. This in turn could affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

1.6 *The Group is exposed to risks relating to high levels of unemployment*

As a retail bank, the Group's business performance is impacted by the economic status and wellbeing of its customers, a principal driver of which is overall employment levels.

Higher levels of unemployment have historically resulted, for example, in a decrease in new mortgage borrowing, reduced deposit growth and reduced or deferred levels of spending, which adversely impact upon fees and commissions received on credit and debit card transactions and demand for unsecured lending. Higher unemployment rates and the resultant decrease in customer income can also have a negative impact on the Group's results, including through an increase in arrears, forbearance, impairment provisions and defaults. Consequently, sustained high levels of unemployment could have a material adverse impact on the Group's business, financial condition and results of operations. This in turn could affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

1.7 *The Group faces risks arising from the impact of the increase in the cost of living*

The Group's customer base is primarily based in the UK. High inflation (without an equivalent increase in wages) has the potential to impact a material amount of UK household incomes, especially if it is driven by non-discretionary items like food and energy prices. Higher interest rates can amplify this effect, if the central bank is forced to tighten monetary policy.

Cost-of-living challenges for the Group's customers, have the potential to impact the short and medium-term credit performance of the Group, along with an increased probability of risk to the Group's customers and their ability to repay their debts. A sustained cost of living challenge could impact the Group's strategy and could have a negative impact on the Group's profitability, capital, funding and liquidity requirements and increase market volatility. Additionally, there is a risk of increased fraudulent activity as a consequence of cost-of-living pressures.

Cost-of-living challenges could potentially also result in an increased level of customer stress leading to increased defaults by customers, which in turn could lead to material arrears and credit losses for the Group. This in turn could affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

1.8 *The Group faces risks from any tightening of monetary policy in the UK*

Monetary policy in the UK has been highly accommodative in recent years, supported by the Bank of England and HM Treasury with the following schemes: Funding for Lending, Help to Buy and the Term Funding Scheme. However, the Bank of England has remained flexible in its response to market events, for example, taking action during the 2022 "mini-budget" crisis to quickly provide liquidity to the Gilt market.

As measures of inflation initially increased and remained elevated in late 2021, the Bank of England began tightening monetary policy. Since then, the Monetary Policy Committee (**MPC**) gradually increased the Bank Rate from 0.1 per cent. in December 2021 to 5.25 per cent. in August 2023 which it held until August 2024 before being gradually reduced to 4.25 per cent in May 2025 and since September 2025 is 4.00 per cent.. In February 2022, the MPC also announced it would begin "Quantitative Tightening" (**QT**) to reduce its holdings of Gilts and sterling non-financial investment grade corporate bonds. The sale of corporate bonds was completed in 2023 and the sale of Gilts continues at a steady and regular pace. Any action taken by the Bank of England in relation to the Gilt or corporate bond market could impact the return the Group earns on the portfolio it holds as part of its liquid asset buffer which could ultimately impact the financial condition and prospects of the Group.

After such a long period of stimulus, there is uncertainty over the timing and impact of any change to, or withdrawal of, the support measures. Whilst QT in the UK is considered to have had minimal impact on the financial markets, any further changes or reduction in the support provided could lead to weaker than expected growth, higher borrowing costs in the wholesale markets, higher interest rates for borrowers, high levels of unemployment, reduced business and consumer confidence, adverse changes to the level of inflation, falling property prices and contracting gross domestic product. These potential implications could all lead to an increase in customer delinquency rates, default rates or other changes in customer behaviour, all of which could have a material adverse impact on the Group's business, financial condition and results of operations, which could in turn affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

1.9 *The Group is exposed to the risk of a reduction in its credit rating*

Credit ratings are an important reference for market participants in evaluating the Group and its products, services and securities. The Group's financial performance has been and will continue to be affected by general political and economic conditions in the UK, Eurozone and elsewhere. Adverse developments in relation to these conditions in the UK or global financial markets could cause the Group's earnings and profitability to decline.

The Issuer's credit ratings are based on the Group's financial strength and outlook, the assumed level of UK government support for the Group in a crisis, the strength of the UK government, and the condition of the financial services industry and market generally. In the event of adverse developments in respect of any of these factors, there can be no assurance that the Issuer will maintain its current rating. Any reduction in the credit rating of Sabadell could also negatively impact the credit rating of the Issuer. Credit rating agencies conduct an ongoing review which can result in changes to the Issuer's credit ratings and outlooks, the Covered Bonds, the UK banking sector and/or the UK government. Credit ratings agencies may also revise the methodologies applicable to the Issuer.

If any of the credit rating agencies perceives there to be adverse changes in the factors affecting the Issuer's credit rating, such credit rating agency may downgrade, suspend or withdraw its credit rating. A credit downgrade, suspension or withdrawal could result in additional collateral postings, cash outflow and increased borrowing costs. It could also constrain access to wholesale funding from capital markets on commercially acceptable terms or limit the range of counterparties willing to enter into transactions with the Group. Such a downgrade, suspension or withdrawal could weaken the Issuer's competitive position in certain markets, all of which could have a material adverse impact on the Group's business, financial position and results of operations. This in turn could affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

1.10 *The Group is subject to risks associated with its hedging and treasury operations, including potential negative fair value adjustments*

The Group is exposed to risks arising from its hedging and treasury activities, which may result in negative fair value adjustments and adversely affect its financial performance and capital position.

The Group undertakes hedging to manage interest rate risk across its customer-facing business, High Quality Liquid Assets (**HQLAs**), and investment of net free reserves. These hedges are based on behavioural models and assumptions, which may not fully capture actual customer behaviour or market conditions. As a result, hedging strategies may prove ineffective due to factors such as behavioural risk, unexpected interest rate volatility, or deterioration in the credit quality of hedge counterparties, particularly during periods of market stress. Ineffective hedging may lead to negative fair value adjustments and reduced profit margins, with potential adverse effects on the Group's capital ratios.

The Group's treasury operations involve holding HQLAs, which expose it to interest rate, basis, and credit spread risks. These portfolios are accounted for under both Held To Collect & Sell (**HTC&S**) and Held To Collect (**HTC**) classifications. While interest rate risk in the HQLAs is hedged, hedge effectiveness is not guaranteed. Under HTC accounting, credit losses are not recognised in profit or capital unless the Group becomes a forced seller, in which case losses may be crystallised, adversely affecting the Group's financial condition.

Valuation of certain exposures may be particularly challenging in distressed or illiquid markets, where fair values are more volatile and harder to estimate. Future valuations may reflect adverse market conditions, resulting in significant negative changes in fair value and impacting the Group's business, financial condition, and results of operations.

A significant portion of the Group's funding is derived from interest rate insensitive PCA and variable savings balances. These are hedged, along with net free reserves, in a rolling series of swaps (the **Structural Hedge**) based on assumed maturity profiles. However, elevated uncertainty in the pound sterling market and evolving expectations for Bank Rate and term swap rates may affect future income. Additionally, changes in customer behaviour, particularly in response to higher interest rates, may render current swap durations unsuitable, reducing revenue and adversely affecting the Group's financial performance and ability to meet obligations under the Covered Bonds (see the risk factor entitled *"The Group faces risks associated with interest rate levels and volatility"*).

2 BUSINESS AND OPERATIONAL RISKS

2.1 *The Group is exposed to operational risks related to systems and processes*

The Group's business is exposed to operational risks related to systems and processes, whether people related, or internal or external events, including the risk of fraud and other criminal acts carried out against the Group, including in relation to the banking operations services provided by third parties and affiliates.

The Group's business is dependent on processing and reporting accurately and efficiently a high volume of complex transactions across numerous and diverse products and services. The services, as well as the agreements under which they are provided, are highly complex. As a result, the Group faces the risk that the systems and processes that underpin the services may not function in the manner anticipated and necessary to deliver the required outcomes for customers. Any weakness in these systems or processes (including digital services to the Issuer's customers and back office processing) or a failure or inability to prevent, effectively recover, and be resilient to material incidents could have an adverse effect on the Group's results and on its ability to deliver appropriate customer outcomes during the affected period. This could lead to customer detriment, losses through rectifications, remediation costs and reputational damage. As the Issuer's customers' reliance upon cash reduces and/or their expectations rise with lower tolerance of service disruption, the potential impact of these risks

increases. The occurrence of serious performance issues resulting in interruptions, delays, the loss or corruption of data or the cessation of the availability of systems could have a material adverse impact on the Group's financial condition and results of operations.

In addition, any breach in security of the Group's systems (or systems provided by or on behalf of third party providers of affiliates that support the services to the Group), for example from increasingly sophisticated attacks by cybercrime groups, could disrupt its business, result in the disclosure of confidential information and loss of data, result in increased fraudulent activity on customer accounts and customer detriment (leading to increased costs of remediation) and create significant financial and/or legal and/or regulatory exposure and the possibility of damage to the Group's reputation and/or brand.

Operational and technology risk encompass broad risk factors associated with information technology systems, risks with cyber-enabled crime as well as operational risks related to inadequate or failed internal processes, people, systems and from external events. Additionally, this encompasses risks associated with Open Banking (as defined below) related to regulatory compliance to data protection and privacy regulation as well as the expectation on service performance in an increasingly competitive market.

In order to maintain adequate services and increase both traditional and digital product offerings to the Issuer's customers and to be able to maintain or improve the operating systems of the Issuer, the Group will need to successfully deliver changes to its services, systems and processes. The Group is subject to the risk that it may fail to deliver such changes or may deliver defective changes to the production services or processes of the Group which could result in disruption to existing services provided to customers and to the Group's operating and support systems and services. This risk is increased by the complexity of interlinked systems required to carry out banking services and could lead to business interruption, customer detriment, increased costs and regulatory investigation, intervention or sanction.

In 2014 the business that is the Group today was divested from Lloyds Banking Group plc (the **Lloyds Separation**) (see *"TSB Bank plc – Background"*), and the Group is subject to the risk of customer complaints, claims, regulatory actions and/or losses in relation to historic acts or omissions from prior to the Lloyds Separation, including but not limited to breach or failure to comply with the terms and conditions applicable to the relevant customers prior to the Lloyds Separation and/or systemic failure or inaccuracy in systems and procedures inherited by the Group at the time of the Lloyds Separation. While Lloyds Banking Group plc had provided an indemnity in respect of such potential claims (the **Systems and Procedures Indemnity**) at the time of the Lloyds Separation, the Systems and Procedures Indemnity has now expired, save in respect of specified losses incurred in connection with mortgages and mortgage loans, where coverage runs until 2044. Where still applicable (for mortgages related issues) the indemnity is uncapped, though claims by the Group under the indemnity are subject to certain conditions including a materiality threshold of £1 million per claim (or series of claims from substantially identical facts or circumstances) and there is an obligation for the Group to mitigate any potential losses that might fall within the scope of the Systems and Procedures Indemnity. The obligation to mitigate becomes increasingly relevant as more time elapses from the date of the Lloyds Separation and the date of any claim. Consequently, and given the indemnities can only now apply in respect of relevant mortgage related issues, the Group is subject to the increasing risk that historic claims which arise from relevant acts or omissions prior to the Lloyds Separation, may not be covered by the Systems and Procedures Indemnity.

Any actual or perceived inadequacies, weaknesses or failures in the Group's systems or processes or data management could have a material adverse effect on the Group's business.

Any of the issues described above could affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

2.2 *The Group's risk management framework and associated policies, procedures and controls may not be fully effective in managing the varied range of risks that could harm the Group*

The Group's risk management framework (the **Risk Management Framework**) and associated policies, procedures and controls may not be fully effective in managing the varied range of risks that could harm the Group. The Risk Management Framework creates coherent standards and practices for all risk management activities and processes for the Group. The framework is designed around a simple risk categorisation so that all components of the Group's risk management such as risk appetite, governance, policies, reporting, assurance and organisational design are aligned to the same hierarchy of risks. Whilst the framework and underlying risk and control libraries are regularly reviewed there is a risk that the Risk Management Framework is not able to adequately cope with changes or new threats to the Group resulting in adverse outcomes which could impact the Group's operations and/or financial condition and prospects.

Supporting the Risk Management Framework, the Issuer has processes in place to identify new and emerging risks and a range of tools and models designed to measure and manage the various risks which they face. Models are simplified representations of real-world relationships, focusing attention on particular aspects considered to be most important and placing reliance upon historic experience and may therefore prove to be inadequate for predicting future risk exposure. Additionally, historical data may also not adequately allow prediction of all circumstances due to data availability or data quality. Other methods for risk management are based on evaluation of public information, which may not always be correct, updated or appropriately evaluated. There can be no assurance that these risk measurement tools will be effective as it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects of such changes.

2.3 *The Group faces risks from the highly competitive environment in which it operates*

The market for financial services in the UK is highly competitive and management expects such competition to intensify in response to consumer demand, technological changes, the impact of market consolidation and new market entrants, regulatory actions and other factors. The financial services markets in which the Group operates are mature, such that growth by any bank typically requires winning market share from competitors.

The Group faces competition from established providers of financial services, including banks and building societies, some of which have greater scale and financial resources, broader product offerings and more extensive distribution networks than the Group. The Group also faces competition from new entrants to the market and an increasing risk of disintermediation from smaller challenger banks and financial technology companies, all of whom threaten to disrupt the value chain.

After many years of stability, there has been a number of high-profile consolidations within the UK bank and building society sector. This includes Nationwide and Virgin Money, Barclays buying Kensington Mortgage Company Limited and parts of Tesco Bank and Coventry Building Society and the Co-op Bank. One outcome of these consolidations could be to give the Group's competitors scale and cost-efficiencies that provide them with a competitive advantage in attracting customers and generating profit.

The Current Account Switch Service was launched in September 2013 with the aim of increasing competition in the marketplace. Although the proliferation of switching incentives in the marketplace has moved customers around to some degree, the main impact has been an increase in the cost of acquisition for providers. There is no expectation that this will change in the short to medium term.

The regulators are increasingly focused on innovation and competition. The Competition and Markets Authority (the **CMA**) launched the UK open banking initiative in 2016 which has the aim of increasing competition, transparency and fairness in the UK banking and financial services market (**Open Banking**). Open Banking requires financial institutions including the Issuer, to provide (subject to the customer having provided consent) transactional information to registered third party organisations and also to make public and openly share product information, customer satisfaction scores and other service level indicators. The ability for

customers to be able to access and share this information could change the competitive landscape; the regulator could mandate third party access for further products such as loans, insurance or mortgages allowing customers to easily compare products, and third parties could offer switching services to move products on customers' behalf on a regular basis. Open Banking may introduce new viable competitors to the market who have a different business model which may attract customers away from the Issuer. The speed and scope of change to the competitive landscape will depend in part on how quickly and to what extent the Group and others implement Open Banking.

The Group may also make use of Open Banking either by developing its own proposition or working with a third party to do so. The implementation of any new offering could expose the Group to operational and third party risks (see the risk factors entitled "*The Group is exposed to operational risks related to systems and processes*", "*The Group is exposed to risks relating to the management of data*" and "*The Group's reliance on services arrangements with third party suppliers and affiliates exposes the Group to a range of potential operational and regulatory risks*") and additional conduct risk (see the risk factor entitled "*The Group is subject to substantial and changing conduct regulations*").

Margins continue to come under pressure due to a range of factors such as: economic uncertainty, market demand, the current increased interest rate environment and changing customer behaviour. In particular, the Group's core lending market of mortgages continues to exhibit highly competitive pressures on margins. In addition, customers are turning more and more to digital to buy and service their financial products meaning that innovation and digital capability for customers is a key competitive factor.

Any failure to manage these competitive dynamics to which it is exposed could have a material adverse impact on the Group's business, financial condition and results of operations. This in turn could affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

2.4 *Proposed sale of TSB Banking Group plc.*

On 2 July 2025, the Issuer and Banco Sabadell announced that an agreement had been reached for Banco Sabadell to sell the whole of the issued share capital of TSB Banking Group to Santander Group (**Santander**), subject to shareholder and regulatory approvals (the **Sale**). For further information on the proposed acquisition, see the statement published by the Issuer and Banco Sabadell the Regulatory News Service of the London Stock Exchange on 2 July 2025, as incorporated by reference herein.

There can be no assurance that the Sale will complete. The Sale is subject to a number of conditions, including regulatory approvals. A number of the conditions to completion of the Sale are outside the control of the Issuer. There can be no assurance that these conditions will be satisfied or (where capable of waiver) waived on a timely basis, or at all. Accordingly, the Sale remains subject to a number of uncertainties and there can be no assurance that it will be completed within the timeframe and/or on the terms currently contemplated, or at all. The Issuer will continue to deliver in line with its risk management framework and legal and regulatory requirements, serve its customers well and look after its people. However, the Issuer may face increased costs and/or new or emerging risks including for example in relation to people, IT and operations, Cyber, fraud and/or data in connection with completion of the Sale and a potential integration. Any material risks will be documented and managed through TSB risk governance. If any of these risks materialises, this could have a material adverse effect on the business and financial condition of the Issuer, and this in turn could affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

2.5 *The Group is exposed to risks relating to the management of data*

The Group receives, stores, processes and controls large amounts of data including personal data of its employees, third party suppliers and customers. The Group is subject to the risk that it may fail to maintain effective and robust controls in relation to the collection, storage, retention, use, aggregation, reporting, transfer, sharing and deletion of data. Any weakness or

failure in such controls could expose the Group to the risk that personal data (including customer personal data) is lost, misused, misinterpreted, incorrect, not available, retained for longer than necessary, transferred or shared inappropriately. Inadequate risk management and lack of effective controls could also increase the Group's exposure to cybercrime groups and malware attack (for further detail, see the risk factor entitled "*The Group is exposed to operational risks related to systems and processes*"). Any inadequacy in data management could lead to a breach of data protection regulations or laws, customer detriment, incorrect reporting, losses through rectifications, legal action, regulatory sanction or fines and reputational damage. In particular, any failure to manage data properly could also lead to a breach of the General Data Protection Regulation (which has been supplemented in the UK by the Data Protection Act 2018 and was onshored in the UK through the EUWA, with adjustments as provided in the Data Protection, Privacy and Electronic Communications (Amendments etc.) (EU Exit) Regulations 2019) and lead to regulatory intervention and sanction (including significant fines) which could materially adversely affect the reputation and financial performance of the Group.

2.6 *The Group may fail to retain and/ or attract key members of staff*

The Group's success depends upon the performance of key employees including executives and senior managers. If the Group is unable to attract, retain or develop high calibre and diverse talent, the Group may be unable to implement and deliver a successful strategy. This could materially adversely impact the business, operations and growth of the Group.

The Group may fail to attract, retain or develop high calibre and diverse talent for various reasons including individuals failing to identify with and support the strategy and brand of the Group, any event occurring which causes significant reputational damage to, or which has a material adverse impact on the financial condition of, the Group and/or any changes in the ownership of the Company. The ability of the Group to attract and retain talent may also be affected by issues impacting the financial services industry more widely. In recent years, the employment market has become more highly competitive which has increased the risk that the Group may become less able to attract and retain talent in the future. When compared to larger institutions, the Group may be unable to offer individuals the same opportunities to develop and advance and/or the same level of compensation. Negative media attention towards the sector may also impact the ability of the Group to attract and retain individuals, particularly at senior level.

2.7 *The Group's reliance on services arrangements with third party suppliers and affiliates exposes the Group to a range of potential operational and regulatory risks*

Third party providers and certain affiliates provide critical IT and operational services such as infrastructure services (including data centres, cloud services, management and maintenance), enterprise services (including desktop, printing, help desk), business services (including payments functionality, telephony, branch and digital) and operational services (including transactional and marketing print, facilities management and logistics), together with maintenance services for the Group's underlying software and account management services. There will be ongoing reliance on third party providers and their subcontractors to continue to provide these key services to the Group. Relying on these third-party providers and affiliates to provide these services is a source of operational and regulatory risk.

Events impacting the third party providers' and affiliates' ability to meet their contractual commitments to the Group, such as human errors, events of force majeure, insolvency or other triggers for their recovery or resolution or any failure of the underlying systems or infrastructure used by the third party providers or their subcontractors, could result in significant disruption (including in the delivery of services to the Group) and costs that adversely affect the overall operational performance, financial performance, financial position or prospects of the Group's business, as well as harm the Group's reputation or brand and/or attract increased regulatory scrutiny.

Any interruption to the services provided by third party providers could cause material damage to the Group's business. The Group may be required to take steps to protect the integrity of its operational systems, thereby increasing its operational costs. In addition, any problems caused by the third-party providers or the affiliates could adversely affect the Group's ability to deliver products and services to customers and otherwise conduct its business which could lead to customer inconvenience or harm (whether actual or potential), reputational damage and regulatory investigations and intervention.

While the financial performance of third parties does not have a direct impact on the performance of the Group, any catastrophic deterioration in third parties' business, financial condition or results of operations could jeopardise the Group's ability to continue to operate and ultimately meet its regulatory threshold conditions. The provision of services by third party providers or affiliates is vital to the Group's ability to operate its business. If third party suppliers were unable to continue to meet their obligations under the contracts or any other relevant arrangements, either due to an industry-wide dislocation or to circumstances particular to a third-party provider or affiliate, the consequences to the Group could be severe.

Sabadell Digital, which is a wholly owned subsidiary of Sabadell, is a supplier of IT services to the Group, but on a materially reduced scale since 2021. Given it is a wholly owned subsidiary of Sabadell, its financial performance may be impacted by any financial performance issues of Sabadell. However, the Group's resolution plans do include a number of solutions, should Sabadell's financial performance impact on its subsidiaries, including provisions in the contractual arrangements to ensure perpetual use of SABIS-owned software and, where the Group elects to terminate the contractual arrangements, the service agreement provides the possibility of contracts and other assets transferring to the Group.

Replacing these third-party providers or affiliates could also entail significant delays and expense. Further, the operational and regulatory risk the Group faces as a result of these arrangements may be increased to the extent that it restructures such arrangements. Any restructuring could involve significant expense to the Group and entail significant delivery and execution risk which could have a material adverse effect on the Group's operations, financial condition and prospects.

Any of the events described above could affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

2.8 *The Group is subject to the emerging risks associated with climate change*

The risks associated with climate change are coming under an increasing focus, both in the UK and internationally, from governments, regulators and large sections of society. These risks include: (i) physical risks, arising from climate and weather-related events of increasing severity and/or frequency; (ii) transition risks resulting from the process of adjustment towards a lower carbon economy; and (iii) liability risks arising from the Group, third party suppliers or customers experiencing litigation or reputational damage as a result of sustainability issues or inadequate compliance with any disclosure requirements.

Physical risks from climate change arise from a number of factors and relate to specific weather events and longer term shifts in the climate. The nature and timing of extreme weather events are uncertain but they are increasing in frequency and their impact on the economy is predicted to be more acute in the future. The potential impact on the economy includes, but is not limited to, lower GDP growth, changes in patterns of employment and significant changes in asset prices (including housing stock) and profitability of certain industries. The physical risks could impact customer premises which could impact the value of the property and for business customers could lead to the disruption of business activity. In addition, the Group's premises and resilience may also suffer physical damage due to weather events leading to increased costs for the Group.

The move towards a low-carbon economy will also create transition risks, due to potential significant and rapid developments in the expectations of policymakers, regulators and society

resulting in policy, regulatory, technological and consumer sentiment changes which could impact the Group. These risks may cause the impairment of asset values, impact the creditworthiness of clients of the Group, and impact defaults among retail customers (including through the ability of customers to repay their mortgages, as well as the impact on the value of the underlying property), which could result in currently profitable business deteriorating over the term of agreed facilities.

If the Group does not adequately embed the risks associated with climate change identified above into its risk framework to appropriately measure, manage and disclose the various financial and operational risks it faces as a result of climate change today and on a long term horizon, or fails to adapt its strategy and business model to the changing regulatory requirements and market expectations on a timely basis, this could have an adverse impact on the Group's results of operations, financial condition and prospects.

In line with the 2015 UN Paris Agreement, the Group is committed to achieving net-zero by 2050. Following the Science Based Targets initiative (**SBTi**) guidance, the Group has aligned its definition of net-zero as being a reduction of 90 per cent. or more in emissions, with only the residual 10 per cent. or less of emissions offset.

If the expenditure required to meet the Group's net-zero ambition is substantial this could have an impact on the financial performance of the Group. In addition, any failure by the Group to achieve its ambition could cause reputational damage to the Group, particularly if societal concern or sentiment to climate change continues to increase which could, in turn, lead to increased scrutiny from customers, investors, the media and regulators.

A company's approach to climate change could be increasingly important to its customers, and its competitors could use products related to climate change to attract customers. If the Issuer is unable to compete in this space, or is perceived to be insufficiently focused on climate change, it may become more expensive to attract or retain customers, which may lead to a failure to meet longer term emission targets and could have an adverse impact on the Issuer's ability to repay the Covered Bonds.

2.9 *The Group is exposed to reputational risk*

The Group's operations also expose it to various forms of reputational impacts. Negative public opinion can result from the actual or perceived manner in which the Group conducts its business activities, from the Group's financial performance, the level of direct and indirect government support, actual or perceived practices in the banking and financial industry or allegations of misconduct or regulatory scrutiny or intervention. Digitalisation and social media may increase the risk to the Group and the financial industry more widely, given the speed at which negative public opinion can be disseminated. This in turn could affect the Issuer's ability to fulfil its obligations under the Covered Bonds. Negative public opinion referenced in the media as "lack of trust" in banking can be impacted by actions of competitors across the industry as well as actions by the Group.

2.10 *Concentration of credit risk could increase the Group's potential for significant losses*

All of the Group's business relates to customers in the UK. In the event of a disruption to the credit markets or economic conditions (including interest rates and levels of employment) in the UK generally, this concentration of retail credit risk could cause the Group to experience greater losses than its less concentrated competitors. Equally, if the Group has a higher concentration of customers within a certain area in the UK, the Group could be exposed to the same risk of greater loss if that area becomes subject to greater disruption to credit markets or economic conditions than the rest of the UK.

While the Group regularly monitors its credit portfolios to assess potential concentration risk, efforts to divest, diversify or manage the Group's credit portfolio against concentration risks may not be successful and could result in an adverse impact on its business, financial condition

and results of operations. This in turn could affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

2.11 *The Group is exposed to risks from dealing with intermediaries*

The Group is exposed to the risks inherent in dealing with intermediaries. For example, the Group has limited oversight of the intermediaries' interactions with prospective customers and, consequently, the Group faces certain risks related to the conduct of the mortgage intermediaries with which it does business. The intermediaries' incentives may not always align with the Group's, which could lead to a deterioration in the quality and performance of the Group's mortgage book. If mortgage intermediaries are found to have violated applicable conduct regulations or standards in the sale of the Group's mortgage products, the Group's brand and/or reputation could be harmed as a result. If a significant intermediary to the Group in respect of mortgage lending goes out of business or switches allegiance to other lenders, this may adversely affect the mortgage volume of the Group. In addition, the structure of the intermediary market is also subject to change; for example, there may be a change in customer sentiment or regulation which favours customers dealing directly with financial institutions which would reduce the flow of business from intermediaries and this may have an adverse impact on the Group if this business cannot be substituted. Any of these factors could have a negative impact on the Group's ability to meet its strategic objectives for its asset base and, consequently, its business, financial condition and results of operations. This in turn could affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

3 RISKS RELATING TO THE LEGAL AND REGULATORY ENVIRONMENT IN WHICH THE GROUP OPERATES

3.1 *The Group faces risks associated with its operations' compliance with a wide range of laws and regulations*

The Group's operations must comply with numerous laws and regulations and, consequently, it faces risks, including but not limited to:

- continued high level of scrutiny of the treatment of customers by financial institutions from regulatory bodies, the press and politicians; the FCA continues to focus on retail conduct risk issues, as well as conduct of business activities through its supervision activity. This has been further strengthened through the implementation and embedded of the FCA's rules on consumer duty for regulated firms (the **Consumer Duty**);
- the possibility of alleged mis-selling of financial products including misleading financial promotions or the mishandling of complaints, or alleged harm to customers, related to the sale or servicing of such products by or attributed to an employee of the Group may result in disciplinary action or requirements to amend sales or servicing processes, withdraw products or provide restitution to affected customers, all of which may require additional provisions. The FCA continues to focus on the supervision of financial promotions;
- certain aspects of the Group's business may be determined by the relevant authorities, the Financial Ombudsman Service (**FOS**) or the courts not to have been conducted in accordance with applicable local or, potentially, overseas laws or regulations or, in the case of the FOS, with what is fair and reasonable in the Ombudsman's opinion;
- a potential failure of processes, systems or security may expose the Group to heightened financial crime risk, fraud risk and/or breach of regulatory requirements; the PRA, the Bank of England and the FCA continue to focus on the operational resilience of firms and financial markets infrastructures;
- contractual obligations may either not be enforceable as intended or may be enforced against the Group in an adverse way;

- the intellectual property of the Group (including trademarks) may not be adequately protected or enforceable, and the conduct of the Group's business may infringe the intellectual property of third parties;
- the Group may be liable for damages to third parties harmed by the conduct of its business and the Group's own business or reputation could be impacted where it has engaged a third party and there is a failure in the processes, security or systems of such third party; and
- regulatory proceedings and private litigation may arise out of regulatory investigations, enforcement actions or otherwise (brought by individuals or groups of plaintiffs) in the UK and other jurisdictions.

The Group's failure to comply with applicable laws and regulations could lead to various risks for the Group including increased provisions, substantial monetary damages and/or fines. During 2020, management and the FCA commenced a skilled person review into support offered to customers who were in arrears and being serviced by TSB Bank plc's collections and recoveries department. Process, policy and system weaknesses were identified and addressed, customers who may have suffered either financial loss or distress and inconvenience were identified and appropriately remediated, and the skilled person review concluded in January 2023. In 2021, the FCA opened an enforcement investigation into the matters identified during the skilled person review. That investigation concluded in October 2024, with the Group being fined £10.9 million for failing to ensure customers who entered into collections and recoveries during 2014 to 2020 were treated fairly.

More broadly, the Group may be subject to other complaints and threatened or actual legal proceedings brought by customers that may lead to customer redress obligations, other penalties and injunctive relief, civil or private litigation arising out of a regulatory investigation, the potential for criminal prosecution in certain circumstances and regulatory restrictions on the Group's business. For example, the Group continues to manage certain customer complaints and court claims relating to the portfolio of ex-Northern Rock residential mortgages (and linked unsecured loans) acquired from Cerberus Capital Management group (the **Whistletree Portfolio**). The Group intends to defend the claims rigorously.

Provisions included within the published financial statements of the Group for on-going legal or regulatory matters have been recognised, in accordance with UK IAS 37 (*"Provisions, Contingent Liabilities and Contingent Assets"*), as the best estimate of the expenditure required to settle the obligation as at the reporting date. Such estimates may be material, difficult to quantify and uncertain. Amounts which the Group is eventually liable to pay may be materially different to the amount of provisions set aside to cover such risks, or existing provisions may need to be materially increased to cover such risk or in response to changing circumstances.

Provisions have not been taken where no obligation has been established, whether associated with a known or potential future litigation (including as a result of claims management activity), regulatory or FOS matter. Accordingly, an adverse decision in any such matters could result in significant losses to the Group which have not been provided for. Such losses would have an adverse impact on the Group's business, financial condition and results of operations.

Due to the Lloyds Separation, the Group is also subject to the risk of potential customer complaints, claims, regulatory actions and/or losses in relation to historic breaches or alleged breaches of applicable laws or regulation from prior to the Lloyds Separation. At the time of the Lloyds Separation, Lloyds Banking Group provided an indemnity in respect of such claims (the **Conduct Indemnity**). However, for regulatory action, claims and complaints that do not relate to mortgages, the Conduct Indemnity expired in June 2024.

Further, all claims (whether mortgages related or otherwise) by the Group under the indemnity are subject to certain conditions including but not limited to an obligation for the Group to mitigate any potential losses that might fall within the scope of the Conduct Indemnity. The Conduct Indemnity does not cover any complaints, claims, or regulatory actions and/or losses

in relation to historic breaches or alleged breaches of applicable laws or regulation arising in respect of the Whistletree Portfolio.

The Group may settle litigation or regulatory proceedings prior to a final judgment or determination of liability to avoid the cost, management efforts or negative business, regulatory or reputational consequences of continuing to contest liability, even when the Group believes that it has no liability or when the potential consequences of failing to prevail would be disproportionate to the costs of settlement. Furthermore, the Group may, for similar reasons, reimburse counterparties for their losses even in situations where the Group does not believe that it is legally compelled to do so. Failure to manage these risks adequately could materially affect the Group, both financially and in terms of its reputation.

Any of the above risks, should they materialise, could have a negative effect on the Group's reputation and the confidence of its customers in the Group, as well as taking a significant amount of management time and resources away from the implementation of the Group's strategy and could have an adverse impact on the Group's business, financial condition and results of operations. This in turn could affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

3.2 *The Group is subject to substantial and increasing industry-wide regulatory and governmental oversight*

In addition to the promulgation of new legislation and regulation, the UK government, the PRA, the FCA and other regulators in the UK, the European Union and overseas are interventionist in their application and monitoring of certain regulations and they may intervene further in relation to areas of industry risk already identified, or in new areas, which could affect the Group. At the same time the UK government is focused on identifying regulatory divergence opportunities which would improve the UK's international competitiveness. As part of the Sabadell Group, the Group may also be affected by other regulators such as *Banco de España* and the European Central Bank.

Areas where regulatory changes could have an adverse effect on the Group include, but are not limited to:

- general changes in government, central bank or regulatory policy, or changes in regulatory regimes, including changes that apply retroactively, that may influence investor decisions in particular markets in which the Group operates, which may change the structure of those markets and the products offered or which may increase the costs of doing business in those markets;
- regulatory changes and market developments in relation to benchmark reform and risk-free rates;
- external bodies applying or interpreting standards or laws differently to the Group;
- one or more of the Group's regulators intervening to mandate the pricing of certain of the Group's products as a consumer protection measure;
- one or more of the Group's regulators intervening to prevent or delay the launch of a product or service, or prohibiting an existing product or service;
- changes in competitive and pricing environments, including changes to interchange fees receivable on debit and credit card transactions;
- further requirements relating to financial reporting, corporate governance, conduct of business and employee remuneration;
- changes to regulation and legislation relating to economic and trading sanctions, money laundering and terrorist financing;

- PRA, FCA, HM Treasury, CMA or PSR (as defined below) market studies or investigations potentially resulting in a range of measures, including behavioural and/or structural remedies; and
- changes to conditions imposed on the sales and servicing of products, which have the effect of making such products unprofitable or unattractive to sell (including potential changes associated with the Consumer Duty).

The Group, in common with much of the UK and European financial services industry, continues to be the focus of significant regulatory change and scrutiny. This has led to an intensive approach to supervision and oversight, high expectations and onerous regulatory requirements. For example, the FCA's annual work programme for 2025/26 and strategy for 2025-2030 indicate the FCA's priorities of supporting growth, fighting financial crime, helping consumers and being a smarter regulator. The FCA annual work programme for 2025/26 reiterates that the FCA will continue to focus on outcomes for the consumer and will focus on higher standards testing through embedding the Consumer Duty. The FCA's focus through to 2025/26 is on identifying and tackling financial crime, protecting market integrity, helping consumers navigate their financial lives and promoting competitiveness and innovation in the financial services industry. The FCA's annual work programme for 2025/26 also aims to ensure the FCA is a more efficient and effective regulator. It also reaffirms the secondary objective to facilitate the international competitiveness of the UK economy and its growth in the medium to long term. The PRA's business plan for 2025/26 indicates that, amongst other matters, the PRA will focus on maintaining and building the safety and soundness of the banking and insurance sectors, and will seek to be at the forefront of identifying and dealing with new and emerging risks and developing international policy. The PRA will also focus on supporting competitive and dynamic markets, alongside facilitating international competitiveness and growth. The Financial Services and Markets Act 2023 (the **FSMA 2023**), a product of HM Treasury's Financial Services Future Regulatory Framework Review, grants the PRA an expanded role as rule-maker. As a result, regulatory risk will continue to require senior management attention and consume significant levels of business resources. Furthermore, this intensive approach and these rigorous regulatory requirements, along with uncertainty and the extent of international regulatory coordination (particularly resulting from the UK's withdrawal from the European Union), may adversely affect the Group's business, capital and risk management strategies and/or may result in the Group deciding to modify its legal entity structure, capital and funding structures and business mix or to exit certain business activities altogether or to determine not to expand in areas despite their otherwise attractive potential.

The Group continually assesses the impacts of legal and regulatory developments which could have an effect on it and will participate in relevant consultations undertaken by various regulatory and other bodies. Implementation of the foregoing regulatory developments could result in additional costs or limit or restrict the way that the Group conducts business, although uncertainty remains about the details, impact and timing of these reforms. Robust supervisory standards and an intensive approach to supervision and oversight, as well as any failure by the Group to comply with any new regulatory requirements, may adversely affect the Group's business, capital and risk management strategies. This in turn could affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

3.3 *The Group is subject to substantial and changing prudential regulation*

The Group faces risks associated with an uncertain and evolving prudential regulatory environment, pursuant to which it is required, among other things, to maintain adequate capital resources and to satisfy specified Pillar 2 requirements, buffer requirements and capital ratios and leverage and liquidity requirements. The Group's borrowing costs and regulatory capital, leverage and liquidity requirements could be affected by these prudential regulatory developments. As well as being subject to UK regulation, as its parent is Sabadell, the Company and the Group are also impacted indirectly by the Banco de España and, at a corporate level, by the European Central Bank (**ECB**) (following the introduction of the Single Supervisory

Mechanism). Following Brexit, these regimes could diverge over time, noting that prudential regulation is also subject to the UK government's programme for the replacement of assimilated law (law and regulation derived from EU law that was retained in the UK when the UK left the EU single market, by virtue of the EUWA). It is possible the Company and the Group may be required to comply with both regulatory regimes

Although standards for regulatory capital and liquidity regulation are agreed at an international level, in the Basel Committee on Banking Supervision (BCBS) Basel III standards, those standards may be implemented within the legislative and regulatory regimes applicable to the Group differently, which can cause operational, cost and competitive issues for the Group.

The original components of the Basel III reform package were implemented in the EEA, which at the time included in the UK, through the legislative package comprising the amended Capital Requirements Directive (2013/36/EU) (the CRD) and Capital Requirements Regulation (575/2013) (CRR) (collectively, the CRD IV). CRD IV, as applicable in the EU at the point of the UK's exit from the EU was assimilated into the UK's legislative framework as a result of the EUWA. As noted above, however, this framework is subject to review and reform as part of the UK government's programme for the replacement of assimilated law. The timetable and extent of any reform remains uncertain. In addition, the Group is subject to changes in the way in which the PRA continues to interpret and apply these requirements to UK banks (including as regards individual model approvals or otherwise).

The 'final' Basel III standards, sometimes referred to as Basel 3.1, Basel IV or the Basel endgame, have been implemented in the EU through Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024 (**CRR III**) and Regulation and Directive (EU) 2024/1619 of the European Parliament and of the Council of 31 May 2024 (**CRD VI**), which were published in the Official Journal in June 2024. Most of the measures in CRR III have applied directly to EU member states since 1 January 2025, with reforms relating to market risk being delayed until 1 January 2027. The measures transposing CRD VI into the domestic law of EU member states are required to take effect from 11 January 2026 (for most measures) or 11 January 2027 (for measures relating to third-country branches).

In the UK, the PRA confirmed in July 2025 that the implementation date of the 'final' Basel III standards would be 1 January 2027, with the exception of market risk internal modelled approach requirements which will be delayed to 1 January 2028. These are expected to be implemented by changes to the PRA Rulebook and in other PRA supervisory materials which are still subject to finalisation. The transition period in the UK will be reduced from four to three years so that it will continue to end on 1 January 2030. The differences in timing of implementation of the Basel 3.1 standards in the UK and the EU may result in a fragmented regulatory landscape and material differences in regulatory capital regimes applicable across such jurisdictions.

In both cases, the UK and the EU implementation of the Basel 3.1 standards, there are or will be transitional arrangements for certain provisions. The changes they implement will impact the Group's risk-based capital ratios with changes in the standardised approach to determining risk weighted assets (**RWAs**), changes to the internal ratings-based (**IRB**) approach including the introduction of input floors on the parameters used in calculating RWAs and the imposition of an output floor on the RWAs calculated by banks using their internal models. They also remove the option to use the IRB approach for certain types of exposures and introduce a new operational risk framework.

The implementation of these and other various banking reform initiatives (see "*Supervision and Regulation - EU Banking Reforms*") and any future unfavourable regulatory developments could have a material adverse effect on the Group's business, results of operations and financial condition.

Such changes, either individually and/or in aggregate, may lead to further unexpected and enhanced requirements in relation to the Group's capital, leverage, liquidity and funding ratios

or alter the way such ratios are calculated. The changes may also have an impact on incentives to hold the Covered Bonds for investors that are subject to prudential regulation and, as a result, they may affect the liquidity and/or value of the Covered Bonds. These factors in turn could affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

Failure to comply with its prudential obligations adequately could lead to significant liabilities or reputational damage and damage to the Group's brand, which could have a material adverse effect on its business, financial condition, results of operations and relations with customers. This in turn could affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

A market perception or actual shortage of capital issued by the Group could result in governmental actions, including requiring the Group to issue additional Common Equity Tier 1 securities, requiring the Group to retain earnings or suspend dividends or issuing a public censure or the imposition of sanctions. This may affect the Group's capacity to continue its business operations, generate a return on capital, pay future dividends or pursue acquisitions or other strategic opportunities, impacting future growth potential (for further detail, see the risk factor entitled "*The Group is subject to the risk of having insufficient capital resources and/or not meeting liquidity requirements*"). If the Group is unable to raise this capital, this could affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

MREL requirements under the Bank Recovery and Resolution Directive

In addition to the capital requirements, the Banking Act (as defined below), the Bank Recovery and Resolution (No 2) Order 2014 (as amended), and the Bank Recovery and Resolution Directive 2014/59/EU (as amended) (the **BRRD**) as implemented and forming part of assimilated law in the UK as a result of the EUWA, require that all institutions must meet an individual minimum requirement for own funds and eligible liabilities (**MREL**) set by the relevant resolution authorities on a case-by-case basis. Items eligible for inclusion in MREL will include an institution's own funds, along with "eligible liabilities". The Bank of England's Statement of Policy entitled "*The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities (MREL)*" published in June 2018, as updated in December 2021 and July 2025, sets out the Bank of England's policy for exercising its power to direct institutions to maintain a minimum requirement for MREL under section 3A(4) and (4B) of the Banking Act (as defined below). Since 1 January 2023, if bail-in is the appropriate resolution strategy for a UK resolution entity it is required to meet an external MREL equivalent to the higher of:

- two times the sum of the Pillar 1 and Pillar 2A; or
- if subject to a leverage ratio requirement, two times the applicable requirement.

In its Supervisory Statement SS16/16 of December 2017 (updated in December 2020), the PRA confirmed that capital cannot be 'double-counted' towards capital and leverage buffers and MREL.

In respect of non-resolution entities which form part of a resolution group (a category the Group falls in), the Statement of Policy states that for internal MREL, the above requirement will be multiplied with a scaling adjustment (75 per cent. – 90 per cent. scaling adjustment to the MREL requirement that would otherwise apply). For ring-fenced banks, the scaling adjustment is likely to be 90 per cent. as a starting point unless the Bank of England is satisfied that the bank has sufficient readily deployable resources to justify moving to a lower calibration in the 75 per cent. to 90 per cent. range.

The BRRD and MREL requirements adopted in the United Kingdom may change, whether as a result of further changes to the way in which the Bank of England continues to interpret and apply these requirements to UK banks or otherwise. There have been further updates to the MREL requirements such as those included in the Bank of England's "*External minimum requirements for own funds and eligible liabilities (MRELs) – 2025*" and the Bank of England's

statement of policy, effective from 1 January 2026, "*The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities (MREL)*".

The Group is part of the wider Sabadell Group which has a single point of entry (at Sabadell level) resolution strategy. Therefore, the Issuer has issued internal MREL to comply with the final internal MREL requirements notified to it by the Bank of England. It is likely that the Issuer will need to issue further MREL eligible liabilities in order to meet its MREL requirements either due to a growing balance sheet or to re-finance MREL liabilities that have matured or are about to mature. During periods of market dislocation, or when there is significant competition for the type of funding that the Group needs, a requirement to increase the Issuer's MREL eligible liabilities in order to meet MREL targets may prove more difficult and/or costly.

Further, although as a result of the preferred single point of entry resolution strategy the application of resolution powers would likely be at the Sabadell level, there could be other consequences for the Group, such as the Group ceasing to be part of the Sabadell Group.

More generally, these requirements could increase the Group's costs and may lead to asset sales and/or other balance sheet reductions. The effects of these proposals could all adversely impact the results of operations, financial condition and prospects of the Group and, in turn, adversely affect the value of the Covered Bonds.

Banking Act 2009

The Banking Act 2009 (the **Banking Act**) includes provision for a special resolution regime pursuant to which specified UK authorities have extended tools to deal with the failure (or likely failure) of certain UK-incorporated entities, including authorised deposit-taking institutions and investment firms, and powers to take certain resolution actions in respect of third country institutions. In addition, powers may be used in certain circumstances in respect of UK established banking group companies, where such companies are in the same group as a relevant UK or third country institution.

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

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

If an instrument or order were to be made under the provisions of the Banking Act currently in force in respect of the Issuer, such action may (amongst other things) affect its ability to satisfy its obligations under the Transaction Documents (including limiting its capacity to meet its repayment obligations) and/or result in (i) the transfer of the Covered Bonds, (ii) the cancellation, modification or conversion to equity or other instruments of ownership of certain unsecured liabilities of such entity under the Transaction Documents, including any unsecured portion of the liability in respect of the Covered Bonds at the relevant time, (iii) the de listing, conversion and/or replacement of the Covered Bonds and/or (iv) modifications to the Terms and Conditions of the Covered Bonds and/or the Transaction Documents (including variation of provisions relating to the interest payable, the maturity date or any other dates on which

payments may be due). In particular, modifications may be made pursuant to powers permitting (i) certain trust arrangements to be removed or modified, (ii) contractual arrangements between relevant entities and other parties to be removed, modified or created where considered necessary to enable a transferee in the context of a property or share transfer to operate the transferred business effectively and (iii) in connection with the modification of an unsecured liability through use of the bail in tool (including any unsecured portion of the liability in respect of the Covered Bonds at the relevant time), the reduction of the relevant liability (including to zero) and/or the discharge of a relevant entity from further performance of its obligations under a contract. In addition, subject to certain conditions, powers would apply to require a relevant instrument or order (and related events) to be disregarded in determining whether certain widely defined "default events" have occurred (which events may include trigger events included in the Transaction Documents in respect of Covered Bonds, including trigger events in respect of perfection of legal title to the Loans and the Issuer Events of Default). If an instrument or order were to be made under the Banking Act in respect of a relevant entity as described above (other than the Issuer), such action may have an impact on various other aspects of the transaction, including resulting in modifications to any unsecured liability of such entity under the Transaction Documents and, more generally, affecting the ability of such entities to perform their obligations under the Transaction Documents. As a result, the making of an instrument or order in respect of a relevant entity may affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee and/or otherwise adversely affect the rights and interests of the Covered Bondholders.

As noted above, the stabilisation tools may be used in respect of certain banking group companies provided certain conditions are met. If the LLP was regarded to be a banking group company and no exclusion applied, then it would be possible in certain scenarios for the relevant authority to exercise one or more relevant stabilisation tools (including the property transfer powers and/or the bail in powers) in respect of it, which could result in reduced amounts being available to make payments under the Covered Bond Guarantee and/or in the modification, cancellation or conversion of any unsecured portion of the liability of the LLP under the Covered Bond Guarantee at the relevant time. In this regard, it should be noted that the UK authorities have provided an exclusion from the definition of "banking group company" for covered bond vehicles, which exclusion is expected to extend to the LLP, although aspects of the relevant provisions are not entirely clear.

At present, the UK authorities have not made an instrument or order under the Banking Act in respect of the Issuer and there has been no indication that any such instrument or order will be made, but there can be no assurance that this will not change and/or that Covered Bondholders will not be adversely affected by any such instrument or order if made. While there is provision for compensation in certain circumstances under the Act, there can be no assurance that Covered Bondholders would recover compensation promptly and equal to any loss actually incurred. It should also be noted that any extraordinary public financial support provided to a relevant institution through any stabilisation action (such as temporary public ownership) is likely to be used by the UK authorities as a last resort and only after certain conditions have been met. In June 2018, the Bank of England published a document containing its statement of policy on valuation capabilities to support resolvability. In July 2019, the Bank of England also published a policy statement that set out the final version of a statement of policy on the Bank of England's approach to assessing resolvability which it expects firms to be compliant with by the relevant deadline.

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

Financial Services (Banking Reform) Act 2013

The Financial Services (Banking Reform) Act 2013 (the **Banking Reform Act**) enacted a number of reforms primarily related to the UK banking sector, including the ring-fencing of certain activities. The secondary legislation setting out the detail of the ring-fencing regime exempts from ring-fencing those banks whose 'core deposits' (as defined in the secondary legislation and assessed on a group wide basis) do not exceed £25 billion as a rolling average over a three-year period. 1 January 2019 marked the date by which the largest UK banking groups were required to have implemented the 'ring-fencing' – or separation – of their UK retail business from their international and investment banking business. In February 2025, the Financial Services and Markets Act 2000 (Ring-fenced Bodies, Core Activities, Excluded Activities, and Prohibitions) (Amendment) Order 2025 amended these requirements to exempt retail-focused banking groups from the regime if their investment banking activities account for less than 10 per cent. of common equity tier 1 capital. Following these changes TSB now falls outside the scope of the ring-fencing regulations as confirmed by the PRA publication of an updated list of entities falling within the definition of a ring-fenced body as of 4 February 2025.

On 26 January 2024 the PRA published a Review on Ring-Fencing Rules, which did not create new policy but did consider ways in which more flexibility could be introduced into the ring-fencing regime without undermining the safety and soundness of firms which are subject to the regime. In May 2025, it has been reported that the Bank of England is exploring ways to further relax certain ring-fencing rules. Changes in the policy approach to ring-fencing may result in the regime being liberalised, remaining unchanged or other changes to its scope and applicability. There is thus legal uncertainty as to the future of ring-fencing requirements which could be changed in ways that affect the Group. The Group's structure, governance arrangements, business and reporting models, operations, costs and financing arrangements could be affected by amendments to the ring-fencing regime. Furthermore, the Sale may affect whether TSB falls within the scope of the ring-fencing regulations. This could result in the Group incurring additional costs or otherwise affect the Group's reputation, business, financial condition, results of operation and relations with customers. This in turn could affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

3.4 *The Group is subject to substantial and changing conduct regulations*

The Group is subject to an extensive and robust regulatory framework relating to conduct, which exposes the Group to a range of regulatory risks in this respect.

These risks include but are not limited to the following:

- certain aspects of the Group's business may be determined by its regulators or other bodies, including the FCA, the PRA, the PSR, HM Treasury, the FOS, the CMA, the UK Information Commissioner or the courts, as not being conducted in accordance with applicable local or, potentially, overseas laws or regulations, or, in the case of the FOS, with what is fair and reasonable in the Ombudsman's opinion. If the Group fails to comply with any relevant regulations, there is a risk of an adverse impact on its business and reputation due to sanctions, fines or other actions imposed by the regulatory authorities;
- the Group is required to ensure compliance with the Consumer Duty. The Consumer Duty is set out in FCA Principle 12, which requires firms "to act to deliver good outcomes for retail customers" (which the Group also applies to all business customers). Underpinning the Principle are three cross cutting rules (act in good faith towards retail customers; avoid causing foreseeable harm to retail customers and enable and support retail customers to meet their financial objectives) and four consumer outcomes (products and services; price and value; consumer understanding and consumer support). Failure to comply with the Consumer Duty, and not acting in accordance with all existing and new regulatory requirements and guidance, including

those in respect of vulnerable customers, could result in disciplinary action (including significant fines) and/or requirements to amend sales or servicing processes, withdraw products or provide restitution to affected customers. Any or all of which could result in the incurrence of significant costs, may require provisions to be recorded in the Group's financial statements and could adversely impact future revenues from affected products. The Group continues to embed the principles and practices outlined in the Consumer Duty. The FCA annual work programme for 2025/26 outlines the priorities of supporting growth, fighting financial crime, helping consumers and being a smarter regulator and reiterates that the FCA will continue to focus on outcomes for the consumer and will focus on higher standards testing through embedding the Consumer Duty; and

- the Group may be liable for damages to third parties harmed by the manner in which the Group has conducted one or more aspects of its business and the Group's own business or reputation could be impacted where it has engaged a third party and there is a failure in the processes, security or systems of such third party.

The Group is also exposed to specific forms of conduct risk which arise specifically in relation to its residential mortgage lending business.

Failure to manage these risks adequately could lead to significant liabilities or reputational damage and damage to the Group's brand, which could have a material adverse effect on its business, financial condition, results of operations and relations with customers. This in turn could affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

3.5 *The Group must comply with operational resilience requirements*

There is a continued focus on the operational resilience of firms, in particular in relation to 'important business services. In March 2022, new operational resilience rules set out in the PRA Supervisory Statement SS1/21 and FCA Policy Statement PS21/3 came into force. The Group is required to identify its 'important business services' and set impact tolerances for these as well as commence a programme of scenario testing whereby the Group evidences its ability to continue to deliver such services through operational disruption and within impact tolerance thresholds. Firms were required to comply with these requirements by no later than the end of a three-year transitional period on 31 March 2025.

In January 2025, the PRA published a 'Dear CEO' letter setting out supervisory priorities for UK deposit takers.

The PRA's 2025 priorities reflect the need for robust governance, risk management and controls at supported by accurate information, to enable firms to proactively identify and analyse and mitigate risks in a dynamic, competitive and challenging environment. The PRA's 2025 priorities further reflect the PRA's heightened expectations around operational resilience and the expectation that firms have already made significant progress to strengthen their response and recovery capabilities to address cyber threats, remediate vulnerabilities exposed by legacy infrastructure and develop contingency procedures when material third party services are disrupted.

In February 2025 the UK Government's Treasury Committee requested nine banks (the "CMA9" excluding TSB) to share data on IT failures which have occurred in the last two years illustrating the heightened focus on firms' operational resilience. The same request was subsequently extended to TSB in April 2025.

The EU's Digital Operational Resilience Act (**DORA**) has been in force since 17 January 2025. It introduces higher and more prescriptive standards for how financial entities, including banks, must manage information and communication technology (**ICT**) risks. The regulation requires senior management to take ultimate responsibility for managing the firm's ICT risk. Firms must have in place a comprehensive ICT risk management framework designed to mitigate the impact of an ICT-related incident or cyber attack. There are also several other onerous

requirements for financial entities under DORA. For example, firms must keep a register of information (at both entity level and consolidated levels) in relation to all contractual arrangements on the use of ICT services provided by ICT third party service providers. Whilst not directly applicable to the Group, the Group may be indirectly impacted through changes to Sabadell Group policies and contractual arrangements that could result in increased costs and liabilities.

3.6 *The Group must comply with anti-money laundering, anti-bribery and sanctions regulations*

The Group is subject to laws and regulations that are in place to prevent financial crime, including money laundering, the financing of terrorism, the facilitation of bribery and tax evasion, as well as the circumvention of applicable sanctions regimes. Compliance with anti-money laundering, anti-bribery rules and sanctions legislation and regulations requires the Group to maintain technical capabilities to manage these risks. Financial crime and the regulation and guidance that seeks to address it is continually evolving. For example, HM Treasury consulted in March 2024 on potential changes to the UK's Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. The consultation focused on potential technical changes to increase effectiveness and ensure proportionality of the regime for both regulated firms and customers. The consultation closed in June 2024 and HM Treasury is currently analysing feedback. Evolving regulation and guidance in this area requires proactive and adaptable responses from the Group so that it is able to deter, detect and disrupt threats and criminality effectively. In recent years, supervision and enforcement of these laws and regulations has remained a consistent focus, resulting in several landmark financial penalties against UK financial institutions, and in 2021 the first criminal conviction of a bank in the UK for failing to prevent money laundering.

In addition, the Group cannot predict the nature, scope or effect of future legislative or regulatory requirements to which it might be subject or the manner in which existing laws might be administered or interpreted in the future. As with the widening of sanctions in relation to Russia and Belarus, the changes to legislative or regulatory requirements can be implemented at speed as a consequence of an unforeseeable event. Unforeseen and quick changes to legislative or regulatory requirements could make compliance by the Group more challenging and/or costly. The Group maintains policies and procedures to comply with financial crime legislation and regulations; however, these systems and controls cannot completely prevent instances of financial crime, including actions by the Group's employees, for which the Group might be held responsible. Any such events may have severe consequences, including financial penalties and other sanctions, as well as reputational repercussions, both of which could have a material adverse effect on the Group's financial and operational circumstances. This in turn could affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

3.7 *The Group is subject to the risk of having insufficient capital resources and/or not meeting liquidity requirements*

If the Group fails, or is perceived to be likely to fail, to meet its minimum regulatory capital, liquidity or MREL requirements (including in connection with any stress tests performed by the Bank of England or other authorities), then it may be subject to regulatory interventions and sanctions. Any actual or perceived failure to meet regulatory requirements or actual or perceived weakness in financial position compared to other institutions could give rise to a loss of confidence from customers, counterparties and investors. Consequently, customers may withdraw deposits and counterparties and investors may not wish to transact with the Group or may only be willing to do so on less favourable terms meaning the sources of capital and funding could become more expensive, unavailable, or constrained (for further detail see the risk factor entitled "*The Group's business is subject to risks relating to the cost and availability of liquidity and funding*"). This may impact the Group's business operations, strategic opportunities and, in turn, future growth potential.

A shortage of capital could arise due to various factors which are not all within the control of the Group. Those factors include the Group being required to hold an increased amount of

capital either due to an increased level of risk faced by the Group or changes in law and regulation (including changes to the current minimum capital requirements or changes to how the Group is required to calculate its capital or the risk weightings applied to its assets). It is also possible that capital held by the Group could be reduced by increased costs of liabilities and/or reduced asset values arising due to the crystallisation of risks including credit risk, market risk, regulatory risk, legal risk, conduct risk and operational risk.

From 1 January 2022, a number of IRB reforms were introduced by the PRA, which required firms to align model calibrations with a revised definition of default and changes with how firms would derive probability of default and loss given default estimates. Whilst changes have come into force, the lead time for regulatory review and/or approval has meant UK firms, including the Group, have been required to assess and hold an add-on for any adjustment in RWA as a consequence of the reforms as an interim measure. These adjustments are evaluated periodically to align with portfolio movements and evolution in underlying model iterations ahead of receiving regulatory approval. The final adjustments following regulatory approval could be higher than estimated.

The UK's implementation of Basel 3.1 is anticipated to take effect from 1 January 2027, subject to finalisation of PRA rules and the revocation by HMT of the relevant parts of CRD IV which form assimilated law in the UK pursuant to the EUWA. The PRA published a consultation paper (CP16/22) on its proposed approach in November 2022. As discussed in "*The Group is subject to substantial and changing prudential regulation",* these reforms would introduce a number of changes to IRB model floors, standardised risk weight parameters and RWAs output floors. These changes are expected be introduced subject to a transitional period between 1 January 2027 and 1 January 2030. In December 2023, the PRA published near final rules on market risk, credit valuation adjustment risk, counterparty credit risk and operational risk. Publication of the policy statement on the remaining elements: credit risk, the output floor, and reporting and disclosure requirements followed in September 2024. In July 2025, the PRA published a consultation paper (CP17/25) proposing further amendments to standardised market risk requirements and a delay to the internal modelled approach to 1 January 2028. Similar changes have been made in the EU and have been in force since 1 January 2025 with the exception of the market risk requirements which were announced as being delayed by a further year until 1 January 2027 by the European commission in June 2025. The implementation of Basel 3.1 is likely to result in changes to the Group's capital requirements including RWAs. A failure to implement Basel 3.1 could result in regulatory actions.

The various actions that the Group may take to address any shortage of capital include implementing measures to reduce leverage exposures and/or risk weighted assets or raising additional capital. Such actions and their associated costs may impact the profitability of the Group, which in turn could affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

3.8 *The Group is subject to the potential impacts of banking reform initiatives*

In recent years, the relevant regulatory authorities in the UK have proposed (and in some cases have commenced implementation of) dramatic reforms to many aspects of the banking sector (see further "*TSB Bank plc – Supervision and Regulation*"), including, among others, institutional structure, resolution procedures and deposit guarantees. While the impact of these regulatory developments remains uncertain, the Group continues to expect that the evolution of these and future initiatives could have an impact on its business. This in turn could affect the Issuer's ability to fulfil its obligations under the Covered Bonds. Further, the UK's departure from the European Union has resulted in uncertainty around the future regulatory environment in the UK and the laws and regulations applicable to financial services in the UK may continue to diverge from those in the European Union over time.

The Group is responsible for contributing to compensation schemes such as the UK Financial Services Compensation Scheme (the **FSCS**) in respect of banks and other authorised financial services firms that are unable to meet their obligations to customers. Further provisions in

respect of these costs are likely to be necessary in the future. The ultimate cost to the industry, which will also include the cost of any compensation payments made by the FSCS and, if necessary, the cost of meeting any shortfall after recoveries on the borrowings entered into by the FSCS remains uncertain but may be significant and may have a material effect on the Group's business, results of operations and financial condition.

The Deposit Guarantee Scheme Regulations 2015, as amended by the Deposit Guarantee Scheme and Miscellaneous Provisions (Amendment) (EU Exit) Regulations 2018, ensure that all deposits up to £85,000 per eligible person per firm are protected through the FSCS deposit guarantee scheme (the **FCS DGS**). The FCS DGS is funded through regular contributions before the event (*ex ante*). In the case of insufficient ex ante funds, the FCS DGS will collect immediately after the event (ex post) contributions from the banking sector and as a last resort it will have access to alternative funding arrangements such as loans from public or private third parties. Amongst other compensation, the FSCS provides for a qualifying temporary high balance deposit protection, up to £1 million, for up to six months from when the amount was first deposited for certain limited types of deposits. Separately, the PRA is required to review the deposit protection limit periodically and at least every five years. In March 2025, the PRA published a consultation paper outlining proposals, among others, to increase the deposit protection limit from £85,000.00 to £110,000.00. The PRA expects to confirm the final rules in November 2025, in light of consultation feedback received, including the final implementation dates. It is possible that (as a result of these initiatives and others) future FSCS levies on the Group may differ from those at present, and such reforms could result in the Group incurring additional costs and liabilities, which may adversely affect its business, financial conditions and/or results of operations.

The FCA also published guidance for firms supporting their existing mortgage borrowers impacted by the rising cost living in March 2023 (FG23/2) and the guidance sets out the flexibility firms have when providing forbearance to those who need it and the scope firms have to vary contract terms for other borrowers who want to reduce their monthly payments. Updated guidance was published on 10 April 2024 (FG24/2). The Group became a signatory to the Government's Mortgage Charter in June 2023, implementation of which is supported by MCOB rule changes that took effect on 30 June 2023 to allow mortgage borrowers to: (i) reduce their capital repayments (including to zero, and paying interest only) for up to 6 months, and (ii) fully or partly reverse a term extension within 6 months of extending the term, without a new affordability assessment. On 10 April 2024, the FCA published new rules on strengthening protections for borrowers in financial difficulty (PS 24/2). These rules came into force on 4 November 2024 and incorporated aspects of the Tailored Support Guidance into the FCA Handbook. The new rules came into force on 4 November 2024 and the Mortgages Tailored Support Guidance was withdrawn at that time. Further reforms in this area could result in the Group incurring additional costs and liabilities, which may adversely affect its business, financial conditions and/or results of operations.

Banking Package 2021

The European Commission's proposals in the Banking Package 2021 also contain provisions for Environmental, Social, and Governance (**ESG**) related matters. The proposals require banks to systematically identify, disclose and manage ESG risks as part of their risk management. This includes regular climate stress testing by both supervisors and banks. Supervisors will need to assess ESG risks as part of regular supervisory reviews. All banks will also have to disclose the degree to which they are exposed to ESG risks. The disclosure rules will be proportionate to the banks' size. Work by the EBA on this front is ongoing, with a number of mandates to be delivered on topics including supervisory reporting, disclosures, stress testing, the prudential treatment of exposures, credit risk and governance. These are positioned in the context of the EU objective to achieve climate neutrality, as well as a desire to ensure the resilience of institutions to the financial risks arising from the transition.

A consultation on draft EBA guidelines on the management of ESG risks closed in Q2 2024. Final guidelines were published on 9 January 2025 and apply from 11 January 2026. The guidelines set requirements for the for the internal processes and ESG risk management arrangements that institutions should have in place. Overall, ESG is expected to be a significant area of focus for the EBA in the coming years.

In the UK, regulators have also been increasingly focused on ensuring that banks embed climate change risk into their prudential and risk management frameworks.

The Issuer is therefore exposed to an increased risk of regulatory non-compliance by virtue of the expanding scope of ESG regulations, for which failure to properly implement may result in regulatory sanction, liabilities, reputational damage and/or damage to the Group's brand, which could have a material adverse effect on its business, financial condition, results of operations and relations with customers. This in turn could affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

CRD V, CRR II and Basel 3.1 (also referred to as Basel IV) Please see risk factor entitled "*The Group is subject to substantial and changing prudential regulation"* above.

3.9 *Changes to accounting policies or in accounting standards could materially affect the Group's capital ratios, how it reports its financial condition and results of operations.*

From time to time, the International Accounting Standards Board (the **IASB**) and/or the United Kingdom Endorsement Board may change UK IAS, the accounting standards that govern the preparation of the financial statements of the Issuer for the year ending 31 December 2025. In some cases, the Group could be required to apply a new or revised standard retrospectively, resulting in the restatement of prior period financial statements.

Any such change in the Group's accounting policies or accounting standards could materially affect its reported financial condition and results of operations. This in turn could affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

The preparation of financial statements in accordance with UK IAS requires management to make judgements, estimates and assumptions in applying the accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.10 *The Group faces risks related to changes in taxation rates or applicable tax legislation, which could materially adversely affect its financial position*

Tax risk is the risk associated with changes in corporation tax and other taxation rates, applicable tax legislation, misinterpretation of the tax legislation, and any open disputes with relevant tax authorities in relation to these or other historic transactions. Failure to manage this risk adequately could result in the Group suffering losses due to additional tax charges and other related financial costs, including interest and penalties. Such failure could also lead to potential and adverse reputational damage both with the relevant tax authorities and with other external parties or stakeholders, which could then lead to a materially adverse impact on the Group's financial position.

Future actions by the UK Government to adjust tax rates and/or to impose additional taxes (including particular taxes and levies targeted at the banking industry) could reduce the Group's profitability.

4 RISKS RELATING TO THE COVERED BONDS

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

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

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

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

Covered Bondholders should note that the Asset Coverage Test is intended to ensure that the Adjusted Aggregate Loan Amount is equal to or greater than the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding, which should reduce the risk of there being a shortfall (although there is no assurance of this – in particular, the sale of further Loans and Related Security by the Seller to the LLP may be required to avoid or remedy a breach of the Asset Coverage Test) (see "*Summary of the Principal Documents – LLP Deed – Asset Coverage Test*"). The Asset Coverage Test, the Amortisation Test, the Interest Rate Shortfall Test and the Yield Shortfall Test are in the aggregate intended to ensure that the Asset Pool is sufficient to pay amounts due on the Covered Bonds and senior ranking expenses which will include costs relating to the maintenance, administration and winding-up of the Asset Pool whilst the Covered Bonds are outstanding. However, no assurance can be given that the Asset Pool will yield sufficient amounts for such purpose.

For so long as the Covered Bonds are rated by Moody's, the LLP or the Cash Manager acting on its behalf may, from time to time, send notification to Moody's and the Security Trustee of the proposed percentage (used in the computation of the Adjusted Aggregate Loan Amount and the Asset Percentage) selected by it, being the difference between 100 per cent. and the amount of credit enhancement required to ensure that the Covered Bonds achieve an "Aaa" rating by Moody's using Moody's expected loss methodology. However, there is no obligation on the LLP to ensure that an "Aaa" rating is maintained by Moody's and the LLP is under no obligation to change the figure selected by it and notified to Moody's and the Security Trustee in line with such level of credit enhancement. If the LLP does not send further notification to Moody's and the Security Trustee, the Asset Percentage may not be reduced and may be insufficient to ensure the maintenance of an "Aaa" rating by Moody's and the Covered Bonds may be downgraded, without resulting in a breach of the Asset Coverage Test. An Issuer Event of Default and/or an LLP Event of Default will not occur solely as a result of a downgrade of the Covered Bonds.

4.2 *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) equally with its other direct, unsecured, unconditional and unsubordinated obligations (save for any obligations to be preferred by law).

The LLP has no obligation to pay the Guaranteed Amounts payable under the Covered Bond Guarantee until (A) service of a Notice to Pay on the LLP subsequent to (i) an Asset Coverage Test Breach Notice being served and not revoked within the requisite time period and/or a

breach of the Pre-Maturity Liquidity Test or (ii) the occurrence of an Issuer Event of Default and service by the Bond Trustee on the Issuer of an Issuer Acceleration Notice or (B) if earlier the occurrence of an LLP Event of Default and service by the Bond Trustee of an LLP Acceleration Notice. The occurrence of an Issuer Event of Default or an Asset Coverage Test Breach Notice being served and not revoked within the requisite time period and/or a breach of the Pre-Maturity Liquidity Test 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.

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

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 serve an Issuer Acceleration Notice, but is not obliged to, unless and until requested or directed by the holders of at least 20 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds then outstanding as if they were a single Series or if so directed by an Extraordinary Resolution of all the Covered Bondholders in accordance with Condition 9.1 (*Issuer Events of Default*). Following service of an Issuer Acceleration Notice on the Issuer, a Notice to Pay will be served by the Bond Trustee on the LLP. 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 other than in accordance with the Guarantee Priority of Payments.

Payments by the LLP under the Covered Bond Guarantee will be made subject to any applicable withholding or deduction and the LLP will not be obliged to pay any additional amounts as a consequence. Prior to service on the LLP of an LLP Acceleration Notice, the LLP will not be obliged to make any payments in respect of broken funding indemnities, penalties, premiums, default interest or interest on interest which may accrue on or in respect of the Covered Bonds. In addition, the LLP will not be obliged at any time to make any payments in respect of additional amounts which may become payable by the Issuer under Condition 7 (*Taxation*).

Subject to the applicable grace period in the Terms and Conditions, if (after service of a Notice to Pay) the LLP fails to make a payment when Due for Payment under the Covered Bond Guarantee or any other LLP Event of Default occurs, then the Bond Trustee may accelerate the obligations of the LLP under the Covered Bond Guarantee by service of an LLP Acceleration Notice, whereupon the Bond Trustee will have a claim under the Covered Bond Guarantee for an amount equal to the Early Redemption Amount of each Covered Bond, together with accrued interest and all other amounts then due under the Covered Bonds (other than 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 or deduction 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 Covered Bondholders will receive amounts from the LLP on an accelerated basis.

4.4 *Covered Bonds and the Covered Bond Guarantee are obligations of the Issuer and the LLP only*

The Covered Bonds and the Covered Bond Guarantee are obligations of the Issuer and the LLP, respectively, as described above, and the Covered Bonds are not guaranteed by any other entity of the Group and accordingly the holders of Covered Bonds have recourse in respect thereof only to the Issuer and, to the extent described above, the LLP.

The Covered Bonds will not represent an obligation or be the responsibility of any of the Arranger, the relevant Dealer, 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.

4.5 *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 the applicable grace period) and if, following service of a Notice to Pay on the LLP (by no later than the date which falls one Business Day prior to the Extension Determination Date), payment of the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of such Series of the Covered Bonds is not made in full by the Extension Determination Date, then the payment of such Guaranteed Amounts may be automatically deferred. This will occur (subject to no LLP Acceleration Notice having been served) only 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 by the time specified above and has sufficient moneys available under the Guarantee Priority of Payments to pay in part the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of the relevant Series of Covered Bonds, the LLP shall make partial payment of the Final Redemption Amount in accordance with the Guarantee Priority of Payments as described in Condition 6.1 (*Final redemption*). Payment of the unpaid portion of the Final Redemption Amount shall be deferred automatically until the applicable Extended Due for Payment Date. The Extended Due for Payment Date will fall one year after the Final Maturity Date. The LLP shall be entitled to make payments in respect of the Final Redemption Amount on any Original Due for Payment Date up until the Extended Due for Payment Date. Interest will continue to accrue and be payable on the unpaid portion of the Final Redemption Amount in accordance with Condition 4 (*Interest and other Calculations*) and the LLP will pay Guaranteed Amounts constituting Scheduled Interest on each Original Due for Payment Date and the Extended Due for Payment Date. In these circumstances, except where the LLP has failed to apply any amount in accordance with the Guarantee Priority of Payments, failure by the LLP to make a payment in respect of the Final Redemption Amount on the Final Maturity Date (subject to the applicable grace period) shall not constitute an LLP Event of Default. However, failure by the LLP to pay Guaranteed Amounts corresponding to the Final Redemption Amount or the balance thereof, as the case may be, on the Extended Due for Payment Date or to pay Guaranteed Amounts constituting Scheduled Interest on any Original Due for Payment Date or the Extended Due for Payment Date (in each case subject to the applicable grace period) shall constitute an LLP Event of Default.

4.6 *Ratings of the Covered Bonds*

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

- the likelihood of full and timely payment to Covered Bondholders of all payments of interest on each Interest Payment Date;
- the likelihood of timely payment of principal in relation to the Hard Bullet Covered Bonds on the Final Maturity Date; and
- the likelihood of ultimate payment of principal in relation to Covered Bonds on (a) the Final Maturity Date thereof, or (b) if the Covered Bonds are subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee in accordance with the applicable Final Terms, 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. The 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 reduce. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. A credit rating may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above and other factors that may affect the value of the Covered Bonds. In addition, at any time the Rating Agency may revise its relevant rating methodology with the result that, amongst other things, a rating assigned to the Covered Bonds may, in the absence of any mitigating action being taken such as the modification of the Transaction Documents, be lowered. Additionally, a reduction in the credit ratings of the Issuer (which may be caused by a reduction in the rating of Sabadell) may negatively impact the ratings of the Programme and any Covered Bonds. **A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension or withdrawal (or, as noted above, revision) at any time. A credit rating may not reflect the potential impact of all of the risks related to the structure, market, additional factors discussed above and other factors that may affect the value of the Covered Bonds.**

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

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

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

4.7 *Rating Agency Confirmation in respect of Covered Bonds*

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

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

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

4.8 *Excess Proceeds received by the Bond Trustee*

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

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

4.9 *Bond Trustee's powers may affect the interests of the Covered Bondholders*

In the exercise of its powers, trusts, authorities and discretions the Bond Trustee shall only have regard to the general interests of the Covered Bondholders of each Series as a class.

The Bond Trustee shall not be bound to take any such enforcement proceedings in relation to the Trust Deed, the Covered Bonds, the Receipts, the Coupons or any other Transaction Document or give any notice pursuant to Conditions 9.1 (*Issuer Events of Default*) or 9.2 (*LLP Events of Default*) unless (i) directed to do so by an Extraordinary Resolution (with the Covered Bonds of all Series taken together as a single Series) or (ii) requested to do so in writing by the holders of at least 20 per cent. of the Principal Amount Outstanding of the Covered Bonds then outstanding and (iii) it is indemnified and/or secured and/or prefunded to its satisfaction.

The Bond Trustee shall not be bound to take any other action or step under any Transaction Document unless (i) directed to do so by an Extraordinary Resolution of the Covered Bondholders of the relevant one or more Series or (ii) requested to do so in writing by the holders of in the aggregate at least 20 per cent. of the Principal Amount Outstanding of the Covered Bonds of the relevant one or more Series and (iii) it is indemnified and/or secured and/or prefunded to its satisfaction.

The Bond Trustee shall be bound to (A) waive or authorise any breach or proposed breach by the Issuer, the LLP or any other person of any of the covenants or provisions contained in the Transaction Documents or (B) determine that any Issuer Event of Default, Potential Issuer Event of Default, LLP Event of Default or Potential LLP Event of Default shall not be treated as such if it is (i) so directed by an Extraordinary Resolution of the Covered Bondholders of all Series, in the case of (B) above or by an Extraordinary Resolution or Extraordinary Resolutions of the Covered Bondholders of the relevant one or more Series, in any other case or (ii) requested to do so in writing by the holders of in the aggregate at least 20 per cent. of the Principal Amount Outstanding of the Covered Bonds of all Series then outstanding, in the case of (B) above or of the Covered Bonds of the relevant one or more Series in any other case and (iii) it is indemnified and/or secured and/or prefunded to its satisfaction. Any such waiver or determination will be binding on all Covered Bondholders.

Subject to the terms of the Terms and Conditions of the Covered Bonds, the Trust Deed and the Deed of Charge, the Bond Trustee may, without the consent or sanction of any of the Covered Bondholders or any of the other Secured Creditors, concur with any person in making or sanctioning any modification to, or waive or authorise any breach or proposed breach in respect of, the Transaction Documents and the Terms and Conditions of the Covered Bonds or determine that any condition, event or act which constitutes or which would or might but for such determination constitute an Issuer Event of Default, Potential Issuer Event of Default, LLP Event of Default or Potential LLP Event of Default shall not be treated as such. Any such modification may be made on such terms and subject to such conditions (if any) as the Bond Trustee may determine, and shall be binding upon the Covered Bondholders, the related Receiptholders and/or the Couponholders.

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

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

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

4.11 *Covered Bonds subject to Redemption for Taxation reasons*

Unless in the case of any particular Tranche or Series of Covered Bonds the relevant Final Terms specify otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Covered Bonds due to any withholding or deduction for or on account of any present or future taxes, duties or other charges of whatever nature imposed or levied by or on behalf of the UK or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Covered Bonds in accordance with the Terms and Conditions.

4.12 *Fixed/Floating Rate Covered Bonds*

Fixed/Floating Rate Covered Bonds may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate 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, the spread on the Fixed/Floating Rate Covered Bonds may be less favourable than the prevailing spreads on comparable Floating Rate Covered Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Covered Bonds. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than the then prevailing rate on its Covered Bonds.

4.13 *Fixed Rate Covered Bonds*

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

4.14 *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.

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

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

4.16 *Covered Bonds issued under the Programme*

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

All Covered Bonds issued from time to time will rank *pari passu* with each other in all respects and will share in the Security granted by the LLP under or pursuant to the Deed of Charge. Following the occurrence of an Issuer Event of Default and service by the Bond Trustee of an Issuer Acceleration Notice, the Covered Bonds of all outstanding Series will accelerate against the Issuer but will be subject to, and have the benefit of, payments made by the LLP under the Covered Bond Guarantee (following service of a Notice to Pay).

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

Covered Bonds may be issued by the Issuer which are unlisted Covered Bonds, Covered Bonds not admitted to trading on any regulated or unregulated market or N Covered Bonds. Holders

of such unlisted Covered Bonds, Covered Bonds not admitted to trading on any regulated or unregulated market or N Covered Bonds will have the same rights as holders of Covered Bonds issued pursuant to this Prospectus, including recourse to, amongst other things, the Portfolio, the Reserve Fund and hedging arrangements and such Covered Bonds shall be counted for the purposes of (inter alia) various tests such as the Asset Coverage Test, Amortisation Test and the statutory interest cover test and minimum overcollateralisation requirements under the RCB Regulations as well as voting by Covered Bondholders (including in respect of an Issuer Event of Default or LLP Event of Default). Unlisted Covered Bonds, Covered Bonds not admitted to trading on any regulated or unregulated market and N Covered Bonds will rank *pari passu* with all other Covered Bonds issued pursuant to the Programme from time to time. All Covered Bonds will have the benefit of the Covered Bond Guarantee and the Security granted by the LLP in respect of the Charged Property. These other Covered Bonds (being unlisted Covered Bonds, Covered Bonds not admitted to trading on any regulated or unregulated market or N Covered Bonds) issued by the Issuer will not be issued pursuant to this Prospectus. Holders of Covered Bonds listed pursuant to this Prospectus will rank *pari passu* with holders of such unlisted Covered Bonds, Covered Bonds not admitted to trading on any regulated or unregulated market or N Covered Bonds. Any Issuer Event of Default and/or LLP Event of Default in relation to such unlisted Covered Bonds, Covered Bonds not admitted to trading on any regulated or unregulated market or N Covered Bonds could have an adverse effect on the holders of the listed Covered Bonds which are issued pursuant to this Prospectus.

4.17 *Further Issues*

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

- the Issuer will be obliged to apply the proceeds of any issue of Covered Bonds to make a Term Advance to the LLP. The LLP will use the proceeds of such Term Advance (after exchanging the same into Sterling if necessary under the applicable Covered Bond Swap):
  - (a) to acquire Loans and their Related Security from the Seller; and/or
  - (b) to acquire Substitution Assets up to the prescribed limit; and/or
  - (c) 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
  - (d) subject to complying with the Asset Coverage Test, to make a Capital Distribution to a Member; and/or
  - (e) to make a deposit of all or part of the proceeds in the Transaction Accounts (including, without limitation, to fund the Reserve Fund to an amount not exceeding the prescribed limit);
- the Asset Coverage Test will be required to be met both before and immediately after any further issue of Covered Bonds; and
- on or prior to the date of issue of any further Covered Bonds, the Issuer will be obliged to obtain written confirmation from the Rating Agency that such further issue would not adversely affect the then current ratings of the existing Covered Bonds.

4.18 *Eurosystem Eligibility*

Any potential investor in the Covered Bonds should make their own conclusions and seek their own advice with respect to whether or not such Covered Bonds constitute Eurosystem eligible collateral, including whether and how such eligibility may be impacted by the UK withdrawal from the EU and the UK no longer being part of the EEA.

4.19 *Covered Bonds not in physical form*

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

- result in payment delays on the Covered Bonds because distributions on the Covered Bonds will be sent by or on behalf of the Issuer to Euroclear or Clearstream, Luxembourg instead of directly to Covered Bondholders;
- make it difficult for Covered Bondholders to pledge the Covered Bonds as security if Covered Bonds in physical form are required or necessary for such purposes;
- hinder the ability of Covered Bondholders to resell the Covered Bonds because some investors may be unwilling to buy Covered Bonds that are not in physical form; and
- result in such Covered Bondholders not having a direct right to vote in respect of the relevant Covered Bonds. Instead, such Covered Bondholders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

4.20 *Covered Bonds where denominations involve integral multiples: Definitive Covered Bonds*

In the case of Covered Bonds which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that Covered Bonds may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case, a Covered Bondholder who, as a result of trading such amounts, holds a principal amount which (after deducting integral multiples of such minimum Specified Denomination) is less than the minimum Specified Denomination in the Covered Bondholder's account with the relevant clearing system at the relevant time, may not receive a Definitive Covered Bond in respect of such holding (should Definitive Covered Bonds be printed) and would need to purchase a principal amount of Covered Bonds such that it holds an amount equal to one or more Specified Denominations.

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

4.21 *Exchange rate risks and exchange controls*

The Issuer will pay principal and interest on the Covered Bonds and the LLP will make any payments under the Covered Bond Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit other than the Specified Currency (the **Investor's Currency**). These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Covered Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Covered Bonds and (3) the Investor's Currency-equivalent market value of the Covered Bonds.

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

5 RISKS RELATING TO THE REGULATION OF THE COVERED BOND REGIME

5.1 *UK regulated covered bond regime*

On 24 February 2017, the Issuer was admitted to the register of issuers and the Programme was admitted to the register of regulated covered bonds pursuant to Regulation 14 of the RCB Regulations. The RCB Regulations and the Regulated Covered Bond Sourcebook (the **RCB Sourcebook**) impose certain ongoing obligations and liabilities on both the Issuer and the LLP. In this regard, the LLP is required to (amongst other things), following the insolvency of the Issuer, make arrangements for the maintenance and administration of the Asset Pool such that certain asset capability and quality-related requirements are met.

The Authorities may take certain actions in respect of the Issuer and/or the LLP under the RCB Regulations. Such actions include directing the winding-up of the LLP, removing the Issuer from the register of issuers (however, pursuant to the RCB Regulations, a regulated covered bond may not be removed from the register of regulated covered bonds prior to the expiry of the whole period of validity of the relevant bond), directing the Issuer and/or the LLP to take specified steps for the purpose of complying with the RCB Regulations and/or imposing a financial penalty of such amount as it considers appropriate in respect of the Issuer or the LLP. The bodies which regulate the financial services industry in the UK may take certain actions in respect of issuers using their general powers under the UK regulatory regime (including restricting an issuer's ability to transfer further assets to the asset pool). There is a risk that any such enforcement actions by the Authorities 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 "*Cashflows*" and "*Description of the UK Regulated Covered Bond Regime*" below for further details.

5.2 *Regulatory initiatives and reforms) may affect the capital requirements and/or liquidity associated with a holding of the Covered Bonds for certain investors*

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

In relation to the implementation of the Basel III framework, please see risk factors entitled "*The Group is subject to substantial and changing prudential regulation" and "The Group is subject to the risk of having insufficient capital resources and/or not meeting liquidity requirements*" above.

It should also be noted that changes to regulatory capital requirements have been made for insurance and reinsurance undertakings through participating jurisdiction initiatives, such as the framework of Directive 2009/138/EC (**Solvency II**) in Europe.

Prospective investors should therefore make themselves aware of the requirements described above (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other applicable regulatory requirements with respect to their investment in the Covered Bonds. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

At the end of 2019, the European Parliament and the Council finalised the legislative package on covered bond reforms made up of a new covered bond directive (Directive (EU) 2019/2162) and a new regulation (Regulation (EU) 2019/2160), entered into force on 7 January 2020 with the deadline for application of 8 July 2022 (both texts have relevance for the EEA and have been implemented into the Agreement on the European Economic Area as of 12 July 2022). The new covered bond directive replaces article 52(4) of the UCITS Directive, establishes a revised common base-line for issue of covered bonds for EU regulatory purposes (subject to various options that Member States may choose to exercise when implementing the new directive through national laws). The new regulation will be directly applicable in the EU from 8 July 2022 and it amends article 129 of the Capital Requirements Regulation (Regulation (EU) No. 575/2013) (**EU CRR**) (and certain related provisions) and further strengthens the criteria for covered bonds that benefit from preferential capital treatment under the EU CRR regime. Given that aspects of the new regime will require transposition through national laws, the final position is not yet known. As EU CRR permits the exercise of certain national discretion, the implementation may be subject to some level of national variation. In the UK, the FCA confirmed that it intends to implement the EU covered bond reforms in the UK although no consultation on the proposed amendments has yet been published. Therefore, there can be no assurances or predictions made as to the precise effect of the new regime on the Covered Bonds.

In addition, preferential regulatory treatment under article 129 of the EU CRR is no longer available in respect of the Covered Bonds after 31 January 2020, that the point at which the UK has left the EU and is no longer part of the EEA. Furthermore, the Covered Bonds will not be grandfathered under the EU covered bond reforms, once these become applicable. The Covered Bonds may be eligible as Level 2A assets under Delegated Regulation (EU) 2018/1620 (as amended), provided equivalence requirements are met, as to which no assurances are made and prospective investors should therefore make themselves aware of the changes in addition to any other applicable regulatory requirements with respect to their investment in the Covered Bonds.

6 RISKS RELATING TO THE PORTFOLIO

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

Borrowers may default on their obligations under the Loans in the Portfolio. Defaults may occur for a variety of reasons. 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 (due to local, national and/or global macroeconomic factors such as uncertainty involving the potential imposition of significant international trade tariffs by the U.S. government, the war between Russia and Ukraine and the conflict in the Middle East) and weaker housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies.

In an increasing rate environment or a sustained period of higher rates Borrowers with a mortgage loan subject to a variable rate of interest or with a mortgage loan for which the related interest rate adjusts following an initial fixed rate or low introductory rate, as applicable, will be exposed to increased monthly payments as and when the related mortgage interest rate adjusts upward (or, in the case of a mortgage loan with an initial fixed rate or low introductory rate, at the end of the relevant fixed or introductory period). Future increases in Borrowers' required monthly payments, which (in the case of a mortgage loan with an initial fixed rate or low introductory rate) may be compounded by any further increase in the related mortgage interest rate during the relevant fixed or introductory period, may ultimately result in higher delinquency rates and losses in the future.

It is unlikely that Borrowers seeking to avoid these increased monthly payments by refinancing their mortgage loans will be able to find available replacement loans at comparably low interest rates. Any decline in housing prices may leave Borrowers with insufficient equity in their homes to permit them to refinance. These events, alone or in combination, may contribute to

higher delinquency rates and losses on the Portfolio, which in turn may affect the ability of the Issuer to make payments of interest and principal on the Covered Bonds.

Other factors in Borrowers' individual, personal or financial circumstances may also affect the ability of Borrowers to repay the Loans. Loss of earnings, illness, divorce or widespread health crises or the fear of such crises, or other epidemic and/or pandemic diseases) and other similar factors may lead to an increase in delinquencies by and bankruptcies of Borrowers, and could ultimately have an adverse impact on the ability of Borrowers to repay the Loans. In addition, governmental action or inaction in respect of, or responses to, any widespread health crises or such potential crises (such as those introduced in response to Covid) whether in the United Kingdom or in any other jurisdiction, may lead to a deterioration of economic conditions both globally and also within the United Kingdom. Given the unpredictable effect such factors may have on the local, national or global economy, no assurance can be given as to the impact of any of the matters described in this paragraph and, in particular, no assurance can be given that such matters would not adversely affect the ability of the Issuer to satisfy its obligations under the Covered Bonds.

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

If obtaining possession of properties and arranging a sale in such circumstances is lengthy or costly, the Issuer's ability to make payments on the Covered Bonds may be reduced. The Issuer's ability to make such payments may be reduced further if the powers of a mortgagee in relation to obtaining possession of properties permitted by law are restricted in the future. Subject to any relevant government restrictions or guidance on repossessions, lenders may enforce repossession as long as they act in accordance with the MCOB 13 and relevant regulatory and legislative requirements.

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

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

6.2 *Regulatory considerations in relation to the Loans*

The Loans are subject to certain risks relating to the law and regulation of mortgages in the United Kingdom, including in relation to the legal and regulatory considerations relating to the Loans and their Related Security, changes in law and/or regulation, the possibility of complaints by Borrowers in relation to terms of the Loans and in relation to the policies and procedures of the Seller. If any of these risks materialise they could have an adverse effect on the Seller, the Issuer or the LLP and could adversely affect the ability of the Issuer to make payments on the Covered Bonds or, if applicable, the LLP's ability to make payments on the Covered Bond Guarantee.

Further detail on certain considerations in relation to the regulation of mortgages in the UK is set out in the section headed "*UK Mortgage Regulation*" below and certain specific risks are set out below:

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

Regulation of buy-to-let Mortgages. The exercise of supervisory and enforcement powers by the FCA may adversely affect the Issuer's ability to make payment on the Covered Bonds when due, particularly if the FCA orders remedial action in respect of past conduct. In addition for those buy-to-let Mortgages regulated by the CCA, non-compliance with certain provisions of the Consumer Credit Act 1974, as amended (the **CCA**) may render a regulated credit agreement irredeemably unenforceable or unenforceable without a court order or an order of the appropriate regulator, or may render the borrower not liable to pay interest or charges in relation to the period of non-compliance. This may adversely affect the Issuer's ability to make payment on the Covered Bonds when due. Further detail is included in the section headed "*UK Mortgage Regulation*" below.

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

Unfair Relationships. If a court determined that there was an unfair relationship between the Lender and the Borrowers in respect of the Loans, except in relation to Regulated Mortgage Contracts, and ordered that financial redress was made in respect of such Mortgage Loans, such redress may adversely affect the ultimate amount received by the LLP in respect of the relevant Mortgage Loans, and the realisable value of the Portfolio and/or the ability of the LLP to make payments under the Covered Bond Guarantee. Further detail is included in the section headed "*UK Mortgage Regulation*" below.

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

UTCCR and CRA. The UTCCR and CRA provide that a consumer may, in certain circumstances, challenge a term in an agreement on the basis that it is unfair. The broad and general wording of The Unfair Terms in Consumer Contracts Regulations 1994 (SI 1994/3159) and the 1999 Regulations (the **UTCCR**) and the Consumer Rights Act 2015 (the **CRA**) makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any Mortgage Loans which have been made to Borrowers covered by the UTCCR and/or the CRA may contain unfair terms which may result in the possible unenforceability of the terms of the underlying loans. If any term of the Loans entered into between 1 July 1995 and 30 September 2015 is found to be unfair for the purpose of the UTCCR, this may reduce the amounts available to meet the payments due in respect of the Covered Bond Guarantee, including by way of non-recovery of a Mortgage Loan by the Seller or the LLP, a claim made by the Borrower or the exercise by the Borrower of a right of set-off arising as a result of a term of a loan being found to be unfair (and therefore not binding on the consumer) may adversely affect the LLP's ability to make payments on the Covered Bond Guarantee.

If any term of the Loans entered into on or after 1 October 2015 is found to be unfair for the purpose of the CRA, this may reduce the amounts available to meet the payments due in respect of the Covered Bond Guarantee. No assurance can be given that any changes in legislation, guidance or case law on unfair terms will not have a material adverse effect on the Seller, the LLP and/or the Servicer and their respective businesses and operations. There can be no assurance that any such changes (including changes in regulators' responsibilities) will not

affect the Loans. Further detail in relation to both the UTCCR and the CRA is included in the section headed "*UK Mortgage Regulation*" below.

Consumer Protection from Unfair Trading Regulations 2008 and the Digital Markets Competition and Consumers Act 2024. The Consumer Protection from Unfair Trading Regulations 2008 ("**CPUTR**") prohibits certain practices which are deemed unfair within the terms of the CPUTR. Breach of the CPUTR may lead to liability for misrepresentation or breach of contract in relation to the underlying credit agreements, which may result in irrecoverable losses on amounts to which such agreements apply and which may adversely affect the LLP's ability to make payments on the Covered Bond Guarantee. Further, in May 2024 some parts of the Digital Markets, Competition and Consumers Act 2024 (the "**DMCCA**") came into force. From 6 April 2025, the DMCCA has revoked the CPUTR rules and recreated their effect, with some amendments. The new regime has introduced new rules on consumer reviews, drip pricing and consumer vulnerability, new powers to expand the list of automatically unfair practices and a new enforcement regime. The possibility of the new regime having an adverse impact on the Loans cannot be excluded. Further detail is included in the section headed *"Further UK Mortgage Regulation – Consumer Protection from Unfair Trading Regulations and the Digital Markets, Competition and Consumers Act 2024"*. Further detail in relation to the CPUTR is included in the section headed "*UK Mortgage Regulation – Consumer Protection from Unfair Trading Regulations and the Digital Markets, Competition and Consumers Act 2024*" below.

Financial Ombudsman Service: Established under FSMA, the Financial Ombudsman Service (the **Ombudsman**) is required to make decisions on, among other things, complaints relating to activities and transactions under its jurisdiction. On 15 July 2025, the FCA and Financial Ombudsman Service launched a consultation titled "Modernising the redress system" to modernise the redress framework, to better serve consumers and give firms greater certainty to invest and innovate. The consultation closes in October 2025. The Ombudsman is required to make decisions on the basis of, among other things, the principles of fairness, and may order a money award to a borrower. Given the way the Ombudsman makes its decisions, it is not possible to predict how any future decision of the Ombudsman would affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee. Further detail is included in the section headed "*UK Mortgage Regulation – Financial Ombudsman Service*" below.

Mortgage repossessions. The protocols for mortgage repossession and the Mortgage Repossessions (Protection of Tenants etc) Act 2010 may have adverse effects in relation to the ability of the Seller to repossess properties in markets in England and Wales experiencing above average levels of possession claims. Delays in the initiation of responsive action in respect of the Loans may result in lower recoveries and may adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee. Likewise delays could be encountered in connection with enforcement of mortgages in England and Wales as a result of the implementation of the Breathing Space Regulations (as defined below), pursuant to which the Seller may not charge interest on mortgage arrears nor apply fees and charges nor undertake any enforcement activity from the date of commencement of any moratorium prescribed by such regulations and whilst such moratorium is in place for a mortgage customer. Further detail is included in the section headed "*UK Mortgage Regulation*" below.

Breathing Space Regulations: The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020 came into force on 4 May 2021 (the **Breathing Space Regulations**). The Breathing Space Regulations give eligible individuals in England and Wales the ability to apply for a breathing space or mental health crisis moratorium during which creditors may not demand payment of interest or fees that accrue, or enforce a debt owed by the applicant. The Breathing Space Regulations do not apply to mortgages, except arrears which are uncapitalised at the date of the application for a breathing space under the Breathing Space Regulations. There is a risk that delays in the initiation of enforcement action in respect of the mortgage loans may result in lower recoveries and may adversely affect the ability of the LLP to meet its obligations under the Covered Bond

Guarantee. Further detail is included in the section headed "*UK Mortgage Regulation – Breathing Space Regulations*" below.

Changes to mortgage regulation and to the regulatory structure in the United Kingdom may adversely affect payments on the Covered Bonds. It is possible that further changes may be made to the FCA's MCOB rules as a result of these reviews and other related regulatory reforms. To the extent that the new rules do apply to any of the Loans, failure to comply with these rules may entitle a Borrower to claim damages for loss suffered or to set off the amount of the claim against the amount owing under the Loan. Any such claim or set-off may affect the LLP's ability to make payment in full on the Covered Bond Guarantee when due. Further detail is included in the section headed "*UK Mortgage Regulation – Breathing Space Regulations*" below.

FCA Consumer Duty. The FCA's Consumer Duty requirement have been in operation since 31 July 2023 for products and services that remain open to sale or renewal and from 31 July 2024 for closed products and services. The outcomes and principles based nature of Consumer Duty means that it is difficult to assess its impact in respect of the cover pool. If (for example) the obligations relating to fair value or not causing harm are not met in relation to the Loans, it could adversely affect the amounts received or recoverable in relation to the Loans. This may adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee. Further detail is included in the section headed "*UK Mortgage Regulation – FCA Consumer Duty"* below.

Renting Homes (Wales) Act 2016. The Renting Homes (Wales) Act 2016 (the **Renting Homes Act**) converts the majority of existing residential tenancies in Wales into an 'occupation contract' with retrospective effect.

The Renting Homes Act may result in lower recoveries in relation to buy-to-let mortgage loans over Properties in Wales and, if any such loans are included in the Programme, may reduce the amounts available to meet the payments due in respect of the Covered Bonds. Further detail is included in the section headed "*UK Mortgage Regulation – The Renting Homes (Wales) Act 2016"* below.

Energy Efficiency Regulations 2015. From 1 April 2018, landlords of relevant domestic properties in England and Wales may not grant a tenancy to new or existing tenants if their property has an EPC rating of band F or G (as shown on a valid Energy Performance Certificate for the property) and from 1 April 2020, landlords must not continue letting a relevant domestic property which is already let if that property has an EPC rating of band F or G (as shown on a valid Energy Performance Certificate for the property). On 4 December 2024, the government launched a consultation titled with respect to reforming the energy performance of buildings framework.

The introduction of these measures may adversely affect the private residential rental market in England, Wales and Scotland in general, or (in the case of the restriction of income tax relief) the ability of individual borrowers of Buy-to-Let Loans to meet their obligations under those Loans. Further, such measures may prompt borrowers to re-finance their Loans or sell the underlying property which may adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee. For Scotland, the proposed measures are also applicable to the owner-occupied residential property sector, with the minimum energy efficiency standard applying to owner-occupiers by the end of 2033. If introduced, such measures may have a negative impact on property values, house purchase transaction volumes and the ability of a borrower to make payments on their mortgage loan. Further details are included in the section headed "UK Mortgage Regulation - *Energy Efficiency Regulations 2015*" below.

Assured Shorthold Tenancy (AST). Depending on the level of ground rent payable at any one time it is possible that a long leasehold in England and Wales may also be an Assured Tenancy (AT) or Assured Shorthold Tenancy (AST) under the Housing Act 1988 (HA 1988). If it is, this could have the consequences set out below. There is a risk that where: a long lease is also

an AT/AST due to the level of the ground rent; the tenant is in arrears of ground rent for more than three months; the landlord chooses to use the HA 1988 route to seek possession under Ground 8; and the tenant does not manage to reduce the arrears to below three months' ground rent by the date of the court hearing, the long lease will come to an end and the landlord will be able to re-enter the relevant property. Further details are included in the section headed "UK Mortgage Regulation - *Assured Shorthold Tenancy (AST)*" below.

Future changes to mortgage regulation. Additionally, no assurance can be given that additional regulations or guidance from the FCA, the PRA, the Ombudsman, the CMA or any other regulatory authority will not arise with regard to the mortgage market in the UK generally, the Seller's particular sector in that market or specifically in relation to the Seller. Any such action or developments or compliance costs may have a material adverse effect on the Loans, the Seller, the Issuer, the Servicer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full on the Covered Bonds when due.

Any such action or developments could lead to increased compliance costs and a potential increase in civil litigation or claims to the FOS by customers alleging breach of any new or additional regulations or guidance which may have a material adverse effect on the Loans, the Seller, the LLP, the Issuer and/or the Servicer and their respective businesses and operations. This may adversely affect the ability of the LLP to dispose of the Portfolio or any part thereof in a timely manner and/or the realisable value of the Portfolio or any part thereof and accordingly affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee when due. Further detail is included in the section headed "*UK Mortgage Regulation*" below.

6.3 *Limited description of the Portfolio*

Covered Bondholders will receive only limited detailed statistics or information in relation to the Loans in the Portfolio. This information will be set out in the relevant investor report and will relate to the Asset Pool at the end of the immediately preceding month and will not reflect any subsequent changes to the Portfolio since such date. It is expected that the constitution of the Portfolio will frequently change due to, for instance:

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

There is no assurance that the characteristics of the New Loans, New Loan Types or New Seller Loans assigned to the LLP on any Sale Date will be the same as, or similar to, those Loans in the Portfolio as at that Sale Date or as further described in this Prospectus, although each Loan will be required to meet the Eligibility Criteria and the Representations and Warranties set out in the Mortgage Sale Agreement – see "*Summary of the Principal Documents – Mortgage Sale Agreement – Sale by the Seller of the Loans and Related Security*" (although the Eligibility Criteria and Representations and Warranties may change in certain circumstances – see section 7.1 "*The Bond Trustee and the Security Trustee may agree to modifications to the Transaction Documents without, respectively, the Covered Bondholders' or Secured Creditors' prior consent*"). In addition, the Asset Coverage Test is intended to ensure that the Adjusted Aggregate Loan Amount is an amount equal to or in excess of the aggregate Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding (although there is no assurance that it will do so) and the Cash Manager will provide monthly reports that will set out certain information in relation to the Asset Coverage Test.

6.4 *Maintenance of Portfolio*

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

Alternatively, TSB Bank plc (in its capacity as Member of the LLP) may make a Cash Capital Contribution to the LLP pursuant to the LLP Deed in order to ensure that the LLP is in compliance with the Asset Coverage Test. If a breach of the Asset Coverage Test occurs on any Calculation Date and is not cured by the following Calculation Date, the Bond Trustee will serve an Asset Coverage Test Breach Notice on the LLP which for so long as such Asset Coverage Test Breach Notice remains outstanding will result, *inter alia*, in the sale of Selected Loans; see further "*Summary of the Principal Documents – LLP Deed – Sale of Selected Loans and their Related Security if the Pre-Maturity Liquidity Test is breached*". If an Asset Coverage Test Breach Notice has been served and not revoked on or before the third Calculation Date after service of such Asset Coverage Test Breach Notice, then an Issuer Event of Default shall occur and the Bond Trustee shall be entitled (and, in certain circumstances may be required) to serve an Issuer Acceleration Notice on the Issuer. Following service of an Issuer Acceleration Notice, the Bond Trustee must serve a Notice to Pay on the LLP. There is no specific recourse by the LLP to the Seller in respect of the failure to transfer Loans and their Related Security or Substitution Assets to the LLP nor is there any specific recourse to TSB Bank plc if it does not make Cash Capital Contributions to the LLP.

Amortisation Test: Pursuant to the LLP Deed, the LLP and TSB Bank plc (in its capacity as a Member of the LLP) must ensure, on each Calculation Date following service of a Notice to Pay but prior to service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, that the Amortisation Test Aggregate Loan Amount is in an amount at least equal to the aggregate Sterling Equivalent of the Principal Amount Outstanding under the Covered Bonds. The Amortisation Test is intended to ensure that the assets of the LLP do not fall below a certain threshold so that the assets of the LLP are sufficient to meet its obligations under the Covered Bond Guarantee. However, there is no assurance that the assets of the LLP will be sufficient for such purposes.

If the collateral value of the Portfolio has not been maintained in accordance with the terms of the Asset Coverage Test and, if applicable, the Amortisation Test, then that may affect the realisable value of the Portfolio or any part thereof (both before and after the occurrence of an LLP Event of Default) and/or the ability of the LLP to make payments under the Covered Bond Guarantee.

Prior to service of a Notice to Pay or an LLP Acceleration Notice, the Asset Monitor will, subject to receipt of the relevant information from the Cash Manager, test the calculations performed by the Cash Manager in respect of the Asset Coverage Test once each year on the Calculation Date immediately prior to each anniversary of the Programme Date and more frequently in certain circumstances. Following service of a Notice to Pay (but prior to service of an LLP Acceleration Notice), the Asset Monitor will be required to test the calculations performed by the Cash Manager in respect of the Amortisation Test. See further "*Summary of the Principal Documents – Asset Monitor Agreement*".

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

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

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

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

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

6.6 *Sale of Selected Loans and their Related Security prior to maturity of Hard Bullet Covered Bonds where the Pre-Maturity Liquidity Test is breached*

For those bonds classified as Hard Bullet Covered Bonds, if the Pre-Maturity Liquidity Test is breached, the LLP is obliged to sell Selected Loans and their Related Security (selected on a random basis) to seek to generate sufficient cash to enable the LLP to pay the Final Redemption Amount, on any Hard Bullet Covered Bond, should the Issuer fail to pay. (See "*Summary of the Principal Documents – LLP Deed – Sale of Selected Loans and their Related Security if the Pre-Maturity Liquidity Test is breached*".)

There is no guarantee that a buyer will be found to acquire Selected Loans and their Related Security at the times required and there can be no guarantee or assurance as to the price which may be able to be obtained, which may affect payments under the Covered Bond Guarantee.

6.7 *Sale of Selected Loans and their Related Security if a Supplemental Liquidity Event has occurred*

If a Supplemental Liquidity Event has occurred which is continuing, then the LLP is permitted (but not required) to sell Selected Loans with the aim to fund or replenish the Supplemental Liquidity Reserve Ledger, provided that the aggregate Current Balance of Selected Loans so sold shall not exceed the Supplemental Liquidity Reserve Amount.

There is no guarantee that a buyer will be found to acquire Selected Loans and their Related Security at the times required and there can be no guarantee or assurance as to the price which may be able to be obtained, which may affect the replenishment of the Supplemental Liquidity Reserve and payments under the Covered Bond Guarantee.

6.8 *Changes to the Lending Criteria of the Seller*

Each of the Loans originated by the Seller or acquired by the Seller from Lloyds Bank plc pursuant to a transfer under Part VII of the Financial Services and Markets Act 2000 (the **Lloyds 2013 Part VII Transfer**) will have been originated in accordance with their Lending Criteria at the time of origination, subject only to exceptions properly approved on a case-by-case basis. The relevant Lending Criteria will generally consider (amongst other things) type of property, term of loan, age of applicant, the loan-to-value ratio, status of applicant and credit history. In the event of the assignment or assignation of any Loans and their Related Security to the LLP, the Seller will warrant only that such Loans and Related Security were originated in accordance with the Lending Criteria applicable at the time of origination, subject only to exceptions properly approved on a case-by-case basis. The Seller retains the right to revise its Lending Criteria from time to time but would do so only to the extent that such a change would be acceptable to a Reasonable, Prudent Mortgage Lender. If the Lending Criteria change in a manner that affects the creditworthiness of the Loans, that may lead to increased defaults by Borrowers and may affect the realisable value of the Portfolio, or part thereof, and the ability of the LLP to make payments under the Covered Bond Guarantee. As noted above, however, Defaulted Loans in the Portfolio will be given a reduced weighting for the purposes of the calculation of the Asset Coverage Test and the Amortisation Test.

6.9 *Buy to Let Loans*

A New Portfolio may include Mortgage Loans which are loans taken out by a borrower intended for residential letting purposes (**Buy-to-Let Mortgage Loans**). The Borrower's ability to service such Buy-to-Let Mortgage Loans will depend on the Borrower's ability to lease the relevant Properties on appropriate terms. There can be no assurance that each such Property will be the subject of an existing tenancy when the relevant Loan is acquired by the Issuer or that any tenancy which is granted will subsist throughout the life of the Loan and/or that the rental income from such tenancy will be sufficient (whether or not there is any default of payment in rent) to provide the Borrower with sufficient income to meet the Borrower's interest obligations or principal repayments in respect of the Loan. Additionally, no assurance can be given that additional regulations from any regulatory authority will not arise with regard to the rental market in the UK. Any such action or developments or compliance costs may have negatively impact the Borrower's ability to service such Buy-to-Let Mortgage Loans.

Upon enforcement of a Mortgage in respect of a Property which is the subject of an existing tenancy, the Servicer may serve notice to the tenant to obtain vacant possession of the Property, nevertheless the Servicer may only be able to sell the Property as an investment property with one or more sitting tenants. This may affect the amount which the relevant Servicer could realise upon enforcement of the Mortgage and the sale of the Property. In such a situation, amounts received in rent may not be sufficient to cover all amounts due in respect of the Loan. However, enforcement procedures in relation to such Mortgages (excluding any Scottish

Mortgages) include appointing a receiver of rent, in which case such a receiver must collect any rents payable in respect of the Property and apply them accordingly in payment of any interest and arrears accruing under the Loan. Under Scots law, a receiver cannot be appointed under a standard security (the Scottish equivalent to a legal mortgage) and the only enforcement which may be carried out under a standard security is a full enforcement of the security (i.e. it cannot be enforced selectively by, for instance, attaching to rental income). Accordingly, in Scotland, any attempt to secure the rental flows will depend upon the enforcement of the standard security.

With effect from 6 April 2020 an individual landlord has been unable to claim a deduction for finance costs from rental income and instead an individual landlord is only entitled to a tax credit at the basic rate of income tax for the finance costs payable.

A higher rate of stamp duty land tax (**SDLT**) (and Welsh land transaction tax (**WLTT**) applies to the purchase of additional residential properties (such as buy-to-let properties) in England and Wales. The current additional rates are as follows: (i) 5 per cent. above the current SDLT rates with respect to properties located in England and (ii) 5 per cent. above the current WLTT rates with respect to properties located in Wales.

The Scottish Government has also implemented, from 1 April 2016, a similar additional dwelling supplement tax in respect of purchases of residential properties with a total purchase price of £40,000 or more in respect of land and buildings transaction tax (**LBTT**) (broadly speaking, the equivalent in Scotland to SDLT). The current additional rate in Scotland (additional dwelling supplement, or **ADS**) is 8 per cent of the full chargeable consideration of the property above the current LBTT rate.

From 1 April 2021, the government introduced a 2 per cent. SDLT surcharge on non-UK residents purchasing residential property in England. This applies in addition to the 5 per cent. additional rate that applies to the purchase of additional residential properties in England described above.

The introduction of these measures may adversely affect the private residential rental market in England, Wales and Scotland in general and (in the case of the restriction of income tax relief) the ability of individual Borrowers of Buy-to-Let Mortgage Loans to meet their obligations under those Mortgage Loans. The additional SDLT surcharge on non-U.K. residents purchasing residential property in England may also have an adverse effect on prices of houses in those areas.

In addition, a different (and higher) rate of capital gains tax (**CGT**) applies in respect of a gain realised by an individual on the disposal of a residential property which is not the taxpayer's principal private residence (e.g. a second home or a buy-to-let property) than the rate of CGT that applies in respect of taxable gains realised on the disposal of other assets.

Investors should note that on 11 September 2024 the UK Government introduced the Renters' Rights Bill to the House of Commons. The Bill has completed its passage through the House of Commons. The Renters' Rights Bill builds on and strengthens various proposals set out in the Renters Reform Bill introduced under the previous Government. The proposals set out in the Renters' Rights Bill include removing a landlord's ability to use "no fault" evictions under Section 21 of the Housing Act 1988, converting certain types of tenancies from a fixed term tenancy to a period tenancy, giving tenants the ability to challenge above-market rent increases, expanding the application of the "Decent Homes Standard" and establish a landlord redress scheme. As at the date of this Prospectus, the impact of the proposed legislation is uncertain but may adversely affect the private residential rental market in England and Wales and the ability of individual Borrowers of buy-to-let loans to meet their obligations under those loans. Further detail is included in the section headed "*UK Mortgage Regulation*" below.

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

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

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

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

The sale by the Seller to the LLP of English Loans and their Related Security will take effect by way of an equitable assignment. The sale by the Seller to the LLP of Scottish Loans and their Related Security will be given effect by way of Scottish Declarations of Trust under which the beneficial interest in the Scottish Loans and their Related Security will be transferred to the LLP. As a result, legal title to English Loans and Scottish Loans, together with, in each case, their Related Security will remain with the Seller. The LLP, however, will have the right to demand that the Seller transfer to it legal title to the Loans and the Related Security in the circumstances described in "*Summary of the Principal Documents – Mortgage Sale Agreement – Transfer of title to the Loans to the LLP*" and until such right arises the LLP will not give notice of the sale of the Loans and their Related Security to any Borrower or apply to the Land Registry or the Central Land Charges Registry (in relation to the English Loans) to register or record its equitable interest in the English Loans and their Related Security or take any steps to perfect its title to the Scottish Loans and their Related Security. Since the LLP has not obtained legal title to the Loans or their Related Security and has not perfected its interest in the Loans and their Related Security by registration of a notice at the Land Registry or otherwise perfected its legal title to the Loans or their Related Security, the following risks exist:

- first, if the Seller wrongly sells a Loan and its Related Security, which has already been assigned to the LLP, to another person and that person acted in good faith and did not have notice of the interests of the LLP in the Loan and its Related Security, then such person might obtain good title to the Loan and its Related Security, free from the interests of the LLP. If this occurred, then the LLP would not have good title to the affected Loan and its Related Security, and it would not be entitled to payments by a Borrower in respect of that Loan. However, the risk of third party claims obtaining priority to the interests of the LLP would be likely to be limited to circumstances arising from a breach by the Seller of its contractual obligations or fraud, negligence or mistake on the part of the Seller or the LLP or their respective personnel or agents;
- second, the rights of the LLP may be subject to the rights of the Borrowers against the Seller, such as rights of set-off, which occur in relation to transactions or deposits made between Borrowers and the Seller, and the rights of Borrowers to redeem their mortgages by repaying the Loans directly to the Seller; and
- third, unless the LLP has perfected the assignment or assignation of the Loans (which it is only entitled to do in certain circumstances), the LLP would not be able to enforce any Borrower's obligations under a Loan or Mortgage itself but would have to join the Seller as a party to any legal proceedings.

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

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

It should be noted, however, that the Asset Coverage Test seeks, subject to a rating trigger, to take account of the potential set-off risk associated with Borrowers holding deposits with the Seller. However, there is no assurance that these steps will prevent set-off risks from adversely affecting the realisable value of the Loans. Further, for so long as the LLP does not have legal title, the Seller will undertake for the benefit of the LLP and the Secured Creditors that it will, if reasonably required to do so by the LLP or the Security Trustee, participate or join in any legal proceedings to the extent necessary to protect, preserve and enforce the Seller's, the LLP's or the Security Trustee's title to or interest in any Loan or its Related Security, and take such other steps as may be reasonably required by the LLP or the Security Trustee in relation to any legal proceedings in respect of the Loans and their Related Security.

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

As described in the immediately preceding risk factor, the sale by the Seller to the LLP of English Loans will be given effect by an equitable assignment, and each sale of Scottish Loans will be given effect by a Scottish Declaration of Trust. As a result, legal title to the English Loans and the Scottish Loans and their Related Security sold by the Seller to the LLP will remain with the Seller. Therefore, the rights of the LLP may be subject to the direct rights of the Borrowers against the Seller, including rights of set-off existing prior to notification to the Borrowers of the assignment or assignation (as appropriate) of the Loans. Some of the Loans in the Portfolio may have increased risks of set-off, because the Seller is required to make payments under them to the Borrowers. For instance, set-off rights may occur if the Seller fails to advance to a Borrower a Flexible Loan Drawing when the Borrower is entitled to draw additional amounts under a Flexible Loan.

New products offered by the Seller in the future may have similar characteristics involving payments due from the Seller to the Borrower or third parties on behalf of the Borrower.

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

The amount of any such claim in respect of a Flexible Loan Drawing will, in many cases, be the cost to the Borrower of finding an alternative source of funds (although, in the case of a Flexible Loan Drawing, in respect of a Scottish Loan, it is possible, though regarded as unlikely, that the Borrower's rights of set-off could extend to the full amount of the additional drawing). The Borrower may obtain a mortgage loan elsewhere, in which case the damages awarded could be equal to any difference in the borrowing costs together with any direct losses arising from the Seller's breach of contract, namely the associated costs of obtaining alternative funds (for

example, legal fees and survey fees). If the Borrower is unable to obtain an alternative mortgage loan, he or she may have a claim in respect of other indirect losses arising from the Seller's breach of contract where there are special circumstances communicated by the Borrower to the Seller at the time the Borrower entered into the Mortgage or which otherwise were reasonably foreseeable. A Borrower may also attempt to set off an amount greater than the amount of his or her damages claim (or analogous rights in Scotland) against his or her mortgage payments. In that case, the Servicer will be entitled to take enforcement proceedings against the Borrower, although the period of non-payment by the Borrower is likely to continue until a judgment is obtained.

Further, there may be circumstances in which:

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

The Asset Coverage Test seeks, subject to a rating trigger, to take account of these set-off risks and also the set-off risk relating to any Flexible Loans in the Portfolio (although there is no assurance that such risks will be accounted for). The exercise of set-off rights by Borrowers may nevertheless adversely affect the realisable value of the Portfolio and/or the ability of the LLP to make payments under the Covered Bond Guarantee.

6.13 *The Seller has adopted procedures relating to investigations and searches for remortgages which could affect the characteristics of the Portfolio and which may adversely affect payments on the Covered Bonds*

The Seller has not required a solicitor or a licensed conveyancer or (in Scotland) a qualified conveyancer to conduct a full investigation of the title to a mortgaged property in all cases. Where the borrower is remortgaging, there may be a more limited investigation to carry out some but not all of the searches and investigations which would normally be carried out by a solicitor conducting a full investigation of the title to a mortgaged property. Mortgaged properties which have undergone such a limited investigation may be subject to matters which would have been revealed by a full investigation of title and which may have been remedied or, if incapable of remedy, may have resulted in the mortgaged properties not being accepted as security for a loan had such matters been revealed. However, no search indemnity insurance is obtained in respect of such mortgaged properties to mitigate against this risk. The inclusion of Loans secured by such Properties into the Portfolio can impact on the characteristics of the Portfolio. This could lead to a delay or reduction in the payments received on the Covered Bonds.

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

The realisable value of Selected Loans and their Related Security comprised in the Portfolio may be affected generally by the economic conditions prevalent at the time of sale and in particular may be reduced (which may affect the ability of the LLP to make payments under the Covered Bond Guarantee) by:

- delinquencies or default by Borrowers in payment of amounts due on their Loans;
- the Loans of New Sellers being included in the Portfolio;
- changes to the lending criteria of the Seller;
- the LLP not having legal title to the Loans in the Portfolio;
- set-off risks in relation to some types of Loans in the Portfolio;

- no representations or warranties being given by the LLP or the Seller;
- limited recourse to the Seller or any New Seller;
- reliance of the LLP on third parties;
- possible regulatory changes by the FCA, the PRA and other regulatory authorities;
- regulations in the UK that could lead to some of the Loans or their Related Security being unenforceable, cancellable or subject to set-off, or some of their terms being unenforceable; and/or
- geographic risks, as geographic regions within the UK have experienced or may experience in the future weaker regional economic conditions and housing markets than other regions in the UK.

Certain 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 Loans in the Portfolio and moneys standing to the credit of the Transaction Accounts to enable the LLP to repay the Covered Bonds following service on the LLP of a Notice to Pay or an LLP Acceleration Notice. However, there is no assurance that Selected Loans and their Related Security could be realised for sufficient value to enable the LLP to meet its obligations under the Covered Bond Guarantee.

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

Following (i) a breach of the Pre-Maturity Liquidity Test and/or (ii) service of an Asset Coverage Test Breach Notice which remains outstanding or (iii) service of a Notice to Pay (but in each case prior to the service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security), the LLP will be obliged to sell Selected Loans and their Related Security to third party purchasers, subject to a right of pre-emption in favour of the Seller pursuant to the terms of the LLP Deed (see "*Summary of the Principal Documents – LLP Deed – Method of Sale of Selected Loans*"). In respect of any sale of Selected Loans and their Related Security to third parties, however, the LLP will not be permitted to give representations and warranties or indemnities in respect of those Selected Loans and their Related Security (unless expressly permitted to do so by the Security Trustee acting on the instructions of the Bond Trustee, itself acting on the advice of a financial or other adviser (selected or approved by it) opining or confirming that the provision of any such warranties and/or indemnities is appropriate in the circumstances and in accordance with market practice and neither the Security Trustee nor the Bond Trustee shall have any liability or be liable to any other person for acting upon such advice, opinion or confirmation). There is no assurance that the Seller would give any representations and warranties or indemnities in respect of the Selected Loans and their Related Security. Any Representations and Warranties previously given by the Seller in respect of the Loans in the Portfolio may not have value for a third party purchaser if the Seller is then insolvent. Accordingly, there is a risk that the realisable value of the Selected Loans and their Related Security could be adversely affected by the lack of representations and warranties or indemnities which in turn could adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee.

7 RISKS RELATED TO CHANGES TO PROGRAMME STRUCTURE AND TRANSACTION DOCUMENTS

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

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

any of the other Secured Creditors, concur with any person in making or sanctioning any modification to, or waive or authorise any breach or proposed breach in respect of, the Transaction Documents and the Terms and Conditions of the Covered Bonds or determine that any condition, event or act which constitutes or which would or might but for such determination constitute an Issuer Event of Default, Potential Issuer Event of Default, LLP Event of Default or Potential LLP Event of Default shall not be treated as such provided that:

(i) the Bond Trustee is of the opinion that such modification, waiver, authorisation or determination will not be materially prejudicial to the interests of any of the Covered Bondholders; or

(ii) in the case of modification only, such modification is in the opinion of the Bond Trustee or the Security Trustee (as the case may be) of a formal, minor or technical nature, is to correct a manifest error or is to comply with mandatory provisions of law.

Pursuant to the terms of the Trust Deed and the Deed of Charge, the Bond Trustee and the Security Trustee shall, without the consent or sanction of any of the Covered Bondholders or any of the other Secured Creditors, concur with any person in making or sanctioning any modification for the purposes of, *inter alia*:

- enabling the Issuer or the LLP to satisfy the relevant requirements which apply to it under (i) the European Market Infrastructure Regulation (EU) 648/2012 (**EU EMIR**) (including, without limitation, any associated regulatory technical standards and advice, guidance or recommendations from supervisory regulation) and/or (ii) the European Market Infrastructure Regulation (EU) 648/2012 (including, without limitation, any associated regulatory technical standards and advice, guidance or recommendations from supervisory regulation) as it forms part of English law (**UK EMIR**) as applicable;
- allowing the Issuer to maintain compliance with the RCB Regulations in respect of the Programme and the Covered Bonds;
- enabling the Covered Bonds to qualify as Covered Bonds under (i) the RCB Regulations and (ii) the Rating Agency Confirmation in respect of the relevant modifications;
- in relation to the partial termination of a Covered Bond Swap following a partial redemption of the related Series of Covered Bonds, in relation to any modifications to a Cover Pool Swap Agreement or (if the relevant Covered Bond Swap Agreement so provides) a Covered Bond Swap Agreement requested by the LLP or the relevant Cover Pool Swap Provider or Covered Bond Swap Provider, as applicable, complying with or implementing or reflecting updated criteria of one or more of the Rating Agencies;
- in relation to any modifications to the Transaction Documents and/or the Conditions that are requested by the Issuer and the LLP to comply with any criteria of the Rating Agency which may be published after the date of this Prospectus and which the Issuer and the LLP certify to the Bond Trustee and the Security Trustee in writing are required to avoid a downgrade, withdrawal or suspension of the then current ratings assigned by the Rating Agency to any Series of Covered Bonds;
- allowing one or more additional rating agencies to be appointed in respect to one or all Series of Covered Bonds;
- enabling the Covered Bonds to be (or to remain) listed on the Stock Exchange;
- enabling the Issuer or any of the other transaction parties to comply with FATCA;
- allowing any additional Account Banks or Swap Collateral Account Banks to be appointed and/or additional Transaction Accounts and/or Swap Collateral Accounts to

be opened, including any custody accounts under the relevant Bank Account Agreement or Swap Collateral Bank Account Agreement, as applicable;

- allowing a Collateralised GIC Account Provider to be appointed and/or any Collateralised GIC Accounts to be opened, under the relevant Collateralised GIC Account Agreement;
- allowing the accession of any New Seller to the Programme provided that the relevant conditions precedent in the Transaction Documents are satisfied at the time of the intended accession; and
- enabling the Cover Pool Swap in relation to the Variable Rate Loans to be extinguished at the option of the Cover Pool Swap Provider following a downgrade in the relevant rating of the Cover Pool Swap Provider or any guarantor of the Cover Pool Swap Provider's obligations by the Rating Agency,

provided that the conditions set out in Condition 14.2 (*Modifications and Waivers*), the Trust Deed and the Deed of Charge are met. Please see Condition 14.2 (*Modifications and Waivers*) of the "*Terms and Conditions of the Covered Bonds*".

In respect of any proposed modification, waiver, authorisation or determination, prior to the Bond Trustee or the Security Trustee (as the case may be) agreeing to any such modification, waiver, authorisation or determination, the Issuer must send written confirmation to the Bond Trustee:

(i) that such modification, waiver, authorisation or determination, as applicable, would not result in (1) a breach of the RCB Regulations or (2) the Issuer and/or the Programme ceasing to be registered under the RCB Regulations; and

(ii) that either: (a) such modification, waiver, authorisation or determination would not require notification in accordance with Regulation 20 of the RCB Regulations; or (b) if such modification, waiver or authorisation would require notification in accordance with Regulation 20 of the RCB Regulations, the Issuer has provided all information required to be provided to the Authorities and the Authorities have given their consent to such proposed modification, waiver, authorisation or determination.

Notwithstanding the above, the Issuer and the LLP may, without the consent or sanction of the Bond Trustee, the Security Trustee, the Covered Bondholders, Receiptholders or Couponholders or any of the other Secured Creditors, concur with any person in making or sanctioning any modification to the provisions of any Final Terms which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provisions of law.

7.2 *Covered Bondholders will be deemed to have consented to certain modifications to the Transaction Documents so long as at least 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds have not contacted the Issuer in writing notifying it that such Covered Bondholders object to the proposed modifications*

In respect of any Covered Bonds issued on or after 1 November 2018, and in addition to the right of the Bond Trustee and the Security Trustee to make certain modifications to the Transaction Documents without the consent of Covered Bondholders described under section 7.1 "*The Bond Trustee and the Security Trustee may agree to modifications to the Transaction Documents without, respectively, the Covered Bondholders' or Secured Creditors' prior consent*" the Bond Trustee and the Security Trustee shall, without any consent or sanction of the Covered Bondholders or any of the other Secured Creditors (other than those Secured Creditors (i) party to the relevant Transaction Document(s) or (ii) whose ranking in any Priorities of Payment is affected), concur with the Issuer in making any modification to the Trust Deed, the Conditions or any other Transaction Document to which it is a party or in relation to which it holds security for the purpose of changing the Reference Rate to an Alternative Base Rate as further described in Condition 14.3 (*Additional Right of Modification*

and Waiver) on the relevant Series of Covered Bonds outstanding, to an Alternative Base Rate (and such other amendments as are necessary or advisable in the reasonable judgement of the Issuer to facilitate such change) to the extent there has been or there is reasonably expected to be a material disruption or cessation to EURIBOR or any other Reference Rate, in each case subject to the satisfaction of certain requirements, including receipt by the Bond Trustee of a Base Rate Modification Certificate, certifying, among other things, that the modification is required for such stated purpose.

The Issuer must provide at least 30 days' notice to the Covered Bondholders of the proposed modification in accordance with Condition 13 (*Notices*) and by publication on Bloomberg on the "Company News" screen relating to the Covered Bonds. If, within 30 days from the giving of such notice, Covered Bondholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds then outstanding have not contacted the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Covered Bonds may be held) within such notification period notifying the Issuer that such Covered Bondholders do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Covered Bondholders of the relevant Series then outstanding is passed in favour of the Base Rate Modification in accordance with Condition 14.3 (*Additional Right of Modification and Waiver*). However, in the absence of such a notification, all Covered Bondholders will be deemed to have consented to such modification and the Bond Trustee shall, subject to the requirements of Condition 14.3 (*Additional Right of Modification and Waiver*), without seeking further consent or sanction of any of the Covered Bondholders and irrespective of whether such modification is or may be materially prejudicial to the interest of the Covered Bondholders, concur with the Issuer in making the proposed modification.

Therefore, it is possible that a modification could be made without the vote of any Covered Bondholders or even if holders holding less than 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds then outstanding objected to it.

In addition, Covered Bondholders should be aware that, unless they have made arrangements to promptly receive notices sent to Covered Bondholders from any custodians or other intermediaries through which they hold their Covered Bonds and give the same their prompt attention, Meetings may be convened or resolutions (including Extraordinary Resolutions) may be proposed and considered and passed or rejected or deemed to be passed or rejected without their involvement even if, were they to have been promptly informed, they would have voted in a different way from the Covered Bondholders which passed or rejected the relevant proposal or resolution.

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

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

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

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

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

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

7.5 *Limited recourse to the Seller*

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

If any Loan sold by the Seller does not materially comply with any of the Representations and Warranties made by the Seller as at the Sale Date of that Loan, then the Seller will be required to remedy the breach within 20 London Business Days (or such longer period as the Security Trustee may direct) of receipt by it of a notice from the LLP requiring the Seller to remedy the breach.

If the Seller fails to remedy the breach of a Representation and Warranty within such 20 London Business Day period (or any longer period permitted), then the Seller will be required to repurchase before the next following LLP Payment Date (or such other date that may be agreed between the LLP and the Seller) the relevant Loan and its Related Security and any other Loan secured or intended to be secured by that Related Security or any part of it at their Current Balance.

If the Servicer determines on a Calculation Date that there is a breach of any of the Representations and Warranties with respect to any Further Advance or a Flexible Loan Drawing, as applicable, as at the relevant Advance Date purchased by the LLP in the preceding calendar month, the Seller shall offer to repurchase the relevant Loan and its Related Security subject to such Further Advance or a Flexible Loan Drawing, as applicable, from the LLP, on any London Business Day prior to the LLP Payment Date immediately following such Calculation Date, at a repurchase price equal to the then Current Balance of the relevant Loan as at the date of such repurchase. The LLP (or the Servicer on behalf of the LLP) may at its absolute discretion accept such offer by delivering a Loan Repurchase Notice duly signed on behalf of the LLP in accordance with the provisions of the Mortgage Sale Agreement. The repurchase price for a Loan and its Related Security subject to a Further Advance or a Flexible Loan Drawing, as applicable, and repurchased by the Seller will not include the amount of the relevant Further Advance or a Flexible Loan Drawing, as applicable (unless the Seller has already made a Capital Contribution in Kind in relation to such Further Advance or a Flexible Loan Drawing, as applicable, in accordance with the LLP Deed), which will be returned by the Seller.

If the Servicer determines on a Calculation Date that there is a breach of any of the Representations and Warranties with respect to any Product Switch made in the preceding calendar month, the Seller shall offer to repurchase the relevant Loan and its Related Security subject to such Product Switch from the LLP, on any London Business Day prior to the LLP Payment Date immediately following such Calculation Date, at a repurchase price equal to the then Current Balance of the relevant Loan as at the date of such repurchase. The LLP (or the Servicer on behalf of the LLP) may at its absolute discretion accept such offer by delivering a Loan Repurchase Notice duly signed on behalf of the LLP in accordance with the provisions of the Mortgage Sale Agreement.

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

Coverage Test. There is no further recourse to the Seller in respect of a breach of a Representation and Warranty.

7.6 *Conflicts of Interest*

Conflicts of interest may arise during the life of the Programme as a result of various factors involving certain transaction parties. For example, such potential conflicts may arise because members of the Group act in several capacities (such as Cover Pool Swap Provider, Covered Bond Swap Provider, Issuer, Cash Manager or Servicer) under the Transaction Documents although the relevant rights and obligations under the Transaction Documents are not contractually conflicting and are independent from one another. Also, during the course of their business activities, the transaction parties and/or any respective affiliates may operate, service, acquire or sell properties, or finance loans secured by properties, which are in the same markets as the Loans. In such cases, the interest of any of those parties or their affiliates or the interest of other parties for whom they perform servicing functions may differ from, and compete with, the interests of the Issuer or of the holders of the Covered Bonds.

So far as the Issuer is aware, there are no potential conflicts of interest between any duties of the members of the Group acting in their several capacities under the Transaction Documents, as at the date of this Prospectus.

8 RISKS RELATING TO RELIANCE ON COUNTERPARTIES

8.1 *Reliance of the LLP on third parties*

The LLP has entered into agreements with a number of third parties, which have agreed to perform services for the LLP. In particular, but without limitation, the Servicer has been appointed to service Loans in the Portfolio, the Cash Manager has been appointed to calculate and monitor compliance with the Asset Coverage Test and the Amortisation Test and other programme tests and to provide cash management services to the LLP, each Account Bank has been appointed to provide banking services and to receive and hold moneys on behalf of the LLP. In the event that any of those parties fails to perform its obligations under the relevant agreement to which it is a party, the realisable value of the Portfolio or any part thereof or pending such realisation (if the Portfolio or any part thereof cannot be sold) the ability of the LLP to make payments under the Covered Bond Guarantee may be affected. For instance, if the Servicer has failed to adequately manage the Loans, this may lead to higher incidences of non-payment or default by Borrowers. The LLP is also reliant on the Swap Providers to provide it with the funds matching its obligations under the Intercompany Loan Agreement (if applicable) and the Covered Bond Guarantee, as described in the following two risk factors. In addition, following an Issuer Event of Default and the subsequent sale of Loans by the LLP in accordance with the LLP Deed, such sale proceeds will be deposited in the relevant Transaction Account for application in accordance with the provisions of the LLP Deed when amounts are Due for Payment.

Although each Account Bank is subject to rating downgrade triggers in the relevant Bank Account Agreement, should an Account Bank fail to pay the required amounts in accordance with the instructions of the LLP or the Cash Manager, there may not be sufficient funds available to the LLP to make payments on the Covered Bonds when the same shall become Due for Payment.

If a Servicer Termination Event occurs pursuant to the terms of the Servicing Agreement, then the LLP and/or the Security Trustee will be entitled to terminate the appointment of the Servicer and appoint (with the assistance of the Back-Up Servicer Facilitator) a new servicer in its place. There can be no assurance that a substitute servicer with sufficient experience of managing mortgages of residential properties would be found who would be willing and able to service the Loans in the Portfolio on the terms of the Servicing Agreement. In addition, any substitute servicer would be required to be authorised under the FSMA in order to manage the Loans in the Portfolio. The ability of a substitute servicer to perform fully the required services would depend on, among other things, the information, software and records available at the time of

the appointment. Any delay or inability to appoint a substitute servicer may affect the realisable value of the Portfolio or any part thereof and/or the ability of the LLP to make payments under the Covered Bond Guarantee. However, if the Servicer ceases to be assigned a long-term Counterparty Risk Assessment by Moody's of at least "Baa3(cr)" the LLP will (with the assistance of the Back-Up Servicer Facilitator) use best endeavours to identify and appoint a suitable third party to act as a back-up or stand-by servicer (the **Back-Up Servicer**) to the Servicer within 60 days of such Back-Up Servicer Event.

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

Neither the Security Trustee nor the Bond Trustee is obliged in any circumstances to act as a servicer or to monitor the performance by the Servicer of its obligations. If a Cash Manager Termination Event occurs pursuant to the terms of the Cash Management Agreement, then the LLP and/or the Security Trustee will be entitled to terminate the appointment of the Cash Manager and appoint (with the assistance of the Back-Up Cash Manager Facilitator) a substitute cash manager in its place. There can be no assurance that a substitute cash manager with sufficient experience of providing cash management servicer would be found who would be willing and able to act on the terms of the Cash Management Agreement. Any delay or inability to appoint a substitute cash manager may affect the ability of the LLP to make payments.

However, if a Cash Manager Termination Event occurs pursuant to the terms of the Cash Management Agreement, then the Cash Manager and the LLP will use best endeavours (with, in the case of the LLP, the assistance of the Back-Up Cash Manager Facilitator) to identify and appoint a suitable third party to act as back-up or stand-by cash manager to the Cash Manager (the **Back-Up Cash Manager**) and to undertake back-up cash management services to the LLP within 30 days of such Back-Up Cash Manager Event.

The Cash Manager has no obligation itself to advance payments that the LLP fails to make in a timely fashion. The Cash Manager will not be required to seek the consent or approval of the Covered Bondholders before taking any action under the Cash Management Agreement.

Neither the Security Trustee nor the Bond Trustee is obliged in any circumstances to act as a cash manager or to monitor the performance by the Cash Manager of its obligations.

8.2 *Reliance on Swap Providers*

To provide a hedge against possible variances in the rates of interest payable on the Loans in the Portfolio (which may, for instance, include variable rates of interest, fixed rates of interest or rates of interest which track the Bank of England Base Rate) and SONIA, the LLP will enter into Cover Pool Swaps with one or more of the Cover Pool Swap Providers under the Cover Pool Swap Agreement(s). As at the date of this Prospectus the Issuer is the only Cover Pool Swap Provider and may also provide one or more of the Covered Bond Swaps. In addition, to provide a hedge against interest rate and/or currency (if applicable) risks in respect of amounts received by the LLP under the Loans in the Portfolio and the Cover Pool Swap and amounts payable by the LLP on the outstanding Term Advances and under the Covered Bond Guarantee in respect of the Covered Bonds, the LLP may enter into a Covered Bond Swap with a Covered Bond Swap Provider in respect of a Series of Covered Bonds under the Covered Bond Swap Agreement between the LLP and that Covered Bond Swap Provider.

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 by the relevant Swap Provider. A Swap Provider is only obliged to make payments to the LLP as long as the LLP complies with its payment obligations under the relevant Swap Agreement. If a Swap Agreement terminates or the Swap Provider is not obliged to make payments or if the Swap Provider defaults on its obligations to make payments of amounts in the relevant currency equal to the full amount to be paid to the LLP on the due date for payment under the relevant Swap Agreement, the LLP will be exposed to changes in the relevant currency

exchange rates to Sterling (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 outstanding Term Advances and, following service of a Notice to Pay or an LLP Acceleration Notice on the LLP, under the Covered Bond Guarantee.

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

If the LLP is obliged to pay a termination payment under any Swap Agreement, such termination payment will rank ahead of amounts due on the Covered Bonds (in respect of the Cover Pool Swap) and *pari passu* with amounts due on the Covered Bonds (in respect of the Covered Bond Swaps), except where default by, or downgrade of, the relevant Swap Provider has caused the relevant Swap Agreement to terminate. The obligation on the LLP to make a termination payment may adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee.

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

With respect to each of the Covered Bond Swaps, the LLP will, periodically, pay or provide for payment of an amount to each corresponding Covered Bond Swap Provider based on SONIA, SOFR or €STR for the agreed period. The Covered Bond Swap Provider may not be obliged to make corresponding swap payments to the LLP under a Covered Bond Swap until amounts are due and payable by the LLP under the Intercompany Loan Agreement or Due for Payment under the Covered Bond Guarantee. If a Covered Bond Swap Provider does not meet its payment obligations to the LLP under the relevant Covered Bond Swap Agreement or such Covered Bond Swap Provider does not make a termination payment that has become due from it to the LLP under the Covered Bond Swap Agreement, the LLP may have a larger shortfall in funds with which to make payments under the Intercompany Loan Agreement or under the Covered Bond Guarantee with respect to the Covered Bonds than if the Covered Bond Swap Provider's payment obligations coincided with the LLP's payment obligations under the Covered Bond Swap. Hence, the difference in timing between the obligations of the LLP and the obligations of the Covered Bond Swap Providers under the Covered Bond Swaps may affect the LLP's ability to make payments under the outstanding Term Advances and, following service of a Notice to Pay on the LLP or service of an LLP Acceleration Notice, under the Covered Bond Guarantee with respect to the Covered Bonds.

A Covered Bond Swap Provider may be required, following a downgrade of its ratings below the ratings specified in the relevant Covered Bond Swap Agreement and pursuant to the terms of the relevant Covered Bond Swap Agreement, to post collateral with the LLP if the LLP's net exposure to the Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement exceeds a certain threshold level.

In addition to the above, although the LLP may enter into the Interest Rate Swap Agreement and Covered Bond Swap Agreements to hedge itself against basis risk, interest rate risk and/or currency risk, the LLP may not in all cases be perfectly hedged against the relevant risk due to differences in the frequency of payment dates, reference rate used and/or the date on which such reference rate is reset (in each case under the relevant swap) relative to that which the LLP is hedging against.

8.4 *Change of counterparties*

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

These criteria include requirements imposed under the FSMA and requirements in relation to the short-term, unguaranteed and unsecured ratings or counterparty risk assessment ratings ascribed to such party by Moody's. If the party concerned ceases to satisfy the applicable criteria, including the ratings criteria detailed above, then the rights and obligations of that party (including the right or obligation to receive moneys on behalf of the LLP) may be required to be transferred to another entity which does satisfy the applicable criteria. However, it may not be possible to find a suitably rated counterparty to replace the original counterparty. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the relevant Transaction Document.

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

9 MACRO-ECONOMIC AND MARKET RISK

9.1 *Changes or uncertainty in respect of interest rate benchmarks may affect the value or payment of interest under the Loans or the Covered Bonds*

Benchmarks Regulation and Reform

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

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

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

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

Investors should be aware that the euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR, €STR, SOFR or SONIA. The guiding principles indicate, among other things, that continuing to reference EURIBOR, €STR, SOFR or SONIA in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system.

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

Benchmarks and the Terms and Conditions of the Covered Bonds

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

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

(b) if EURIBOR, €STR, SOFR or SONIA is discontinued or is otherwise unavailable and an amendment as described in paragraph (c) below has not been made at the relevant time, then the rate of interest on the Floating Rate Covered Bonds will be determined for a period by the fall-back provisions provided for under Condition 4.2 (*Interest on Floating Rate Covered Bonds*) of the "*Terms and Conditions of the Covered Bonds*", although such provisions, being dependent in part upon the provision by reference banks of offered quotations for leading banks in the Euro-zone interbank market (in the case of EURIBOR), may not operate as intended (depending on market circumstances and the availability of rates information at the relevant time) and may in certain circumstances result in the effective application of a fixed rate based on the rate which applied in the previous period when EURIBOR, €STR, SOFR or SONIA was available;

(c) while an amendment may be made under Condition 14.3 (*Additional Right of Modification and Waiver*) of the "*Terms and Conditions of the Covered Bonds*" to change the base rate on the Covered Bonds from EURIBOR, €STR, SOFR or SONIA to an alternative base rate under certain circumstances broadly related to EURIBOR, €STR, SOFR or SONIA dysfunction or discontinuation and subject to certain conditions being satisfied including with respect to Covered Bondholder consent in part, there can be no assurance that any such amendment will be made or, if made, that it (i) will fully or effectively mitigate all relevant interest rate risks or result in an equivalent methodology for determining the interest rates on the Covered Bonds or (ii) will be made prior to any date on which any of the risks described in this risk factor may become; and

(d) if EURIBOR, €STR, SOFR, SONIA or any other relevant interest rate benchmark is discontinued, and whether or not an amendment is made under Condition 14.3 (*Additional Right of Modification and Waiver*) to change the base rate with respect to a Series of Covered Bonds as described in paragraph (c) above, there can be no assurance that the applicable fallback provisions under the Swap Agreements would

operate to allow the transactions under the Swap Agreements to effectively mitigate interest rate risk in respect of the Covered Bonds.

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

Moreover, any of the above matters (including an amendment to change the base rate of a series of Covered Bonds as described in paragraph (c) above) or any other significant change to the setting or existence of EURIBOR, €STR, SONIA, SOFR or any other relevant interest rate benchmark could affect the ability of the Issuer or the LLP to meet its obligations under the Covered Bonds and/or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Covered Bonds. Changes in the manner of administration of EURIBOR, €STR, SONIA, SOFR or any other relevant interest rate benchmark could result in adjustment to the Conditions, early redemption and discretionary valuation by the Calculation Agent, delisting or other consequences in relation to the Covered Bonds. No assurance may be provided that relevant changes will not occur with respect to EURIBOR, €STR, SONIA, SOFR or any other relevant interest rate benchmark and/or that such benchmarks will continue to exist. Investors should consider these matters when making their investment decision with respect to the Covered Bonds.

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

9.2 *The market in relation to risk free rates (including overnight rates) as reference rates is subject to change and development*

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

Investors should be aware that the market in relation to the use of SONIA, SOFR or €STR as a reference rate in the capital markets is subject to change and development, and its adoption as an alternative to IBORs and EURIBOR, respectively. Market participants, industry groups and/or central bank led working groups continue to explore compounded rates and weighted average rates, and observation methodologies for such rates (including so-called 'shift', 'lag', and 'lock-out' methodologies), and such groups may also explore forward-looking 'term' reference rates derived from these overnight rates. The adoption of overnight rates may also see component inputs into swap rates or other composite rates transferring from LIBOR, EURIBOR or another reference rate to an overnight rate.

The market or a significant part thereof may adopt an application of overnight rate in a way that differs significantly from those set out in the Conditions and used in relation to Floating Rate Covered Bonds issued under this Prospectus. In addition, the methodology for determining any overnight rate index by reference to which the Rate of Interest in respect of certain Covered Bonds may be calculated could change during the life of any Covered Bonds. Furthermore, the Issuer may in the future issue Covered Bonds referencing SONIA, SOFR or €STR that differ materially in terms of interest determination when compared with any previous SONIA, SOFR or €STR-referenced Covered Bonds issued by it. The nascent development of overnight rates as interest reference rates for the Eurobond markets, as well as continued development of such overnight rates for such markets and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of any such Covered Bonds issued from time to time.

Furthermore, the Rate of Interest on Covered Bonds which reference overnight rates are only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Covered Bonds which reference overnight rates to estimate reliably the amount of interest which will be payable on such Covered Bonds, and some investors may be unable or unwilling to trade such Covered Bonds without changes to their IT systems, both of which could adversely impact the liquidity of such Covered Bonds. Further, if the Floating Rate Covered Bonds become due and payable under Condition 9 (*Events of Default, Acceleration and Enforcement*), the Rate of Interest payable shall be determined on the date the Covered Bonds became due and payable and shall not be reset thereafter. Investors should consider these matters when making their investment decision with respect to any such Floating Rate Covered Bonds.

In addition, the manner of adoption or application of overnight rates reference rates in the bond markets may differ materially when compared with the application and adoption of the same overnight rates for the same currencies in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of overnight rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Covered Bonds referencing overnight rates.

Investors should carefully consider these matters when making their investment decision with respect to any such relevant Covered Bonds.

9.3 *Absence of secondary market*

No assurance is provided that there is an active and liquid secondary market for the Covered Bonds, and no assurance is provided that a secondary market for the Covered Bonds will continue to develop. The Covered Bonds and the Covered Bond Guarantee have not been, and will not be, registered under the Securities Act or any other the securities laws of any state or other jurisdiction of the United States, and are subject to certain restrictions on the resale and other transfer thereof as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*". To the extent that a secondary market exists or develops, it may not continue for the life of the Covered Bonds or it may not provide Covered Bondholders with liquidity of investment with the result that a Covered Bondholder may not be able to find a buyer to buy its Covered Bonds readily or at prices that will enable the Covered Bondholder to realise a desired yield. Consequently, a Covered Bondholder must be able to bear the economic risk of an investment in a Covered Bond for an indefinite period of time.

9.4 *Lack of liquidity in the secondary market may adversely affect the market value of the Covered Bonds*

The secondary market for mortgage-backed securities has experienced disruptions as a result of the prevailing and widely reported global credit market conditions. This has had a material adverse impact on the market value of mortgage-backed securities and resulted in the secondary market for mortgage-backed securities experiencing very limited liquidity. Structured

investment vehicles, hedge funds, issuers of collateralised debt obligations and other similar entities that are currently experiencing funding difficulties have been forced to sell mortgage-backed securities into the secondary market. The price of credit protection on mortgage-backed securities through credit derivatives has risen materially.

Limited liquidity in the secondary market may continue to have an adverse effect on the market value of mortgage-backed securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the requirements of limited categories of investors. Consequently, whilst these market conditions persist, an investor in Covered Bonds may not be able to sell or acquire credit protection on its Covered Bonds readily and market values of Covered Bonds are likely to fluctuate. Any of these fluctuations may be significant and could result in significant losses to an investor.

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

Whilst central bank schemes (such as the Bank of England's Discount Window Facility, the Indexed Long-Term Repo Facility and other schemes under its Sterling Monetary Framework, and the Eurosystem monetary policy framework for the European Central Bank) provide an important source of liquidity in respect of eligible securities, relevant eligibility criteria for eligible collateral apply (and will apply in the future) under such schemes and liquidity operations. The investors should make their own conclusions and seek their own advice with respect to whether or not the Covered Bonds constitute eligible collateral for the purposes of any of the central bank liquidity schemes, including whether and how such eligibility may be impacted by the UK withdrawal from the EU and the UK no longer being part of the EEA. No assurance is given that any Covered Bonds will be eligible for any specific central bank liquidity schemes.

10 LEGAL AND REGULATORY RISK FACTORS

10.1 *Change of law*

The structure of the issue of the Covered Bonds and the ratings which are to be assigned to them are based on English law and, in relation to the Scottish Loans, Scots law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or Scots law or administrative practice in the UK after the date of this Prospectus. In addition, it should be noted that regulatory requirements (including due diligence and disclosure obligations) may be recast or amended and there can be no assurance that any such changes will not adversely affect the compliance position of a transaction described in this Prospectus or of any party under any applicable law or regulation.

10.2 *Limited Liability Partnerships*

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

10.3 *Expenses of insolvency officeholders*

Under the RCB Regulations, following the realisation of any asset pool security and/or winding-up of the LLP, certain costs and expenses are payable out of the fixed and floating charge assets of the LLP in priority to the claims of Secured Creditors (including the Covered Bondholders). Such costs and expenses are also payable out of the floating charge assets of the LLP (but it would appear not out of the fixed charge assets) in priority to the claims of Secured

Creditors in a winding-up and/or an administration of the LLP. Such costs and expenses include costs incurred by an insolvency officeholder (including an administrative receiver, liquidator or administrator) in relation to certain senior service providers and hedge counterparties and also general expenses incurred in the corresponding insolvency proceedings in respect of the LLP (which could include any corporation tax charges). This is a departure from the general position under English law which provides that in general the expenses of any administration or winding-up rank ahead of unsecured debts and the claims of any floating charge-holder, but not ahead of the claims of any fixed charge-holder.

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

See also the investment consideration described below under section 10.5 "*Fixed charges may take effect under English law as floating charges".*

10.4 *English law security and insolvency considerations*

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

insolvency or pre-insolvency restructuring proceedings and/or that the Covered Bondholders would not be adversely affected by the application of insolvency laws (including English insolvency law or the laws affecting the creditors' rights generally) and, if appropriate, Scottish insolvency laws.

In addition, it should be noted that, to the extent that the assets of the LLP are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge), in certain circumstances under the provisions of Sections 174A, 176ZA and 176A of the Insolvency Act 1986, certain floating charge realisations which would otherwise be available to satisfy expenses of the insolvency proceeding, the claims of Secured Creditors under the Deed of Charge may be used to satisfy any claims of unsecured creditors or creditors who otherwise take priority over floating charge recoveries. While certain of the covenants given by the LLP in the Transaction Documents are intended to ensure it has no significant creditors other than the secured creditors under the Deed of Charge, it will be a matter of fact as to whether the LLP has any other such creditors at any time. There can be no assurance that the Covered Bondholders will not be adversely affected by any such reduction in floating charge realisations upon the enforcement of the Security.

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

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

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

The law in England and Wales relating to the characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the LLP (other than by way of assignment in security) may take effect under English law as floating charges only, if, for example, it is determined that the Security Trustee does not exert sufficient control over the Charged Property. If the charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Security Trustee in respect of the floating charge assets. In particular, the expenses of any winding-up or administration, and the claims of any preferential creditors, would rank ahead of the claims of the Security Trustee in this regard. The Enterprise Act 2002 abolished the preferential status of certain Crown debts (including the claims of the UK tax authorities). However, certain employee claims (in respect of contributions to pension schemes and wages) still have preferential status. In this regard, it should be noted that the LLP has agreed in the Transaction Documents not to have any employees.

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

10.6 *Liquidation expenses payable on floating charge realisation will reduce amounts available to satisfy the claims of secured creditors of the Issuer and/or the LLP*

On 6 April 2008, a provision in the Insolvency Act 1986 came into force which effectively reversed by statute the House of Lords' decision in the case of *Leyland Daf* in 2004. Accordingly, the costs and expenses of a liquidation (including certain tax charges) will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to provisions set out in the Insolvency England and Wales Rules 2016 (as amended) as applied to the LLP by virtue of the Insolvency (Miscellaneous Amendments) Regulations 2017.

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

10.7 *U.S. insolvency proceedings and subordinated provisions*

There is uncertainty as to the validity and/or enforceability of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor. In particular, several cases have focused on provisions involving the subordination of a swap counterparty's payment rights in respect of certain termination payments upon the occurrence of insolvency proceedings or other default on the part of such counterparty (so-called "flip clauses"). Such provisions are similar in effect to the terms which will be included in the Transaction Documents relating to the Priority of Payments.

The English Supreme Court held in *Belmont Park Investments Pty Limited v BNY Corporate Trustee Services Ltd and Lehman Brothers Special Financing Inc* [2011] UKSC 38 (the **Belmont decision**) that a flip clause as described above is valid under English law. Contrary to this, however, the U.S. Bankruptcy Court has held that such a subordination provision is unenforceable under U.S. bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a U.S. bankruptcy of the counterparty. The implications of this conflict remain unresolved, particularly as several subsequent challenges to the U.S. decision have been settled and certain other actions which raise similar issues are pending but have not progressed for some time.

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

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

Lastly, given the general relevance of the issues under discussion in the judgments referred to above and that the Transaction Documents will include terms providing for the subordination of termination payments, there is a risk that the final outcome of the dispute in such judgments (including any recognition action by the English courts) may result in negative rating pressure in respect of the Covered Bonds. If any rating assigned to the Covered Bonds is lowered, put on negative credit watch or withdrawn, the market value of the Covered Bonds may be reduced.

10.8 *General impact of UK EMIR and EU EMIR on Swap Agreements*

The derivatives markets are subject to extensive regulation in a number of jurisdictions, including in the UK pursuant to Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories as it forms part of English law (**UK EMIR**), and in Europe pursuant to Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (**EU EMIR**), each as amended from time to time. UK EMIR and EU EMIR establish certain requirements for OTC derivatives contracts, including (i) a mandatory clearing obligation for certain classes of OTC derivatives contracts (the **Clearing Obligation**), (ii) margin posting, daily valuation and other risk-mitigation techniques for OTC derivatives contracts not cleared by a central counterparty (the **Risk Mitigation Requirements**) and (iii) certain reporting and record-keeping requirements (the **Reporting Obligations**). In general, the application of such regulatory requirements in respect of the Swap Agreements will depend on the classification of the counterparties to such derivative transactions. Prospective investors should also note that uncertainty remains as to the full impact on the Swap Agreements of the reforms to UK EMIR and EU EMIR.

Under UK EMIR and EU EMIR, counterparties can be classified as (i) financial counterparties (**FCs**) (which includes a sub-category of small FCs) and (ii) non-financial counterparties The category of "NFC" is further split into: (a) non-financial counterparties above the "clearing threshold" (**NFC+s**), and (b) non-financial counterparties below the "clearing threshold" (**NFC-s**). Whereas FCs and NFC+ entities may be subject to the relevant Clearing Obligation or, to the extent that the relevant swaps are not subject to clearing, to the relevant collateral exchange obligation and the relevant daily valuation obligation under the Risk Mitigation Requirements, such obligations do not apply in respect of NFC- entities. In addition, in respect of the UK EMIR Reporting Obligation, UK FCs are solely responsible and legally liable for reporting the details of OTC derivative contracts concluded with NFC-s on behalf of both counterparties as well as for ensuring the correctness of the reported details (known as **mandatory reporting**). In an EU context, the calculation of the clearing threshold (together with other aspects of EU EMIR) will be impacted by reforms to EU EMIR as a result of EU EMIR 3.0. However, the implementation of changes to the calculation of the clearing threshold is subject to the development of secondary legislation which is not currently expected to be finalised and become applicable until at least 2025 it is not expected that these changes will become applicable until at least the end of 2025 or later in 2026. On the basis that the LLP is an NFC- for the purposes of UK EMIR and a third country equivalent to an NFC- (a **TCE NFC-**) for the purposes of EU EMIR, OTC derivatives contracts that are entered into by the LLP are not subject to the Clearing Obligation or any margining requirements under UK EMIR and EU EMIR.

OTC derivatives contracts that are not cleared by a central counterparty are also subject to certain other Risk Mitigation Requirements, including arrangements for timely confirmation of OTC derivatives contracts, portfolio reconciliation, dispute resolution and arrangements for monitoring the value of outstanding OTC derivatives contracts. These requirements are already in effect. In order to comply with certain of these Risk Mitigation Requirements, the LLP includes appropriate provisions in each Swap Agreement and the related Transaction Documents.

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

With respect of the impact of UK EMIR and EU EMIR, if the LLP's counterparty status changes to an NFC+ or FC for the purposes of UK EMIR and/or a third country equivalent to an NFC+ or FC (a **TCE NFC+** or a **TCE FC** respectively) for the purposes of EU EMIR, this may result in the application of the relevant Clearing Obligation or (more likely) the relevant collateral exchange obligations and the relevant daily valuation obligation under the Risk Mitigation Requirements (the **Margin Obligation**), as it seems unlikely that any of the Swap Agreements would be a relevant type of OTC derivatives contract that would be subject to the Clearing

Obligation under UK EMIR and EU EMIR to date. Certain other of the Risk Mitigation Requirements may also apply in a different way (for example, the portfolio reconciliation requirement may increase in frequency). In respect of the Reporting Obligation, "mandatory reporting" would also cease to apply which means that the LLP would be legally liable and responsible for its own reporting obligations under UK EMIR (although this requirement can be delegated). It should be noted that the relevant Margin Obligation should not apply in respect of swaps entered into prior to the relevant application date, unless such a swap is materially amended or novated on or after that date. Where the relevant swap counterparty is a UK entity, an exemption from the Clearing Obligation under UK EMIR and a partial exemption in respect of the Margin Obligation under UK EMIR may be available in respect of the Cover Pool Swaps and Covered Bond Swaps, provided that certain conditions are satisfied.

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

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

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

10.10 *Harmonisation of the EU Covered Bond framework*

It should also be noted that in November 2019, the European Parliament and the Council adopted the legislative package on covered bond reforms made up of a new covered bond directive (Directive (EU) 2019/2162) and a new regulation (Regulation (EU) 2019/2160) entered into force on 7 January 2020 with the deadline for application of 8 July 2022 (both texts have relevance for the EEA and have been implemented into the Agreement on the European Economic Area as of 12 July 2022). The new covered bond directive replaces Article 52(4) of the UCITS Directive and establishes a revised common base-line for the issue of covered bonds for EU regulatory purposes (subject to various options that members states may choose to exercise when implementing the new directive through national laws). The new regulation will be directly applicable in the EU, and amends Article 129 of the Capital Requirements Regulation (Regulation (EU) No 575/2013) (**EU CRR**) (and certain related provisions) and further strengthens the criteria for covered bonds that benefit from preferential capital treatment under the EU CRR regime. Given that aspects of the new regime will require transposition through national laws, the final position is not yet known. As EU CRR permits the exercise of certain national discretion, the implementation may be subject to some level of national variation. In the UK, the FCA confirmed that it intends to implement the EU covered bond reforms in the UK although no consultation on the proposed amendments has yet been published. Therefore, there can be no assurances or predictions made as to the precise effect of the new regime on the Covered Bonds.

In addition, preferential regulatory treatment under Article 129 of the EU CRR will not be available in respect of the Covered Bonds after 31 December 2020, as from that point the UK has left the EU and it is no longer part of the EEA. Furthermore, the Covered Bonds will not be grandfathered under the EU covered bond reforms, once these become applicable, given that the new covered bond directive provides for permanent grandfathering for Article 52(4) UCITS Directive-compliant covered bonds issued by an issuer with its registered office in an EU member state before the relevant application date, provided there is continued supervision by the relevant designated competent authority in the EU (similar grandfathering provisions are also provided for in the new regulation). The Covered Bonds may be eligible as Level 2A assets under Delegated Regulation (EU) 2018/1620 (as amended), provided equivalence requirements are met, as to which no assurances are made and prospective investors should therefore make themselves aware of the changes in addition to any other applicable regulatory requirements with respect to their investment in the Covered Bonds.

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

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 to non-U.S. persons in reliance on Regulation S, and Registered Covered Bonds may be issued outside the United States to non-U.S. persons in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S, or otherwise in private transactions, pursuant to an exemption from, or in a transaction not subject to the registration requirements under the Securities Act and any applicable state or local securities laws.

Bearer Covered Bonds

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

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

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

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

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Covered Bond is issued, interests in such Temporary Global Covered Bond will be exchangeable (free of charge) upon a request as described therein either for (a) 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 (b) 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-U.S. beneficial ownership as described above unless such certification has already been given. Purchasers in the U.S. and U.S. persons will not be able to receive Bearer Definitive Covered Bonds or interests in the Permanent Global Covered Bond. The holder of a Temporary Global Covered Bond will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Covered Bond for an interest in a Permanent Global Covered Bond or for Bearer Definitive Covered Bonds is improperly withheld or refused.

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

The applicable Final Terms will specify that a Permanent Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for Bearer Definitive Covered Bonds with, where applicable, receipts, interest coupons and talons attached upon either (a) provided the Covered Bonds have only one Specified Denomination, or have multiple Specified Denominations that are all integral multiples of the minimum Specified Denomination, 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 (b) upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that 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 a holiday, whether statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available. The Issuer will promptly give notice to Covered Bondholders of each Series of Bearer Global Covered Bonds in accordance with Condition 13 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Covered Bond) or the Bond Trustee may give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

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

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

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

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

The sections referred to provide that U.S. 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 or other disposition 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 **Registered Global Covered Bond**). Prior to expiry of the Distribution Compliance Period applicable to each Tranche of Covered Bonds, beneficial interests in a Registered Global Covered Bond may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 (*Transfers of Registered Covered Bonds*) and may not be held otherwise than through Euroclear or Clearstream, Luxembourg, and such Registered Global

Covered Bond will bear a legend regarding such restrictions on transfer (see "*Subscription and Sale and Transfer and Selling Restrictions*").

Registered Global Covered Bonds will be deposited with the Common Depositary or Common Safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg, or in the name of a nominee of the Common Safekeeper as specified in the applicable Final Terms.

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

Payments of principal, interest and any other amount in respect of the Registered Global Covered Bonds will, in the absence of provision to the contrary, be made to the person shown on the Register on the relevant Record Date (as defined in Condition 5.4 (*Payments in respect of Registered Covered Bonds*)) as the registered holder of the Registered Global Covered Bonds. None of the Issuer, the LLP, the Bond Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

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

Interests in a Registered Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for Registered Definitive Covered Bonds without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that in the case of a Registered Global Covered Bond registered in the name of the Common Depositary or its nominee or in the name of the Common Safekeeper, 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 a holiday, whether statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available. The Issuer will promptly give notice to Covered Bondholders of each Series of Registered Global Covered Bonds in accordance with Condition 13 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any registered holder of an interest in such Registered Global Covered Bond) or the Bond Trustee may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Covered Bond may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Covered Bond with written certification from the transferor in accordance with the provisions of the Agency Agreement. No beneficial owner of an interest in a Registered Global Covered Bond will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable.

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 which are different from the common code and ISIN number assigned to Covered Bonds of any other Tranche of the same Series until at least the Exchange Date applicable to the Covered Bonds of such further Tranche.

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

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

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

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

FORM OF FINAL TERMS

[*Date*]

TSB Bank plc
Legal Entity Identifier (LEI): 549300XP222MV7P3CC54

Issue of Regulated [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds] irrevocably and unconditionally guaranteed as to payment of principal and interest by TSB Covered Bonds LLP
under the £10 billion
Global Covered Bond Programme

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

UK MiFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (**COBS**), and professional clients, as defined in Regulation (EU) No. 600/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (**UK MiFIR**); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a **distributor**) should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

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

IMPORTANT – PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a **retail investor** means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the **EUWA**); or (ii) a customer within the meaning of the

provisions of the Financial Services and Markets Act 2000 (the **FSMA**) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of UK domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No. 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making the Covered Bonds available to retail investors in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making the Covered Bonds available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

PART A — CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the **Terms and Conditions**) set forth in the Prospectus dated [●] [and the supplement[s] to it dated [●] [and [**date**]] which [together] constitute[s] a base prospectus (the **Prospectus**) for the purposes of Regulation (EU) 2017/1129 (the **Prospectus Regulation**) and UK Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the **EUWA**) (the **UK Prospectus Regulation**) This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of the Prospectus Regulation and the UK Prospectus Regulation and must be read in conjunction with such Prospectus. Full information on the Issuer, the LLP and the Covered Bonds is only available on the basis of the combination of these Final Terms and the Prospectus [and the supplemental Prospectus dated [**date**]]. The Prospectus is published on the website of the London Stock Exchange and is available for viewing at Henry Duncan House, 120 George Street, Edinburgh EH2 4LH and the Issuer's website (www.tsb.co.uk/investors/debt-investors), and copies may be obtained during normal business hours from TSB Bank plc, Henry Duncan House, 120 George Street, Edinburgh EH2 4LH.

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the **Terms and Conditions**) set forth in the prospectus dated [●] which are incorporated by reference into the Prospectus dated [●] [and the supplement[s] to it dated [●] [and [**date**]] which [together] constitute[s] a base prospectus (the **Prospectus**) for the purposes of Regulation (EU) 2017/1129 (the **Prospectus Regulation**) and UK Prospectus Regulation (Regulation (EU) 2017/1129) as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**) (the **UK Prospectus Regulation**).This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of the Prospectus Regulation and the UK Prospectus Regulation and must be read in conjunction with the Prospectus. Full information on the Issuer, the LLP and the Covered Bonds is only available on the basis of the combination of these Final Terms and the Prospectus dated [**current date**] [and the supplemental Prospectus dated [**date**]]. The Prospectus and the Terms and Conditions are published on the website of the London Stock Exchange and are available for viewing at Henry Duncan House, 120 George Street, Edinburgh EH2 4LH and the Issuer's website (www.tsb.co.uk/investors/debt-investors), and copies may be obtained during normal business hours from TSB Bank plc, Henry Duncan House, 120 George Street, Edinburgh EH2 4LH.]

1	(i)	Issuer:	TSB Bank plc
	(ii)	LLP:	TSB Covered Bonds LLP
2	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]
	(iii)	Series which Covered Bonds will be consolidated and form a single Series with:	[●]/[Not Applicable]
	(iv)	Date on which the Covered Bonds will be consolidated and	[●]/[Issue Date]/[Not Applicable]

		form a single Series with the Series specified above;	
3	Specified Currency or Currencies:		[●]
4	Aggregate Amount of Covered Bonds to be issued:		[●]
5	Aggregate Nominal Amount of Covered Bonds admitted to trading:		[●]
	(i)	Series:	[●]
	(ii)	Tranche:	[●]
6	Issue Price:		[●] per cent. of the aggregate nominal amount [plus accrued interest from [●]]
7	(i)	Specified Denominations:	[●]/[€100,000 and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Covered Bonds in definitive form will be issued with a denomination above [€199,000]/At least [$200,000 (and no less than the equivalent of €100,000) and integral multiples of $1,000 in excess thereof].
	(ii)	Calculation Amount:	[●]
8	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[●]/[Issue Date]/[Not Applicable]
9	(i)	Final Maturity Date:	[●]/[Interest Payment Date falling in or nearest to [●]]
	(ii)	Extended Due for Payment Date of Guaranteed Amounts corresponding to the Final Redemption Amount under the Covered Bond Guarantee:	[●]/Interest Payment Date falling in or nearest to [●]/[Not Applicable]
10	Interest Basis:		[[●] per cent. Fixed Rate] [[Compounded Daily SONIA]/[Average SONIA]/[Compounded Daily SOFR]/[Average SOFR]/[Compounded Daily €STR] /[[●] [[●] [EURIBOR]] [[+/–] [●] per cent.] Floating Rate]]] [Zero Coupon]
11	Redemption/Payment Basis:		[100] per cent. of the nominal value
12	Change of Interest or Redemption/Payment Basis:		[●]/[in accordance with paragraphs 16 and 17 below]
13	Put/Call Options:		[Investor Put Option]/[Issuer Call Option]/[Not Applicable]
14	[Date of [Board] approval for issuance of Covered Bonds and Covered Bond Guarantee obtained:		[●] [and [●], respectively]]
15	Listing:		London

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16	**Fixed Rate Covered Bond Provisions**		[Applicable/Not Applicable]
	(i)	[Fixed Rate(s) of Interest:	[●] per cent. per annum payable in arrear on each Interest Payment Date
	(ii)	Interest Payment Date(s):	[●] in each year up to and including the [Final Maturity Date] or the [Extended Due for Payment Date, if applicable]/(provided however that [after the Extension Determination Date, the Interest Payment Date shall be [monthly]])
	(iii)	Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(iv)	Business Day(s):	[●]
	(v)	Additional Business Centre(s):	[●]/ [Not Applicable]
	(vi)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(vii)	Initial Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]/[Not Applicable]
	(viii)	Final Broken Amount:	[●]
	(ix)	Day Count Fraction:	[●]
	(x)	Determination Dates:	[●] in each year/[Not Applicable]
17	**Floating Rate Covered Bond Provisions**		[Applicable/Not Applicable]
	(i)	Specified Period(s)/Specified Interest Payment Date(s):	[●] (provided however that [prior to the Extension Determination Date,][the Specified Interest Payment Date shall be no more frequent than quarterly][, and provided further that] [after the Extension Determination Date, the Specified Interest Payment Date shall be [monthly][quarterly]]). The first Interest Payment Date shall be [●].
	(ii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(iii)	Additional Business Centre(s):	[●]/ [Not Applicable]
	(iv)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(v)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Principal Paying Agent):	[●]
	(vi)	Screen Rate Determination:	[Applicable/Not Applicable]

		– Reference Rate:	[[Compounded Daily SONIA]/ [Average SONIA]/[Compounded Daily SOFR]/[Average SOFR]/ [Compounded Daily €STR] [[●]-month] EURIBOR]]
		– Relevant Financial Centre:	[London/Brussels/Stockholm/Hong Kong/Singapore/Tokyo/New York/Luxembourg/Frankfurt]
		– Interest Determination Date(s):	[[●] [T2/[●]] Business Days [in [●]] prior to the [●] day in each Interest Period/each Interest Payment Date][[●] London Banking Day prior to the end of each Interest Period] [●]
		– Relevant Screen Page:	[●]
		– Overnight Rate:	[Applicable/Not Applicable/[●]]
		– Index Determination	[Applicable/Not Applicable/[●]]
		– Relevant Number:	[[5 / [●]] [[London Banking Days]/ /[US Government Securities Business Days]/[T2]/[Not Applicable]
		– Observation Method:	[Not Applicable/Lag/Lock-out/Shift]
		– Observation Look Back Period:	[[●] London Banking Days] / [US Government Securities Business Days] /[T2]/ [Not Applicable]
		– Lock-Out Date	[[●]/[London Business Days] / [US Government Securities Business Days] /[T2]/[Not Applicable]]
	(vii)	ISDA Determination:	[Applicable/Not Applicable]
		– Floating Rate Option:	[●]
		– Designated Maturity:	[●]
		– Reset Date:	[●]
	(viii)	Margin(s):	[+/–][●] per cent. per annum
	(ix)	Minimum Rate of Interest:	[●] per cent. per annum
	(x)	Maximum Rate of Interest:	[●] per cent. per annum
	(xi)	Day Count Fraction:	[Actual/Actual (ICMA) Actual/Actual (ISDA) Actual/Actual Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 360/360 Bond Basis 30E/360 Eurobond Basis] 30E/360 (ISDA)
18	**Zero Coupon Covered Bond Provisions**		[Applicable/Not Applicable]
	Accrual Yield:		[●] per cent. per annum

	Reference Price:		[●]
	(i)	Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(ii)	Business Day(s):	[●]
		Additional Business Centre(s):	[●]/[Not Applicable]
	(iii)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Conditions 4.5 (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*) and 6.7(b) (*Early Redemption Amounts*) apply]

PROVISIONS RELATING TO REDEMPTION

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

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

23	**Form of Covered Bonds**		[Bearer Covered Bonds: [Temporary Global Covered Bond exchangeable for a Permanent Global Covered Bond which is exchangeable for Bearer Definitive Covered Bonds in definitive form 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 after an Exchange Event [/on not less than 60 days' notice] [Registered Covered Bonds: [Registered Global Covered Bond ([●] nominal amount) registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg])
24	**New Global Covered Bond**:	[Yes][No]
25	**Additional Financial Centre(s) or other special provisions relating to payment dates:**	[Not Applicable]
26	**Talons for future Coupons or Receipts to be attached to Definitive Covered Bonds (and dates on which such Talons mature):**	[Yes, as the Covered Bonds have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupons payments are still to be made/No.]
27	**Details relating to Instalment Covered Bonds:**	
	Instalment Amount(s):	[Not Applicable/●]
	Instalment Date(s):	[Not Applicable/●]

Signed on behalf of TSB Bank plc

By:

Duly authorised

Signed on behalf of TSB Covered Bonds LLP

By:

Duly authorised

PART B — OTHER INFORMATION

1 **LISTING**

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

2 **RATINGS**

Ratings:	The Covered Bonds to be issued have been initially rated: Moody's: [●] (endorsed by Moody's Deutschland GmbH) Moody's Investor Service Ltd. is established in the UK and are registered in accordance with Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the **UK CRA Regulation**). *[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]*

3 **PROVISIONS RELATING TO THE INTEREST RATE SWAPS**

Fixed Rate Spread:	[●]% per annum
Tracker Rate Spread:	[●]% per annum
Variable Rate Spread:	[●]% per annum

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 LLP are aware, no person involved in the issue of the Covered Bonds has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged and may in the future engage in investment banking and/or commercial banking transactions with and may perform other services for the Issuer and/or the LLP and/or it or their affiliates in the ordinary course of business.]

5 **USE OF PROCEEDS**

[Reasons for offer	[●]]
Estimated Net Proceeds	[●]
Estimated Total Expenses	[●]

6 **U.S. SELLING RESTRICTIONS**

Regulation S Category 2 [TEFRA C rules apply]/[TEFRA D rules apply]/[TEFRA rules not applicable]

7 **OPERATIONAL INFORMATION:**

(i)	ISIN:	[●]
(ii)	CFI:	[[●], as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable]
(iii)	FISN:	[[●], as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable]
(iv)	Common Code:	[●]
(v)	[(Insert here any other relevant codes):]	[Not Applicable/give name(s) and number(s)]
(vi)	Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s):	
(vii)	Names and addresses of additional Paying Agents	[●]
(viii)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper] [include this text for Registered Covered Bonds which are to be held under the NSS] and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] / [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Covered Bonds are capable of meeting them the Covered Bonds may then be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper] [include this text for Registered Covered Bonds]. Note that this does not necessarily mean that the Covered Bonds will then be recognised as eligible collateral for

		Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met]]
	(ix) Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] *(If the Covered Bonds clearly do not constitute "packaged" products or the Covered Bonds do constitute "packaged" products and a key information document will be prepared in the EEA, "Not Applicable" should be specified. If the Covered Bonds may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.)*
	(x) Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable] *(If the Covered Bonds clearly do not constitute "packaged" products or the Covered Bonds do constitute "packaged" products and a key information document will be prepared in the UK, "Not Applicable" should be specified. If the Covered Bonds may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.)*
8	**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.
9	**RELEVANT BENCHMARKS**	[[*Specify benchmark*] is provided by [*administrator legal name*]]. As at the date hereof, [*administrator legal name*] [appears] / [does not appear] in the register of administrators and benchmarks established and maintained by the Financial Conduct Authority] pursuant to Article 36 of the UK Benchmarks Regulation / [As far as the Issuer is aware, as at the date hereof, [*specify benchmark*] does not fall within the scope of the UK Benchmarks Regulation / [Not Applicable].

TERMS AND CONDITIONS OF THE COVERED BONDS

With the exception of the N Covered Bonds, the following are the Terms and Conditions of the Covered Bonds which will be incorporated by reference into each Global Covered Bond (as defined below) and each Definitive Covered Bond, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such Definitive Covered Bond will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Covered Bond and Definitive Covered Bond. Reference should be made to "Form of the Covered Bonds" for a description of the content of the Final Terms which will specify which of such terms are to apply in relation to the relevant Covered Bonds.

This Covered Bond is one of a Series (as defined below) of Covered Bonds constituted by a trust deed dated 24 February 2017 and as modified and/or supplemented and/or restated as at the date of issue of the Covered Bonds (the **Issue Date**), the **Trust Deed**) between TSB Bank plc (the **Issuer**), TSB Covered Bonds LLP (the **LLP**) and Citicorp Trustee Company Limited as the Bond Trustee and the Security Trustee (the **Bond Trustee** and the **Security Trustee**), which expressions shall include all persons for the time being the bond trustee(s), or security trustee(s) respectively under the Trust Deed and the Deed of Charge (as defined below). These Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes (amongst other things) the form of the Bearer Covered Bonds, Receipts, Coupons and Talons referred to below. An Agency Agreement dated 24 February 2017 (as modified and/or supplemented and/or restated from time to time, the **Agency Agreement**) has been entered into in relation to the Covered Bonds between the Issuer, the LLP, the Bond Trustee, the Security Trustee, Citibank, N.A., London Branch as registrar and principal paying agent and the other agents named in it. The principal agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the **Principal Paying Agent**, the **Paying Agents** (which expression shall, where the context so permits, include the Principal Paying Agent), the **Registrar**, the **Transfer Agents** (which expression shall, where the context so permits, include the Registrar) and the **Calculation Agent(s)**. Copies of the Trust Deed and the Agency Agreement are available for inspection free of charge by appointment during usual business hours at the registered office of the Principal Paying Agent (at the Principal Paying Agent's option, such inspection may be provided electronically).

Save as provided for in Conditions 9 (*Events of Default, Acceleration and Enforcement*) and 14 (*Meetings of Covered Bondholders, Modification and Waiver*), references herein to the **Covered Bonds** shall be references to the Covered Bonds of this Series and shall mean:

(a) any global covered bond representing Covered Bonds (a **Global Covered Bond**);

(b) in relation to any Covered Bonds represented by a Global Covered Bond, units of each Specified Denomination in the Specified Currency;

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

(d) any Definitive Covered Bonds in registered form (**Registered Definitive Covered Bonds** and, together with Bearer Definitive Covered Bonds, **Definitive Covered Bonds**) (whether or not issued in exchange for a Global Covered Bond in registered form).

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

The Bond Trustee acts for the benefit of the holders for the time being of the Covered Bonds (the **Covered Bondholders**, which expression shall, in relation to any Covered Bonds represented by a Global Covered Bond, be construed as provided below), the holders of the receipts for the payment of instalments of principal (other than the final instalment) attached on issue to Bearer Definitive Covered

Bonds repayable in instalments (the **Receipts**) (the **Receiptholders**) and the holders of the interest coupons in respect of Bearer Definitive Covered Bonds (the **Coupons**) (the **Couponholders**, which expression shall, unless the context otherwise requires, include the holders of the talons for further Coupons in respect of interest-bearing Bearer Definitive Covered Bonds (the **Talons**)), and for the holders of each other Series of Covered Bonds in accordance with the provisions of the Trust Deed.

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

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

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

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

Copies of the Trust Deed, the Deed of Charge, the Master Definitions and Construction Agreement (as defined below), the Agency Agreement and each of the other Transaction Documents are available for inspection by appointment during normal business hours at the office for the time being of the Principal Paying Agent being at Citigroup Centre, 25 Canada Square, Canary Wharf, London E14 5LB (at the Principal Paying Agents option, such copies may be provided electronically). 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 registered office of the Issuer and by appointment at the office of the Principal Paying Agent (at the Principal Paying Agents option, such copies may be provided electronically) or can be viewed online at the Issuer's website www.tsb.co.uk/investors/debt-investors). The Covered Bondholders, the Receiptholders and the Couponholders are deemed to have notice of, are bound by, and are entitled to the benefit of, all the provisions of, and definitions contained in, the Trust Deed, the Deed of Charge, the Master Definitions and Construction Agreement, the Agency Agreement, each of the other Transaction Documents and the applicable Final Terms which are applicable to them and to have notice of each of the Final Terms relating to each other Series.

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

1. Form, Denomination and Title

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

This Covered Bond may be denominated in any Specified Currency.

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

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

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

For so long as any of the Covered Bonds is represented by a Global Covered Bond held on behalf of or, as the case may be, registered in the name of a common depositary or common safekeeper (as the case may be) for, Euroclear Bank SA/NV (**Euroclear**) or Clearstream Banking, S.A (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of such Covered Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Covered Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error and any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including, without limitation, Euroclear's EUCLID or Clearstream, Luxembourg'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 the expressions **Covered Bondholder** and **holder of Covered Bonds** and related expressions shall be construed accordingly.

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

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any successor operator and/or successor clearing system and/or any additional or alternative clearing system specified in the applicable Final Terms.

2. Transfers of Registered Covered Bonds

(a) *Transfer of Registered Covered Bonds*

Transfers of beneficial interests in Registered Global Covered Bonds will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests.

A beneficial interest in a Registered Global Covered Bond will, subject to compliance with all applicable legal and regulatory restrictions, be exchangeable for Registered Definitive Covered Bonds or for a beneficial interest in another Registered Global Covered Bond only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

Transfers of Registered Covered Bonds in definitive form

Subject as provided in Conditions 2(b) (*Registration of transfer upon partial redemption*), 2(c) (*Costs of registration*), 2(d) (*Transfers of interests in Registered Global Covered Bonds in the United States or to U.S. persons*), upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Definitive Covered Bond may be transferred in whole or in part in the authorised denominations set out in the applicable Final Terms. In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Covered Bond for registration of the transfer of the Registered Covered Bond (or the relevant part of the Registered Covered Bond) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing, and (ii) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent, and (b) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request.

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

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

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

(b) *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.

(c) *Costs of registration*

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

(d) *Transfers of interests in Registered Global Covered Bonds in the United States or to U.S. persons*

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Registered Global Covered Bond to a transferee in the United States or who is a U.S. person will only be made pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States, and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

3. Status and Security

(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 at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, other than any obligations preferred by mandatory provisions of applicable law.

(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 pursuant to a guarantee (the **Covered Bond Guarantee**) in the Trust Deed. However, the LLP shall have no obligation under the Covered Bond Guarantee to pay any Guaranteed Amounts when the same shall become Due for Payment under the Covered Bonds or the Trust Deed until service of a Notice to Pay by the Bond Trustee on the Issuer and the LLP (which the Bond Trustee will be required to serve following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice by the Bond Trustee on the Issuer) or, if earlier, the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice by the Bond Trustee on the LLP. The obligations of the LLP under the Covered Bond Guarantee are, subject as aforesaid, direct, unconditional and unsubordinated obligations of the LLP, which are secured as provided in the Deed of Charge.

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

(c) *Security*

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

4. Interest and other Calculations

4.1 *Interest on Fixed Rate Covered Bonds*

Each Fixed Rate Covered Bond bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable, subject as provided in these Terms and Conditions, in arrear on the Interest Payment Date(s) in each year up to (and including) the Final Maturity Date, or, if applicable, the Extended Due for Payment Date.

If the Covered Bonds are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Interest Period (as defined in Condition 4.5 (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*)) ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

Except in the case of Covered Bonds where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to: (i) in the case of Fixed Rate Covered Bonds which are represented by a Global Covered Bond, the Principal Amount Outstanding (as defined in Condition 4.5 (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*) but subject to Condition 4.4 (*Accrual of interest*)) of the Fixed Rate Covered Bonds represented by such Global Covered Bond; or (ii) in the case of Fixed Rate Covered Bonds in definitive form, the Calculation Amount; and in each case, multiplying such sum by the applicable Day Count Fraction (as defined in Condition 4.5 (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*)), and rounding the resultant figure to the nearest sub-unit (as defined in Condition 4.5 (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*)) of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Covered Bond in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Covered Bond shall be the product of the amount (determined in the manner provided above) for each Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

4.2 *Interest on Floating Rate Covered Bonds*

(a) Interest Payment Dates

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

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

(ii) 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.

(b) Rate of Interest

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

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

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as

indicated in the applicable Final Terms) the Margin (if any) provided that in any circumstances where under the ISDA definitions the Calculation Agent or Principal Paying Agent would be required to exercise any discretion, including the selection of any reference banks and seeking quotations from reference banks, when calculating the relevant ISDA Rate, the relevant determinations(s) which require the Calculation Agent or the Principal Paying Agent to exercise its discretion shall instead be made by the Issuer or its designee. For the purposes of this sub-paragraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Principal Paying Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Covered Bonds (the **ISDA Definitions**), and under which:

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

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

(C) unless otherwise stated in the applicable Final Terms, the relevant Reset Date is, if the applicable Floating Rate Option is based on EURIBOR for a currency, the first day of that Interest Period.

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

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

(ii) *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, and the Reference Rate in respect of the Floating Rate Covered Bonds is specified as being a rate other than SONIA, the Rate of Interest for each Interest Period will, subject as provided below, be either:

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

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

(expressed as a percentage rate per annum) for the Reference Rate(s) which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (**Relevant Financial Centre time**) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of those quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of the offered quotations.

If the Relevant Screen Page is not available or if, in the case of Condition 4.2(b)(ii)(A), no offered quotation appears or if, in the case of Condition 4.2(b)(ii)(B), fewer than three offered quotations appear, in each case as at the Specified Time, the Issuer or an agent appointed by it shall request each of the Reference Banks to provide it with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question and the Issuer or an agent appointed by it shall notify the Calculation Agent or the Principal Paying Agent of all quotations received by it. If two or more of the Reference Banks provide the Issuer or an agent appointed by it with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), as determined by the Calculation Agent or the Principal Paying Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Issuer or an agent appointed by it with an offered quotation as provided in the paragraph above, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent or the Principal Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Issuer or an agent appointed by it by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Euro-zone interbank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Issuer or an agent appointed by it with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Issuer or an agent appointed by it that it is quoting to leading banks in the Euro-zone interbank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 4, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

SONIA

Compounded Daily SONIA (Non-Index Determination)

Where **Screen Rate Determination** and **Overnight Rate** are specified as "Applicable", the Reference Rate is specified as being "Compounded Daily SONIA", and **Index Determination** is specified as "Not Applicable" in the applicable Final Terms, the following provisions shall apply and the Rate of Interest for each Interest Period will, subject as provided below, be Compounded Daily SONIA plus or minus (as indicated in the applicable Final

Terms) the Margin (if any), as calculated by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms).

Compounded Daily SONIA means, in relation to an Interest Period, the rate of return of a daily compound interest investment (with the daily Sterling Overnight Index Average as the Reference Rate for the calculation of interest) and will be calculated by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) on the Interest Determination Date (i) as further specified in the applicable Final Terms or (ii) in accordance with the following formula, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

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

where:

d means the number of calendar days in (where in the applicable Final Terms "Lag" or "Lock-out" is specified as the Observation Method) the relevant Interest Period or (where in the applicable Final Terms "Shift" is specified as the Observation Method) the relevant SONIA Observation Period;

d_o means (where in the applicable Final Terms "Lag" or "Lock-out" is specified as the Observation Method) for any Interest Period, the number of London Banking Days in the relevant Interest Period or (where in the applicable Final Terms "Shift" is specified as the Observation Method) for any SONIA Observation Period, the number of London Banking Days in the relevant SONIA Observation Period;

i means a series of whole numbers from 1 to d_0, each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day (where in the applicable Final Terms "Lag" or "Lock-out" is specified as the Observation Method) in the relevant Interest Period or (where in the applicable Final Terms "Shift" is specified as the Observation Method) the SONIA Observation Period;

London Banking Day or **LBD** means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

n_i, for any day *i*, means the number of calendar days from and including such day *i* up to but excluding the following London Banking Day;

p means (save as specified in the applicable Final Terms) the number of London Banking Days included in the **Observation Look-Back Period** specified in the applicable Final Terms;

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

$SONIA_{i-pLBD}$ means:

(a) where in the applicable Final Terms "Lag" is specified as the Observation Method, (save as specified in the applicable Final Terms) in respect of any London Banking Day *i* falling in the relevant Interest Period, the SONIA reference rate for the London Banking Day falling *p* London Banking Days prior to such day;

(b) where in the applicable Final Terms "Lock-out" is specified as the Observation Method, (save as specified in the applicable Final Terms) during each relevant Interest Period, the SONIA reference rate for each London Banking Day *i* falling in the relevant Interest Period, except that in respect of each London Banking Day i falling on or after the "Lock-out date" specified in the applicable Final Terms (or, where no "Lock-out date" is specified, five London Banking Days prior to each relevant Interest Payment Date) until the end of each relevant Interest Period, the SONIA reference rate determined in accordance with paragraph (a) above in respect of such "Lock-out date"; or

(c) where in the applicable Final Terms "Shift" is specified as the Observation Method, (save as specified in the applicable Final Terms) $SONIA_i$, where $SONIA_i$ is, in respect of any London Banking Day *i* falling in the relevant SONIA Observation Period, the SONIA reference rate for such day; and

SONIA Observation Period means the period from and including the date falling *p* London Banking Days prior to the first day of the relevant Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) and ending on, but excluding, the date falling *p* London Banking Days prior to the Interest Payment Date for such Interest Period (or the date falling *p* London Banking Days prior to such earlier date, if any, on which the Covered Bonds become due and payable).

Compounded Daily SONIA (Index Determination)

Where **Screen Rate Determination**, **Overnight Rate** and **Index Determination** are specified as "Applicable" and the **Reference Rate** is specified as being "Compounded Daily SONIA" in the applicable Final Terms, the following provisions shall apply and the Rate of Interest for each Interest Period will, subject as provided below, be Compounded Daily SONIA plus or minus (as indicated in the applicable Final Terms) the Margin (if any), as calculated by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms).

Compounded Daily SONIA means, in relation to an Interest Period, the rate of return of a daily compound interest investment (with the daily Sterling Overnight Index Average as the Reference Rate for the calculation of interest) and will be calculated by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) on the Interest Determination Date: (i) as further specified in the applicable Final Terms; or (ii) by reference to the screen rate or index for compounded daily SONIA rates administered by the administrator of the SONIA reference rate that is published or displayed by such administrator or other information service from time to time on the relevant Interest Determination Date, as further specified in the applicable Final Terms (the **SONIA Compounded Index**); or (iii) and in accordance with the

following formula, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

Compounded Daily SONIA Rate = $\left(\frac{SONIA\ Compounded\ Index_{End}}{SONIA\ Compounded\ Index_{Start}} - 1\right) x \frac{365}{d}$

where:

d means the number of calendar days from (and including) the day in relation to which SONIA Compounded $Index_{Start}$ is determined to (but excluding) the day in relation to which SONIA Compounded $Index_{End}$ is determined;

London Banking Day means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

Relevant Number means the number specified as such in the applicable Final Terms (or, if no such number is specified, five);

SONIA Compounded $Index_{Start}$ means, with respect to an Interest Period, the SONIA Compounded Index determined in relation to the day falling the Relevant Number of London Banking Days prior to the first day of such Interest Period; and

SONIA Compounded $Index_{End}$ means, with respect to an Interest Period, the SONIA Compounded Index determined in relation to the day falling the Relevant Number of London Banking Days prior to (A) the Interest Payment Date for such Interest Period, or (B) such other date on which the relevant payment of interest falls due (but which by its definition or the operation of the relevant provisions is excluded from such Interest Period).

If the relevant SONIA Compounded Index is not published or displayed by the administrator of the SONIA reference rate or other information service by 5.00 p.m. (London time) (or, if later, by the time falling one hour after the customary or scheduled time for publication thereof in accordance with the then-prevailing operational procedures of the administrator of the SONIA reference rate or of such other information service, as the case may be) on the relevant Interest Determination Date, the Compounded Daily SONIA Rate for the applicable Interest Period for which the SONIA Compounded Index is not available shall be "Compounded Daily SONIA" determined as set out under the section entitled Compounded Daily SONIA (Non-Index Determination) above and as if **Index Determination** were specified in the applicable Final Terms as being "Not Applicable", and for these purposes: (i) the "Observation Method" shall be deemed to be "Shift" and (ii) the "Observation Look-Back Period" shall be deemed to be equal to the Relevant Number of London Banking Days, as if those alternative elections had been made in the applicable Final Terms.

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms), but without prejudice to Condition 14.3 (*Additional Right of Modification and Waiver*), the Rate of Interest shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period) or (ii)

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

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

Average SONIA

Where **Screen Rate Determination** and **Overnight Rate** are specified as "Applicable", **the Reference Rate** is specified as being "Average SONIA", and **Index Determination** is specified as "Not Applicable" in the applicable Final Terms, the following provisions shall apply and the Rate of Interest for each Interest Period will, subject as provided below, be Average SONIA plus or minus (as indicated in the applicable Final Terms) the Margin (if any), as calculated by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms).

Average SONIA, in relation to any Interest Period, means the arithmetic mean of $SONIA_i$ in effect during such Interest Period and will be calculated by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) on the Interest Determination Date as follows, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left[\frac{\sum_{i=1}^{d_o} \mathrm{SONIA_i} \times n}{d}\right] \times \frac{365}{d}$$

where:

d, d_0, i, London Banking Day, p and ***SONIA reference rate*** have the meanings set out under the section entitled *Compounded Daily SONIA* (*Non-Index Determination)* above;

n, for any London Banking Day, means the number of calendar days from and including, such London Banking Day up to but excluding the following London Banking Day; and

$SONIA_i$ means, for any London Banking Day *i*:

(a) where in the applicable Final Terms "Lag" is specified as the Observation Method, (save as specified in the applicable Final Terms) the SONIA reference rate in respect of the London Banking Day falling *p* London Banking Days prior to such day;

(b) where in the applicable Final Terms "Lock-out" is specified as the Observation Method, (save as specified in the applicable Final Terms) during each relevant Interest Period, the SONIA reference rate for each

London Banking Day *i* falling in the relevant Interest Period, except that in respect of each London Banking Day *i* falling on or after the "Lock-out date" specified in the applicable Final Terms (or, where no "Lock-out date" is specified, five London Banking Days prior to each relevant Interest Payment Date) until the end of each relevant Interest Period, the SONIA reference rate determined in accordance with paragraph (a) above in respect of such "Lock-out date"; or

(c) where in the applicable Final Terms "Shift" is specified as the Observation Method, (save as specified in the applicable Final Terms) the SONIA reference rate on the London Banking Day *i*.

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

Notwithstanding the paragraph above, in the event the Bank of England publishes guidance as to (i) how the SONIA rate is to be determined or (ii) any rate that is to replace the SONIA rate, the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) shall, subject to receiving written instructions from the Issuer and to the extent that it is reasonably practicable, follow such guidance in order to determine $SONIA_i$ for the purpose of the Covered Bonds for so long as the SONIA rate is not available or has not been published by the authorised distributors. To the extent that any amendments or modifications to the Conditions or the Transaction Documents are required in order for the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) to follow such guidance in order to determine SONIAi, the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) shall have no obligation to act until such amendments or modifications have been made in accordance with the Conditions and the Transaction Documents.

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions, the Rate of Interest shall be determined (i) as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period) or (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Floating Rate Covered Bonds on the Interest Commencement Date had the Floating Rate Covered Bonds been issued one calendar month prior to the Issue Date.

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

SOFR

Definitions

Business Day has the meaning set forth in Condition 4.5 and, if (i) the relevant Final Terms specify that the Reference Rate is "Compounded Daily SOFR" and (ii) a SOFR Index Cessation Date has not occurred, a US Government Securities Business Day.

OBFR means, on an Interest Payment Date, the Overnight Bank Funding Rate that appears on the Federal Reserve's website at 5:00 p.m. (New York time) for trades made on the related Interest Determination Date.

OBFR Index Cessation Date means, following the occurrence of an OBFR Index Cessation Event, the date on which the Federal Reserve Bank of New York (or any successor administrator of the Overnight Bank Funding Rate), ceases to publish the Overnight Bank Funding Rate, or the date as of which the Overnight Bank Funding Rate may no longer be used, in each case as certified in writing by the Issuer to the Principal Paying Agent (or such other party responsible for the calculation of the rate of interest, as specified in the applicable Final Terms).

OBFR Index Cessation Event means the occurrence of one or more of the following events:

(i) a public statement by the Federal Reserve Bank of New York (or a successor administrator of the Overnight Bank Funding Rate) announcing that it has ceased or will cease to publish or provide the Overnight Bank Funding Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide the Overnight Bank Funding Rate;

(ii) the publication of information which reasonably confirms that the Federal Reserve Bank of New York (or a successor administrator of the Overnight Bank Funding Rate) has ceased or will cease to provide the Overnight Bank Funding Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide the Overnight Bank Funding Rate; or

(iii) a public statement by a regulator or other official sector entity prohibiting the use of the Overnight Bank Funding Rate that applies to, but need not be limited to, fixed income securities and derivatives, to the extent that such public statement has been acknowledged in writing by ISDA as an "OBFR index cessation event" under the 2006 ISDA Definitions as published by ISDA.

SOFR means, with respect to any US Government Securities Business Day, the rate determined in accordance with the following provisions:

(i) the Secured Overnight Financing Rate that appears on the Federal Reserve's website at 3:00 p.m. (New York time) on the immediately following US Government Securities Business Day;

(ii) if the rate specified in paragraph (i) above does not so appear, and a SOFR Index Cessation Event has not occurred, then the Principal Paying Agent (or such other party responsible for the calculation of the rate of interest, as specified in the applicable Final Terms) shall use the Secured Overnight Financing Rate published on the Federal Reserve's website for the first preceding US Government Securities Business Day on which the Secured Overnight Financing Rate was published on the Federal Reserve's website;

(iii) if a SOFR Index Cessation Date has occurred, the Principal Paying Agent (or such other party responsible for the calculation of the rate of interest, as specified in the applicable Final Terms) shall calculate SOFR as if references to SOFR were references to the rate that was recommended as (and notified by the Issuer to the Principal Paying Agent (or such other party responsible for the calculation of the rate of interest, as specified in the applicable Final Terms) being the replacement for the Secured Overnight Financing Rate by the Federal Reserve Board and/or the Federal Reserve Bank of New York or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York for the purpose of recommending a replacement for the Secured Overnight Financing Rate (which rate may be produced by a Federal Reserve Bank or other designated administrator, and which rate may include any adjustments or spreads). If no such rate has been recommended within one US Government Securities Business Day of the SOFR Index Cessation Date, then the Principal Paying Agent (or such other party responsible for the calculation of the rate of interest, as specified in the applicable Final Terms) shall use OBFR published on the Federal Reserve's website for any Interest Payment Date after the SOFR Index Cessation Date; and

(iv) if the Principal Paying Agent (or such other party responsible for the calculation of the rate of interest, as specified in the applicable Final Terms) is required to use OBFR in paragraph (iii) above and an OBFR Index Cessation Date has occurred, then for any Interest Payment Date after such OBFR Index Cessation Date, the Principal Paying Agent (or such other party responsible for the calculation of the rate of interest, as specified in the applicable Final Terms) shall use the short-term interest rate target set by the Federal Open Market Committee and published on the Federal Reserve's website, or if the Federal Open Market Committee does not target a single rate, the mid-point of the short-term interest rate target range set by the Federal Open Market Committee and published on the Federal Reserve's website (calculated as the arithmetic average of the upper bound of the target range and the lower bound of the target range).

SOFR Index Cessation Date means, following the occurrence of a SOFR Index Cessation Event, the date on which the Federal Reserve Bank of New York (or any successor administrator of the Secured Overnight Financing Rate), ceases to publish the Secured Overnight Financing Rate, or the date as of which the Secured Overnight Financing Rate may no longer be used, in each case as certified in writing by the Issuer to the Principal Paying Agent (or such other party responsible for the calculation of the rate of interest, as specified in the applicable Final Terms).

SOFR Index Cessation Event means the occurrence of one or more of the following events:

(i) a public statement by the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate) announcing that it has ceased or will cease to publish or provide the Secured Overnight Financing Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide the Secured Overnight Financing Rate;

(ii) the publication of information which reasonably confirms that the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate) has ceased or will cease to provide the Secured Overnight Financing Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide the Secured Overnight Financing Rate; or

(iii) a public statement by a regulator or other official sector entity prohibiting the use of the Secured Overnight Financing Rate that applies to, but need not be limited to, fixed income securities and derivatives, to the extent that such public statement has been acknowledged in writing by ISDA as a "SOFR index cessation event" under the 2006 ISDA Definitions as published by ISDA.

SOFR Reset Date means each US Government Securities Business Day in the relevant Interest Period, other than any US Government Securities Business Day during the period from (and including) the day following the relevant Interest Determination Date to (but excluding) the corresponding Interest Payment Date.

US Government Securities Business Day or **USBD** means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association (or any successor thereto) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in US government securities.

Compounded Daily SOFR (Non-Index Determination)

Where **Screen Rate Determination** and **Overnight Rate** are specified as "Applicable", the Reference Rate is specified as being "Compounded Daily SOFR", and **Index Determination** is specified as "Not Applicable" in the applicable Final Terms, the following provisions shall apply and the Rate of Interest for each Interest Period, subject as provided below, will be Compounded Daily SOFR plus the Margin.

Compounded Daily SOFR means the rate of return of a daily compound interest investment (with the Secured Overnight Financing Rate as the reference rate for the calculation of interest) and will be calculated by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) on the Interest Determination Date as follows, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{SOFR_{i-pUSBD}\times n_i}{360}\right)-1\right]\times\frac{360}{d}$$

where:

d means the number of calendar days in (where in the applicable Final Terms "Lag" or "Lock-out" is specified as the Observation Method) the relevant

Interest Period or (where in the applicable Final Terms "Shift" is specified as the Observation Method) the relevant SOFR Observation Period;

d_0 means (where in the applicable Final Terms "Lag" or "Lock-out" is specified as the Observation Method) for any Interest Period, the number of US Government Securities Business Days in the relevant Interest Period or (where in the applicable Final Terms "Shift" is specified as the Observation Method) for any SOFR Observation Period, the number of US Government Securities Business Days in the relevant SOFR Observation Period;

i means a series of whole numbers from 1 to d_0, each representing the relevant US Government Securities Business Days in chronological order from, and including, the first US Government Securities Business Day in (where in the applicable Final Terms "Lag" or "Lock-out" is specified as the Observation Method) the relevant Interest Period or (where in the applicable Final Terms "Shift" is specified as the Observation Method) the relevant SOFR Observation Period;

n_i, for any US Government Securities Business Day i in (where in the applicable Final Terms "Lag" or "Lock-out" is specified as the Observation Method) the relevant Interest Period or (where in the applicable Final Terms "Shift" is specified as the Observation Method) the relevant SOFR Observation Period, means the number of calendar days from and including such US Government Securities Business Day up to but excluding the following US Government Securities Business Day;

p means (save as specified in the applicable Final Terms) the number of US Government Securities Business Days included in the **Observation Look-Back Period** specified in the applicable Final Terms or, if no such number is specified:

(a) five US Government Securities Business Days where in the applicable Final Terms "Lag" or "Shift" is specified as the Observation Method; or

(b) zero US Government Securities Business Days where in the applicable Final Terms "Lock-out" is specified as the Observation Method;

$SOFR_{i\text{-}pUSBD}$ means:

(a) where in the applicable Final Terms "Lag" is specified as the Observation Method, (save as specified in the applicable Final Terms) in respect of any US Government Securities Business Day falling in the relevant Interest Period, the SOFR for the US Government Securities Business Day falling p US Government Securities Business Days prior to such day;

(b) where in the applicable Final Terms "Lock-out" is specified as the Observation Method, (save as specified in the applicable Final Terms):

(i) in respect of any US Government Securities Business Day that is a SOFR Reset Date, the SOFR for the US Government Securities Business Day immediately preceding such SOFR Reset Date (or such other date as specified in the applicable Final Terms); and

(ii) in respect of any US Government Securities Business Day that is not a SOFR Reset Date, the SOFR for the US Government Securities Business Day immediately preceding the last SOFR

Reset Date in the relevant Interest Period (or such other date as specified in the applicable Final Terms); or

(c) where in the applicable Final Terms "Shift" is specified as the Observation Method, (save as specified in the applicable Final Terms) $SOFR_i$, where $SOFR_i$ is, in respect of any US Government Securities Business Day i falling in the relevant SOFR Observation Period, the SOFR for such day; and

SOFR Observation Period means in respect of each Interest Period, the period from and including the date falling p US Government Securities Business Days preceding the first date in such Interest Period to but excluding the date p US Government Securities Business Days preceding the Interest Payment Date for such Interest Period.

Compounded Daily SOFR (Index Determination)

Where **Screen Rate Determination**, **Overnight Rate** and **Index Determination** are specified as "Applicable" and the **Reference Rate** is specified as being "Compounded Daily SOFR" in the applicable Final Terms, the following provisions shall apply and the Rate of Interest for each Interest Period, subject as provided below, will be Compounded Daily SOFR plus the Margin.

Compounded Daily SOFR means the rate of return of a daily compound interest investment (with the Secured Overnight Financing Rate as the reference rate for the calculation of interest) and will be calculated by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) on the Interest Determination Date as follows, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left(\frac{\text{SOFRIndex}_{\text{End}}}{\text{SOFRIndex}_{\text{Start}}} - 1^{x}\right)\frac{360}{\text{d}_{\text{c}}}$$

where:

d means the number of calendar days from (and including) the day in relation to which $SOFR\ Index_{Start}$ is determined to (but excluding) the day in relation to which $SOFR\ Index_{End}$ is determined;

Relevant Number means the number specified as such in the applicable Final Terms (or, if no such number is specified, five);

SOFR Index, with respect to any U.S. Government Securities Business Day, means the SOFR index value as published by the SOFR Administrator as such index appears on the Federal Reserve's website at or around 3.00 p.m. (New York time) on such U.S. Government Securities Business Day (the **SOFR Determination Time**);

SOFR Index$_{Start}$, with respect to an Interest Period, means the SOFR Index value for the day which is the Relevant Number of U.S. Government Securities Business Days preceding the first day of such Interest Period; and

SOFR Index$_{End}$, with respect to an Interest Period, means the SOFR Index value for the day which is the Relevant Number of U.S. Government Securities Business Days preceding (A) the Interest Payment Date for such Interest Period, or (B) such other date on which the relevant payment of interest falls due (but which by its definition or the operation of the relevant provisions is excluded from such Interest Period).

If, as at any relevant SOFR Determination Time, the relevant SOFR Index is not published or displayed on the Federal Reserve's website by the SOFR Administrator, the Compounded Daily SOFR for the applicable Interest Period for which the relevant

SOFR Index is not available shall be "Compounded Daily SOFR" determined as set out under the section entitled *Compounded Daily SOFR (Non-Index Determination)* above and as if **Index Determination** were specified in the applicable Final Terms as being "Not Applicable, and for these purposes: (i) the "Observation Method" shall be deemed to be "Shift" and (ii) the "Observation Look-Back Period" shall be deemed to be equal to the Relevant Number of US Government Securities Business Days, as if such alternative elections had been made in the applicable Final Terms.

Average SOFR

Where **Screen Rate Determination** and **Overnight Rate** are specified as "Applicable", the Reference Rate is specified as being "Average SOFR", and **Index Determination** is specified as "Not Applicable" in the applicable Final Terms, the following provisions shall apply and the Rate of Interest for each Interest Period will, subject as provided below, be Average SOFR plus or minus (as indicated in the applicable Final Terms) the Margin (if any), as calculated by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms).

Average SOFR, in relation to any Interest Period, means the arithmetic mean of $SOFR_i$ in effect during such Interest Period and will be calculated by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) on the Interest Determination Date as follows, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left[\frac{\sum_{i=1}^{d_o} SOFR_{i-pUSBD} \times n_i}{d}\right] \times \frac{360}{d}$$

where **d**, $\mathbf{d_0}$, **i**, $\mathbf{n_i}$, **p** and $\mathbf{SOFR_{i\text{-}pUSBD}}$ have the meanings set out under the section entitled Compounded Daily SOFR *(Non-Index Determination)* above.

€STR

Compounded Daily €STR (Non-Index Determination)

Where **Screen Rate Determination** and **Overnight Rate** are specified as "Applicable", the Reference Rate is specified as being "Compounded Daily €STR", and **Index Determination** is specified as "Not Applicable" in the applicable Final Terms, the following provisions shall apply and the Rate of Interest for each Interest Period will, subject as provided below, be Compounded Daily €STR plus or minus (as indicated in the applicable Final Terms) the Margin (if any), as calculated by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms).

Compounded Daily €STR means, in relation to an Interest Period, the rate of return of a daily compound interest investment (with the daily Euro Short-Term Rate as the Reference Rate for the calculation of interest) and will be calculated by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) on the Interest Determination Date (i) as further specified in the applicable Final Terms; or (ii) in accordance with the following formula, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left[\prod_{i=1}^{d_o}\left(1 + \frac{€\text{STR}_i \times n_i}{360}\right) - 1\right] \times \frac{360}{d}$$

where:

€STR reference rate, in respect of any TARGET Business Day (**TBDx**), means a reference rate equal to the daily Euro Short-Term Rate (**€STR**) rate for such TBDx as provided by the European Central Bank as the administrator of €STR (or any successor administrator of such rate) on the website of the European Central Bank (or, if no longer published on its website, as otherwise published by it or provided by it to authorised distributors and as then published on the Relevant Screen Page or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors) on the TARGET Business Day immediately following TBDx (in each case, at the time specified by, or determined in accordance with, the applicable methodology, policies or guidelines, of the European Central Bank or the successor administrator of such rate);

€STR$_i$ means:

(a) where in the applicable Final Terms "Lag" is specified as the Observation Method, (save as specified in the applicable Final Terms) in respect of any TARGET Business Day *i* falling in the relevant Interest Period, the €STR reference rate for the TARGET Business Day falling *p* TARGET Business Days prior to such day;

(b) where in the applicable Final Terms "Lock-out" is specified as the Observation Method, (save as specified in the applicable Final Terms) during each relevant Interest Period, the €STR reference rate determined for each TARGET Business Day *i* falling in the relevant Interest Period, except that in respect of each TARGET Business Day *i* falling on or after the "Lock-out date" specified in the applicable Final Terms (or, where no "Lock-out date" is specified, five TARGET Business Days prior to each relevant Interest Payment Date) until the end of each relevant Interest Period, the €STR reference rate determined in accordance with paragraph (a) above in respect of such "Lock-out date"; or

(c) where in the applicable Final Terms "Shift" is specified as the Observation Method, (save as specified in the applicable Final Terms) in respect of any TARGET Business Day *i* falling in the relevant €STR Observation Period, the €STR reference rate for such day;

€STR Observation Period means the period from and including the date falling *p* TARGET Business Days prior to the first day of the relevant Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) and ending on, but excluding, the date falling *p* TARGET Business Days prior to the Interest Payment Date for such Interest Period (or the date falling *p* TARGET Business Days prior to such earlier date, if any, on which the Covered Bonds become due and payable);

d means the number of calendar days in (where in the applicable Final Terms "Lag" or "Lock-out" is specified as the Observation Method) the relevant Interest Period or (where in the applicable Final Terms "Shift" is specified as the Observation Method) the relevant €STR Observation Period;

d_o means (where in the applicable Final Terms "Lag" or "Lock-out" is specified as the Observation Method) for any Interest Period, the number of TARGET Business Days in the relevant Interest Period or (where in the applicable Final Terms "Shift" is specified as the Observation Method) for any €STR Observation Period, the number of TARGET Business Days in the relevant €STR Observation Period;

i means a series of whole numbers from 1 to d_0, each representing the relevant TARGET Business Day in chronological order from, and including, the first TARGET Business Day (where in the applicable Final Terms "Lag" or "Lock-out" is specified as the Observation Method) in the relevant Interest Period or (where in the applicable

Final Terms "Shift" is specified as the Observation Method) the €STR Observation Period;

n_i, for any day *i*, means the number of calendar days from and including such day *i* up to but excluding the following TARGET Business Day;

p means (save as specified in the applicable Final Terms) the number of TARGET Business Days included in the **Observation Look-Back Period** specified in the applicable Final Terms; and

TARGET Business Day means any day on which the TARGET2 system is open.

If, in respect of any TARGET Business Day in the relevant €STR Observation Period, or the relevant Interest Period (as the case may be), the €STR reference rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such €STR reference rate shall be the €STR reference rate for the first preceding TARGET Business Day in respect of which an €STR reference rate was published by the European Central Bank on its website, as determined by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms).

Notwithstanding the paragraph above, in the event the European Central Bank publishes guidance as to (i) how the €STR rate is to be determined or (ii) any rate that is to replace the €STR rate, the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) shall, subject to receiving written instructions from the Issuer and to the extent that it is reasonably practicable, follow such guidance in order to determine $€STR_i$ for the purpose of the Covered Bonds for so long as the €STR rate is not available or has not been published by the authorised distributors. To the extent that any amendments or modifications to the Conditions or the Transaction Documents are required in order for the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) to follow such guidance in order to determine the €STR rate, the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) shall have no obligation to act until such amendments or modifications have been made in accordance with the Conditions and the Transaction Documents.

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

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

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

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

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

The Principal Paying Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Covered Bonds for the relevant Interest Period by applying the Rate of Interest to:

(i) in the case of Floating Rate Covered Bonds which are represented by a Global Covered Bond, the Principal Amount Outstanding (subject to Condition 4.4 (*Accrual of interest*)) of the Covered Bonds represented by such Global Covered Bond; or

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

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Covered Bond in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Covered Bond shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

(e) Notification of Rate of Interest and Interest Amounts

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified in writing to the Issuer, the LLP, the Bond Trustee, the Registrar, the other Paying Agents, the Covered Bondholders and to any stock exchange or other relevant competent authority or quotation system on which the relevant Floating Rate Covered Bonds are for the time being listed, quoted and/or traded or by which they have been admitted to listing or trading and to be published in accordance with Condition 13 (*Notices*) as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day (as defined in Condition 4.5 (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*)) thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment or alternative arrangements will be promptly notified to the Bond Trustee and each stock exchange or other relevant authority on which the relevant Floating Rate Covered Bonds are for the time being listed, quoted and/or traded or by which they have been admitted to listing or trading and to Covered Bondholders in accordance with Condition 13 (*Notices*).

(f) *(Reserved)*

(g) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2, whether by the Principal Paying Agent, the Registrar, the Calculation Agent or the Bond Trustee shall (in the absence of wilful default, manifest error, gross negligence or fraud) be binding on the Issuer, the LLP, the Principal Paying Agent, the Registrar, the Calculation Agent, the other Paying Agents, the Bond Trustee and all Covered Bondholders, Receiptholders and Couponholders and (in the absence of wilful default, gross negligence or fraud) no liability to the Issuer, the LLP, the Covered Bondholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent, the Registrar, 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.

(h) Interest on Zero Coupon Covered Bonds

Where a Covered Bond the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Final Maturity Date and is not paid when due, the amount due and payable prior to the Final Maturity Date shall be the Early Redemption Amount of such Covered Bond.

4.3 *Interest following a Notice to Pay*

If a Notice to Pay is served on the LLP, the LLP shall, in accordance with the terms of the Trust Deed, pay Guaranteed Amounts corresponding to the amounts of interest described under Condition 4.1 (*Interest on Fixed Rate Covered Bonds*) or 4.2 (*Interest on Floating Rate Covered Bonds*) (as the case may be) under the Covered Bond Guarantee in respect of the Covered Bonds on the Original Due for Payment Dates and, if applicable, the Extended Due for Payment Date.

4.4 *Accrual of interest*

Interest (if any) will cease to accrue on each Covered Bond (or in the case of the redemption of part only of a Covered Bond, that part only of such Covered Bond) on the due date for redemption thereof unless, upon due presentation thereof (where presentation is so required) payment of principal is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event, interest will continue to accrue at the Rate of Interest in the manner provided in this Condition 4 to (but excluding) the Relevant Date (as defined in Condition 7 (*Taxation*)).

4.5 *Business Day, Business Day Convention, Day Count Fractions and other adjustments*

(a) In these Terms and Conditions, **Business Day** means:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and

(ii) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency or (B) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System or any successor thereto (the **T2**) is open.

(b) 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:

(i) in any case where Specified Periods are specified in accordance with Condition 4.2(a)(ii) (*Interest on Floating Rate Covered Bonds*), the **Floating Rate Convention**, such Interest Payment Date (1) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (II) below shall apply *mutatis mutandis*, or (2) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (I) such Interest Payment Date shall be brought forward to the immediately preceding Business Day, and (II) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

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

(iii) the **Modified Following Business Day Convention**, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into

the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

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

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

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

(A) in the case of Covered Bonds where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period (as defined in Condition 4.5(d)) during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(B) in the case of Covered Bonds where the Accrual Period is longer than one Determination Period, the sum of (I) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and (II) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;

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

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

(iv) 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;

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 and D2 will be 30; or

(ix) such other Day Count Fraction as may be specified in the applicable Final Terms.

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

(e) **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

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

(g) If **adjusted** is specified in the applicable Final Terms against the Day Count Fraction, interest in respect of the relevant Interest Period shall be payable in arrear on the relevant Interest Payment Date and calculated from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date, as each such Interest Payment Date shall, where applicable, be adjusted in accordance with the Business Day Convention.

(h) If **not adjusted** is specified in the applicable Final Terms against the Day Count Fraction, interest in respect of the relevant Interest Period shall be payable in arrear on the relevant Interest Payment Date and calculated from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date, but such Interest Payment Dates shall not be adjusted in accordance with any Business Day Convention.

(i) **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.

4.6 *Other Calculations*

Provisions relating to the determination, calculation and/or notification of any Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount shall be set out in Condition 6 (*Redemption and Purchase*).

5. Payments

5.1 *Method of payment*

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency; and

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

In the case of Bearer Covered Bonds, payments in U.S. Dollars will be made by transfer to a U.S. Dollar account maintained by the payee with a bank outside of the United States (which expression, as used in this Condition 5, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)), or by cheque drawn on a United States bank. In no event will payment in respect

of Bearer Covered Bonds be made by a cheque mailed to an address in the United States. All payments of interest in respect of Bearer Covered Bonds will be made to accounts located outside the United States except as may be permitted by United States tax law in effect at the time of such payment without detriment to the Issuer.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in any jurisdiction but without prejudice to the provisions of Condition 7 (*Taxation*), and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof or any law implementing an intergovernmental approach thereto. References to Specified Currency will include any successor currency under applicable law.

5.2 *Presentation of Bearer Definitive Covered Bonds, Receipts and Coupons*

Payments of principal and interest (if any) will (subject as provided below) be made in accordance with Condition 5.1 (*Method of payment*) only against presentation and surrender of Bearer Definitive Covered Bonds, Receipts or Coupons (or, in the case of part payment of any sum due, endorsement of the Bearer Definitive Covered Bond (or Coupon)), as the case may be, only at a specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments (if any) of principal other than the final instalment, will (subject as provided below) be made in accordance with Condition 5.1 (*Method of payment*) only against presentation and surrender (or, in the case of part of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in accordance with Condition 5.1 (*Method of payment*) only against presentation or surrender (or, in the case of part of any sum due, endorsement) of the Definitive Covered Bond in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Bearer Definitive Covered Bond to which it appertains. If any Bearer Definitive Covered Bond is redeemed or becomes repayable prior to the stated maturity thereof, principal will be payable in accordance with Condition 5.1 (*Method of payment*) only against presentation and surrender (or, in the case of part payment of any sum, endorsement) of such Bearer Definitive Covered Bond together with all unmatured Receipts appertaining thereto. Receipts presented without the Bearer Definitive Covered Bond to which they appertain and unmatured Receipts do not constitute valid obligations of the Issuer or the LLP. On the date on which any Bearer Definitive Covered Bond becomes due and payable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect of them.

Fixed Rate Covered Bonds in definitive bearer form (other than Long Maturity Covered Bonds) (as defined below) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall include Coupons falling to be issued on exchange of matured Talons), failing which an amount equal to the face value of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due but in no event thereafter.

Upon amounts in respect of any Fixed Rate Covered Bond in definitive bearer form becoming due and repayable by the Issuer (in the absence of a Notice to Pay or an LLP Acceleration Notice) or by the LLP under the Covered Bond Guarantee (if a Notice to Pay or an LLP Acceleration Notice has been served) prior to its Final Maturity Date (or, as the case may be,

Extended Due for Payment Date), all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the due date for redemption of any Floating Rate Covered Bond or Long Maturity Covered Bond in definitive bearer form, all unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Covered Bond** is a Fixed Rate Covered Bond (other than a Fixed Rate Covered Bond which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Covered Bond shall cease to be a Long Maturity Covered Bond on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the Principal Amount Outstanding of such Covered Bond.

If the due date for redemption of any Bearer Definitive Covered Bond is not an Interest Payment Date, interest (if any) accrued in respect of such Covered Bond from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against presentation and surrender of the relevant Bearer Definitive Covered Bond.

5.3 *Payments in respect of Bearer Global Covered Bonds*

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

No payments of principal, interest or other amounts due in respect of a Bearer Global Covered Bond will be made by mail to an address in the United States or by transfer to an account maintained in the United States.

5.4 *Payments in respect of Registered Covered Bonds*

Payments of interest and payments of principal (other than the final instalment) in respect of each Registered Covered Bond (whether or not in global form) will be made in accordance with Condition 5.1 (*Method of payment*) by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Covered Bond appearing in the register of holders of the Registered Covered Bonds maintained by the Registrar (the **Register**) (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date and (ii) where in definitive form at the close of business on the fifteenth 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 (the **Record Date**).

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.

Notwithstanding the previous sentences, if (i) a holder does not have a Designated Account, or (ii) the principal amount of the Covered Bonds held by a holder is less than U.S.$250,000 (or

its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, **Designated Account** means the account (which, in the case of a payment in Yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.

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 5.4 arriving after the due date for payment or being lost in the post.

No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Covered Bonds.

None of the Issuer, the LLP, the Bond Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

5.5 *General provisions applicable to payments*

The holder of a Global Covered Bond (or, as provided in the Trust Deed, the Bond Trustee) shall be the only person entitled to receive payments in respect of Covered Bonds represented by such Global Covered Bond and the obligations of the Issuer or the LLP will be discharged by payment to, or to the order of, the holder of such Global Covered Bond (or the Bond Trustee, as the case may be) in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Covered Bonds represented by such Global Covered Bond must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or the LLP to, or to the order of, the holder of such Global Covered Bond (or the Bond Trustee, as the case may be). No person other than the holder of the relevant Global Covered Bond (or, as provided in the Trust Deed, the Bond Trustee) shall have any claim against the Issuer or the LLP in respect of any payments due on that Global Covered Bond.

Notwithstanding the foregoing provisions of this Condition 5.5, payments of principal and/or interest in respect of Bearer Covered Bonds in U.S. Dollars will only be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. Dollars at such specified offices outside the United States of the full amount of principal and/or interest on the Bearer Covered Bonds in the manner provided above when due;

(b) payment of the full amount of such principal and interest at such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. Dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the LLP, adverse tax consequences to the Issuer or the LLP.

5.6 *Payment Day*

If the date for payment of any amount in respect of any Covered Bond, Receipt or Coupon is not a Payment Day (as defined below), the holder thereof shall not be entitled to payment of

the relevant amount due until the next following Payment Day in the relevant place and shall not be entitled to any interest or other sum in respect of any such delay. In this Condition 5.6 (unless otherwise specified in the applicable Final Terms), **Payment Day** means any day which (subject to Condition 8 (*Prescription*)) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(i) in the case of Covered Bonds in definitive form only, the relevant place of presentation;

(ii) London; and

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

(b) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency or (2) in relation to any sum payable in euro, a day on which the T2 is open.

5.7 *Interpretation of principal and interest*

Any reference in these Terms and Conditions to principal in respect of the Covered Bonds shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 7 (*Taxation*) or under any undertakings or covenants given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;

(b) the Final Redemption Amount of the Covered Bonds;

(c) the Early Redemption Amount of the Covered Bonds but excluding any amount of interest referred to therein;

(d) the Optional Redemption Amount(s) (if any) of the Covered Bonds;

(e) in relation to Covered Bonds redeemable in instalments, the Instalment Amounts;

(f) in relation to Zero Coupon Covered Bonds, the Amortised Face Amount (as defined in Condition 6.7 (*Early Redemption Amounts*));

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

(h) any Excess Proceeds which may be payable by the Bond Trustee to the LLP in respect of the Covered Bonds.

Any reference in these Terms and Conditions to interest in respect of the Covered Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 (*Taxation*) or under any undertakings given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

5.8 *Definitions*

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

Calculation Amount has the meaning given in the applicable Final Terms.

euro means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty.

Rate of Interest means the rate of interest payable from time to time in respect of Fixed Rate Covered Bonds and Floating Rate Covered Bonds, as determined in, or as determined in the manner specified in, the applicable Final Terms.

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

6. Redemption and Purchase

6.1 *Final redemption*

Unless previously redeemed or purchased and cancelled as specified below, each Covered Bond will be redeemed by the Issuer at its Final Redemption Amount in the relevant Specified Currency on the Final Maturity Date specified in the applicable Final Terms.

Without prejudice to Condition 9 (*Events of Default, Acceleration and Enforcement*), if an Extended Due for Payment Date is specified in the applicable Final Terms for a Series of Covered Bonds and the Issuer has failed to pay the Final Redemption Amount on the Final Maturity Date specified in the Final Terms (in each case after the expiry of the grace period set out in Condition 9.1 (*Issuer Events of Default*)) and following service of a Notice to Pay on the LLP by no later than the date falling one Business Day prior to the Extension Determination Date, the LLP has insufficient moneys available to apply under the Guarantee Priority of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of the relevant Series of Covered Bonds on the date falling on the earlier of (a) the date which falls two Business Days after service of a Notice to Pay on the LLP or, if later, the Final Maturity Date (in each case after the expiry of the grace period set out in Condition 9.2 (*LLP Events of Default*) and (b) the Extension Determination Date, under the Covered Bond Guarantee, then (subject as provided below) payment of the unpaid portion of the Final Redemption Amount by the LLP under the Covered Bond Guarantee shall be deferred until the Extended Due for Payment Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the earlier of (a) and (b) above will be paid by the LLP to the extent it has sufficient moneys available under the Guarantee Priority of Payments on any Interest Payment Date thereafter up to (and including) the relevant Extended Due for Payment Date.

The LLP shall notify the relevant Covered Bondholders (in accordance with Condition 13 (*Notices*)), the Rating Agency, the Bond Trustee, the Security Trustee, the Principal Paying Agent and (in the case of Registered Covered Bonds) the Registrar as soon as reasonably practicable and in any event at least one Business Day prior to the date specified in (a) or (b) of the preceding paragraph (as appropriate) of any inability of the LLP to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of a Series of Covered Bonds pursuant to the Covered Bond Guarantee. Any failure by the LLP to notify such parties shall not affect the validity or effectiveness of the extension nor shall any rights accrue to any of them by virtue thereof.

In the circumstances outlined above, the LLP shall on the earlier of (a) the date falling two Business Days after service of a Notice to Pay or, if later, the Final Maturity Date (in each case after the expiry of the grace period set out in Condition 9.2 (*LLP Events of Default*), 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 corresponding part of Scheduled Interest in respect of each such Covered Bond on such date. The obligation of the LLP to pay any amounts in respect of the balance of the Final Redemption Amount not so paid shall be deferred as described above. Such failure to pay by the LLP shall not constitute an LLP Event of Default.

Any discharge of the obligations of the Issuer as the result of the payment of Excess Proceeds to the Bond Trustee shall be disregarded for the purposes of determining the liabilities of the LLP under the Covered Bond Guarantee in connection with this Condition 6.1.

6.2 *Redemption for taxation reasons*

The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time (if the relevant Covered Bond is a Fixed Rate Covered Bond or a non-interest-bearing Covered Bond) or on any Interest Payment Date (if the relevant Covered Bond is a Floating Rate Covered Bond or any other interest bearing Covered Bond other than a Fixed Rate Covered Bond), on giving not less than 30 nor more than 60 days' notice to the Bond Trustee and, in accordance with Condition 13 (*Notices*), the Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Bond Trustee immediately before the giving of such notice that on the occasion of the next date for payment of interest on the relevant Covered Bonds, that the Issuer is or would be required to pay additional amounts as provided or referred to in Condition 7 (*Taxation*). Covered Bonds redeemed pursuant to this Condition 6.2 will be redeemed at their Early Redemption Amount referred to in Condition 6.7 (*Early Redemption Amounts*) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

6.3 *Redemption at the option of the Issuer (Issuer Call)*

Subject to Condition 6.4 (*Redemption at the option of the Covered Bondholders (Investor Put)*), if an Issuer Call is specified in the applicable Final Terms, the Issuer may, having given not less than five nor more than 30 days' notice (or such other period of notice as may be specified in the applicable Final Terms) to the Bond Trustee, the Principal Paying Agent, the Registrar (in the case of the redemption of Registered Covered Bonds) and, in accordance with Condition 13 (*Notices*), the Covered Bondholders (which notice shall be irrevocable) redeem all or some only of the Covered Bonds then outstanding on any Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date(s). The Issuer shall be bound to redeem the Covered Bonds on the date specified in the notice. In the event of a redemption of some only of the Covered Bonds, such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount (if any) as specified in the applicable Final Terms. In the case of a partial redemption of Covered Bonds, the Covered Bonds to be redeemed (the **Redeemed Covered Bonds**) will be selected individually by lot, in the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Covered Bonds represented by a Global Covered Bond, in each case, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, a list of the serial numbers of such Redeemed Covered Bonds will be published in accordance with Condition 13 (*Notices*) not less than 15 days (or such shorter period as may be specified in the applicable Final Terms) prior to the date fixed for redemption. 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 6.3 and notice to that effect shall be given by the Issuer to the Covered Bondholders in accordance with Condition 13 (*Notices*) at least five days (or such shorter period as is specified in the applicable Final Terms) prior to the Selection Date.

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

If Investor Put is specified as being applicable in the Final Terms (the **Investor Put**), then if and to the extent specified in the applicable Final Terms, upon the holder of this Covered Bond giving to the Issuer, in accordance with Condition 13 (*Notices*), not less than 15 nor more than 30 days' (or such other notice period specified in the applicable Final Terms) notice (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice provided that the Cash Manager has notified the Bond Trustee in writing that there will be sufficient funds available to pay any termination payment due to the relevant Covered Bond Swap Provider(s), redeem subject to, and in accordance with, the terms specified in the applicable Final Terms in

whole (but not in part) such Covered Bond on the Optional Redemption Date and at the relevant Optional Redemption Amount as specified in, or determined in the manner specified in, the applicable Final Terms, together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied and, where relevant, the provisions will be set out in the applicable Final Terms.

If the relevant Covered Bond is in definitive form, to exercise the right to require redemption of this Covered Bond, the holder of the relevant Covered Bond must (in the case of Bearer Covered Bonds) deliver such Covered Bond (together with all unmatured Receipts and Coupons and unexchanged Talons), on any Business Day falling within the above-mentioned notice period at the specified office of any Paying Agent, accompanied by a duly signed and completed notice of exercise of the Investor Put in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) within the notice period and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition 6.4. In the case of Registered Covered Bonds, the holder of the Covered Bond must deliver the certificate representing such Covered Bond to the Registrar or any Transfer Agent at its specified office, together with a duly signed and completed Put Notice in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the above-mentioned notice period. No Covered Bond or certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

6.5 *Redemption due to illegality or invalidity*

(a) The Covered Bonds of all Series may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bond Trustee, the Principal Paying Agent, the Registrar (if applicable) and, in accordance with Condition 13 (*Notices*), all Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Bond Trustee immediately before the giving of such notice that it has, or will, before the next Interest Payment Date of any Covered Bond of any Series, become unlawful for the Issuer to make, fund or allow to remain outstanding any Term Advance made by it to the LLP under 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.

(b) Covered Bonds redeemed pursuant to Condition 6.5(a) above will be redeemed at their Early Redemption Amount referred to in Condition 6.7 (*Early Redemption Amounts*) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

6.6 *General*

Prior to the publication of any notice of redemption pursuant to Condition 6.2 (*Redemption for taxation reasons*) or 6.5(a) (*Redemption due to illegality or invalidity*), the Issuer shall deliver to the Bond Trustee a certificate signed by two Directors stating that the Issuer is entitled or required to effect such redemption in accordance with Condition 6.2 (*Redemption for taxation reasons*) or 6.5(a) (*Redemption due to illegality or invalidity*) and the Bond Trustee shall be entitled to accept the certificate as sufficient evidence of the Issuer's rights or obligation (as applicable) under Conditions 6.2 (*Redemption for taxation reasons*) or 6.5(a) (*Redemption due to illegality or invalidity*) in which event it shall be conclusive and binding on all Covered Bondholders, Receiptholders and Couponholders.

6.7 *Early Redemption Amounts*

For the purpose of Conditions 6.2 (*Redemption for taxation reasons*) and 6.5(a) (*Redemption due to illegality or invalidity*) and Condition 9 (*Events of Default, Acceleration and Enforcement*), each Covered Bond will be redeemed (unless otherwise stated in the applicable Final Terms) at its Early Redemption Amount calculated as follows:

(a) in the case of a Covered Bond other than a Zero Coupon Covered Bond (but including an Instalment Covered Bond), at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its Principal Amount Outstanding, together with interest accrued to (but excluding) the date fixed for redemption; and

(b) in the case of a Zero Coupon Covered Bond, at an amount (the **Amortised Face Amount**) equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date of the first Tranche of the Covered Bonds to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Covered Bond becomes due and repayable.

Where such calculation in paragraph (b) above is to be made for a period which is not a whole number of years, it shall be made (A) in the case of a Zero Coupon Covered Bond payable in a Specified Currency other than euro, on the basis of a 360-day year consisting of 12 months of 30 days each, or (B) in the case of a Zero Coupon Covered Bond payable in euro, on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed falls in a leap year, the sum of (x) the number of those days falling in a leap year divided by 366 and (y) the number of those days falling in a non-leap year divided by 365).

6.8 *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 6.7 (*Early Redemption Amounts*).

6.9 *Purchases*

The Issuer or any of its subsidiaries (including the LLP), or any holding company of the Issuer or any other subsidiary of any such holding company 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 the Covered Bondholders alike. Such Covered Bonds may be held, reissued, resold or, at the option of the Issuer or the relevant subsidiary, surrendered to any Paying Agent and/or the Registrar for cancellation (except that any Covered Bonds purchased or otherwise acquired by the LLP must immediately be surrendered to any Paying Agent and/or the Registrar for cancellation).

6.10 *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 6.9 (*Purchases*) and cancelled (together with, in the case of Bearer Definitive Covered Bonds, all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

6.11 *Taxes*

The Issuer has undertaken in the Trust Deed to pay United Kingdom stamp and other duties or taxes (if any) on or in connection with the execution of the Trust Deed and United Kingdom, Belgian and Luxembourg stamp and other duties or taxes (if any) payable on or in connection with the constitution and original issue of any Covered Bonds and the Definitive Covered Bonds and the Receipts and the Coupons and stamp and other duties or taxes (if any) payable in the United Kingdom (but not elsewhere) solely by virtue of and in connection with any action

properly taken by the Bond Trustee (or any Covered Bondholder, Couponholder, Receiptholder or holder of Talons where permitted to do so under the Trust Deed) to enforce the provisions of the Covered Bonds, Receipts, Coupons, Talons or the Trust Deed, save that the Issuer shall not be liable to pay any such stamp or other duties or taxes to the extent that the obligation arises or the amount payable is increased by reason of the holder at the relevant time unreasonably delaying in producing any relevant document for stamping or similar process. Subject as aforesaid, the Issuer will not be otherwise responsible for stamp or other duties or taxes otherwise imposed and in particular (but without prejudice to the generality of the foregoing) for any penalties arising on account of late payment where due by the holder at the relevant time. Any such stamp or other duties or taxes that might be imposed upon or in respect of Covered Bonds in global or definitive form or the Receipts, Coupons or Talons (in each case other than as aforesaid) shall be the liability of the relevant holders thereof.

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 or other charges of whatsoever nature imposed or levied by or on behalf of the UK or any authority thereof or therein having power to tax, unless such withholding or deduction of such taxes, duties or other charges is required by law. In the event that any such withholding or deduction is required from a payment by, or on behalf of, the Issuer, the Issuer will pay such additional amounts of principal and interest as will result (after such withholding or deduction) in receipts by the holders of the Covered Bonds, Receipts or Coupons of the sums which would otherwise have been receivable in respect of the Covered Bonds, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Covered Bond, Receipt or Coupon:

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

(b) presented for payment by or on behalf of a holder who 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

(c) the holder of which is liable for such taxes, duties or other 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

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

(e) presented for payment by, or on behalf of a holder that is a partnership or a holder that is not the sole beneficial owner of the Covered Bond, Receipt or Coupon, or which holds the Covered Bond, Receipt or Coupon in a fiduciary capacity, to the extent that any of the members of the partnership, the beneficial owner or the settlor or beneficiary with respect to the fiduciary would not have been entitled to the payment of an additional amount had each of the members of the partnership, the beneficial owner, settlor or beneficiary (as the case may be) received directly his beneficial or distributive share of the payment.

As used herein, the **Relevant Date** means the date on which payment in respect of the Covered Bond, Receipt or Coupon first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Principal Paying Agent or the Bond Trustee on or prior to such date, the **Relevant Date** shall be the date on which such moneys shall have

been so received and notice to that effect has been given to Covered Bondholders in accordance with Condition 13 (*Notices*).

If any payments made by the LLP under the Covered Bond Guarantee are or become subject to any withholding or deduction on account of any taxes, duties or other charges of whatever nature imposed or levied by or on behalf of the United Kingdom or by any authority therein or thereof having power to tax, the LLP will not be obliged to pay any additional amounts as a consequence.

8. Prescription

The Covered Bonds (whether in bearer or registered form), 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*).

The Issuer shall be discharged from its obligation to pay principal on a Registered Covered Bond to the extent that the relevant Registered Covered Bond certificate has not been surrendered to the Registrar by, or a cheque which has been duly despatched in the Specified Currency remains uncashed at, the end of the period of 10 years from the Relevant Date for such payment.

The Issuer shall be discharged from its obligation to pay interest on a Registered Covered Bond to the extent that a cheque which has been duly dispatched in the Specified Currency remains uncashed at the end of the period of five years from the Relevant Date in respect of such payment.

There shall not be included in any Coupon sheet issued on exchange of a Talon, any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5 (*Payments*) or any Talon which would be void pursuant to Condition 5 (*Payments*).

9. Events of Default, Acceleration and Enforcement

9.1 *Issuer Events of Default*

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 20 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 9.1 means the Covered Bonds of this Series together with the Covered Bonds of all other Series (if any) constituted by the Trust Deed) then outstanding as if they were a single Series (with the Principal Amount Outstanding of Covered Bonds not denominated in Sterling converted into Sterling at the relevant Covered Bond Swap Rate) or if so directed by an Extraordinary Resolution of all the Covered Bondholders shall (subject in each case to being indemnified and/or secured and/or prefunded 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 (to the extent not included in the Early Redemption Amount) accrued interest as provided in the Trust Deed if any of the following events (each an **Issuer Event of Default**) shall occur and be continuing:

(a) if default is made by the Issuer for a period of 14 days or more in the payment of any interest or principal due in respect of the Covered Bonds;

(b) if the Issuer fails to perform or observe any of its other obligations under the Covered Bonds, Receipts or Coupons of any Series or the Trust Deed or any other Transaction Documents to which the Issuer is a party (other than the Programme Agreement or any subscription agreement (a **Subscription Agreement**)), but excluding any obligation of the Issuer to comply with the Asset Coverage Test and (except where the Bond Trustee, in its absolute discretion, considers such failure to be incapable of remedy when no

such continuation or notice as is hereinafter referred to will be required) such failure continues for the period of 30 days (or such longer period as the Bond Trustee may permit) following the service by the Bond Trustee on the Issuer of notice requiring the same to be remedied. For the avoidance of doubt, a breach by the Issuer of any of the representations or warranties provided under any of the Transaction Documents shall not constitute an Issuer Event of Default;

(c) if an order is made or an effective resolution is passed for the winding-up of the Issuer (otherwise than for the purposes of a reconstruction or amalgamation, on terms previously approved in writing by the Bond Trustee or by an Extraordinary Resolution of all the Covered Bondholders);

(d) if the Pre-Maturity Liquidity Test in respect of any Series of Hard Bullet Covered Bonds is breached during the Pre-Maturity Liquidity Test Breach Period, and the LLP has not cured the breach as described in the LLP Deed before the earlier to occur of:

(i) 10 Business Days from the date that the Seller, the LLP and the Bond Trustee are notified of the breach of the Pre-Maturity Liquidity Test; and

(ii) the Final Maturity Date of that Series of Hard Bullet Covered Bonds;

(e) if an Asset Coverage Test Breach Notice has been served and not revoked (in accordance with the terms of the Transaction Documents) on or before the third Calculation Date after service of such Asset Coverage Test Breach Notice; or

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

provided that any condition, event or act described in paragraph (b) above shall only constitute an Issuer Event of Default if the Bond Trustee shall have certified in writing to the Issuer and the LLP that such condition, event or act is, in its opinion, materially prejudicial to the interests of the Covered Bondholders of any Series and provided also that a breach of any obligation to provide notices, reports or other information under the RCB Regulations and/or Regulated Covered Bond Sourcebook (**RCB Sourcebook**) shall not be considered materially prejudicial to the interests of the Covered Bondholders by the Bond Trustee.

Upon the Covered Bonds becoming immediately due and payable against the Issuer pursuant to this Condition 9.1, the Bond Trustee shall forthwith serve a notice to pay (the **Notice to Pay**) on the LLP and the Issuer with a copy to the Principal Paying Agent pursuant to the Covered Bond Guarantee. If a Notice to Pay has been served, the LLP shall be required to make payments of Guaranteed Amounts when the same shall become Due for Payment in accordance with the terms of the Covered Bond Guarantee.

Following service of an Issuer Acceleration Notice, the Bond Trustee may or shall take such proceedings against the Issuer in accordance with the first paragraph of Condition 9.3 (*Enforcement*).

The Trust Deed provides that all moneys received by the Bond Trustee from the Issuer or any administrator, administrative receiver, receiver, liquidator or other similar official appointed in relation to the Issuer following service of an Issuer Acceleration Notice (the **Excess Proceeds**), shall be paid by the Bond Trustee on behalf of the Covered Bondholders of the relevant Series to the LLP for its own account, as soon as practicable, and shall be held by the LLP in the Transaction Accounts and the Excess Proceeds shall thereafter form part of the Security and shall be used by the LLP in the same manner as all other moneys from time to time standing to the credit of the Transaction Accounts pursuant to the Deed of Charge and the LLP Deed. Any

Excess Proceeds received by the Bond Trustee shall discharge *pro tanto* the obligations of the Issuer in respect of the payment of the amount of such Excess Proceeds under the Covered Bonds, Receipts and Coupons. However, the obligations of the LLP under the Covered Bond Guarantee are (following service of a Notice to Pay) unconditional and irrevocable and the receipt by the Bond Trustee of any Excess Proceeds shall not reduce or discharge any of such obligations. By subscribing for Covered Bond(s), each Covered Bondholder shall be deemed to have irrevocably directed the Bond Trustee to pay the Excess Proceeds to the LLP in the manner as described above.

9.2 *LLP Events of Default*

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 20 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds (which for this purpose and the purpose of any Extraordinary Resolution referred to in this Condition 9.2 means the Covered Bonds of this Series together with the Covered Bonds of all other Series (if any) constituted by the Trust Deed) then outstanding as if they were a single Series (with the Principal Amount Outstanding of Covered Bonds not denominated in Sterling converted into Sterling at the relevant Covered Bond Swap Rate) or if so directed by an Extraordinary Resolution of all the Covered Bondholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice (the **LLP Acceleration Notice**) in writing to the Issuer and the LLP, that (i) each Covered Bond of each Series is, and each Covered Bond of each Series shall as against the Issuer (if not already due and repayable against the Issuer following service of an Issuer Acceleration Notice), thereupon immediately become, due and repayable at its Early Redemption Amount together with (to the extent not already included in the Early Redemption Amount) accrued interest, and (ii) all amounts payable by the LLP under the Covered Bond Guarantee shall thereupon immediately become due and payable at the Guaranteed Amount corresponding to the Early Redemption Amount for each Covered Bond of each Series together with (to the extent not already included in the Early Redemption Amount) accrued interest, in each case as provided in the Trust Deed and thereafter the Security shall become enforceable if any of the following events (each an **LLP Event of Default**) shall occur and be continuing:

(a) if default is made by the LLP for a period of seven days or more in the payment of any Guaranteed Amounts which are Due for Payment on the relevant Guaranteed Amounts Due Date in respect of the Covered Bonds of any Series except in the case of the payments of a Guaranteed Amount which is Due for Payment under Condition 6.1 (*Final redemption*) when the LLP shall be required to make payments of Guaranteed Amounts which are Due for Payment on the dates specified therein; or

(b) if default is made by the LLP in the performance or observance of any obligation, condition or provision binding on it (other than any obligation for the payment of Guaranteed Amounts in respect of the Covered Bonds of any Series) under the Trust Deed, the Deed of Charge or any other Transaction Document other than the Programme Agreement or any Subscription Agreement (other than the obligation to satisfy the Asset Coverage Test in accordance with Clause 11 of the LLP Deed) to which the LLP is a party and (except where such default is or the effects of such default are, in the opinion of the Bond Trustee, acting in its absolute discretion, not capable of remedy when no such continuation and notice as is hereinafter mentioned will be required), such default continues for 30 days (or such longer period as the Bond Trustee may permit) after written notice thereof has been given by the Bond Trustee to the LLP requiring the same to be remedied; or

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

(d) if the LLP ceases or threatens to cease to carry on its business or substantially the whole of its business; or

(e) if the LLP is unable, or admits inability, to pay its debts generally as they fall due or shall be adjudicated or found bankrupt or insolvent; or

(f) if proceedings are initiated against the LLP under any applicable liquidation, winding-up, insolvency, bankruptcy, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition or the filing of documents with a court or any registrar for its winding-up, administration or dissolution or the giving notice of the intention to appoint an administrator (whether out of court or otherwise)); or

(g) a receiver, administrator, trustee or other similar official shall be appointed (whether out of court or otherwise) in relation to the LLP or in relation to the whole or any part of its assets, or a distress, diligence or execution or other process shall be levied or enforced upon or sued out against the whole or any part of its assets, or if the LLP shall initiate or consent to judicial proceedings relating to itself under any applicable liquidation, winding-up, insolvency, bankruptcy, composition, reorganisation or other similar laws or shall make a conveyance, assignment or assignation for the benefit of, or shall enter into any composition with, its creditors generally; or

(h) if there is a failure to satisfy the Amortisation Test (as set out in the LLP Deed) on any Calculation Date following service of a Notice to Pay,

provided that any condition, event or act described in paragraph (b) above shall only constitute an LLP Event of Default if the Bond Trustee shall have certified in writing to the Issuer and the LLP that such condition, event or act is, in its opinion, materially prejudicial to the interests of the Covered Bondholders of any Series.

Following service of an LLP Acceleration Notice, each of the Bond Trustee and the Security Trustee may or shall take such proceedings or steps in accordance with the first and second paragraphs, respectively, of Condition 9.3 (*Enforcement*).

Upon service of an LLP Acceleration Notice, the Covered Bondholders shall have a claim against the LLP, under the Covered Bond Guarantee, for an amount equal to the Early Redemption Amount in respect of each Covered Bond together with (to the extent not included in the Early Redemption Amount) accrued interest and any other amount due under such Covered Bonds (other than additional amounts payable under Condition 7 (*Taxation*)) as provided in the Trust Deed.

9.3 *Enforcement*

The Bond Trustee may at any time after service of an Issuer Acceleration Notice (in the case of the Issuer) and a Notice to Pay on the LLP or an LLP Acceleration Notice (in the case of the LLP), at its discretion and without further notice, take such proceedings against the Issuer or the LLP, as the case may be, and/or any other person as it may think fit to enforce the provisions of the Trust Deed, the Covered Bonds, the Receipts, the Coupons or any other Transaction Document to which it is a party, but it shall not be bound to take any such enforcement proceedings in relation to the Trust Deed, the Covered Bonds, the Receipts, the Coupons or any other Transaction Document unless (i) it shall have been so directed by an Extraordinary Resolution of all the Covered Bondholders of all Series (with the Covered Bonds of all Series taken together as a single Series as aforesaid) or so requested in writing by the holders of not less than 20 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (taken together as a single Series and (where appropriate) converted into Sterling at the relevant Covered Bond Swap Rate as aforesaid) and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

In exercising any of its powers, trusts, authorities and discretions under this Condition 9 the Bond Trustee shall only have regard to the interests of the Covered Bondholders of all Series together as a single Series and shall not have regard to the interests of any other Secured Creditors.

The Security Trustee may at any time after the Security has become enforceable, at its discretion and without further notice, take such proceedings against the LLP and/or any other person as it may think fit to enforce the provisions of the Deed of Charge or any other Transaction Document in accordance with its terms and take such proceedings or steps as it may think fit to enforce the Security, but it shall not be bound to take any such proceedings or steps unless (i) it shall have been so directed by an Extraordinary Resolution of all the Covered Bondholders of all Series (with the Covered Bonds of all Series taken together as a single Series as aforesaid) or so requested in writing by the holders of not less than 20 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (taken together and (where appropriate) converted into Sterling at the relevant Covered Bond Swap Rate as aforesaid), and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. In exercising any of its powers, trusts, authorities and discretions under this paragraph the Security Trustee shall only have regard to the interests of the Covered Bondholders of all Series together as a single Series and shall not have regard to the interests of any other Secured Creditors.

No Covered Bondholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer or the LLP or to take any action with respect to the Trust Deed, the Deed of Charge, any other Transaction Document, the Covered Bonds, the Receipts, the Coupons or the Security unless the Bond Trustee or the Security Trustee, as applicable, having become bound so to proceed, fails so to do within a reasonable period and such failure shall be continuing. For the avoidance of doubt, no Covered Bondholder, Receiptholder or Couponholder shall be entitled to proceed if the Bond Trustee or the Security Trustee, as the case may be, has notified the Covered Bondholder, the Receiptholder or Couponholder that it is considering whether or not to take the relevant action.

10. Replacement of Covered Bonds, Receipts, Coupons and Talons

If any Covered Bond, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent in London (in the case of Bearer Covered Bonds, Receipts or Coupons) or the Registrar (in the case of Registered Covered Bonds), or any other place approved by the Bond Trustee of which notice shall have been given to the Covered Bondholders in accordance with Condition 13 (*Notices*) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia,* that if the allegedly lost, stolen, mutilated, defaced or destroyed Covered Bond, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Covered Bond, Receipt, Coupon or Talon or further Coupon) and otherwise as the Issuer may require. Mutilated or defaced Covered Bonds, Receipts, Coupons or Talons must be surrendered before replacements will be issued. In addition, the Issuer may require the person requesting delivery of a replacement Covered Bond, Receipt, Coupon or Talon to pay, prior to delivery of such replacement Covered Bond, Receipt, Coupon or Talon, any stamp or other tax or governmental charges required to be paid in connection with such replacement. No replacement Covered Bond shall be issued having attached thereto any Receipt, Coupon or Talon, claims in respect of which shall have become void pursuant to Condition 8 (*Prescription*).

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

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

The Issuer is entitled, with the prior written approval of the Bond Trustee, to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

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

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

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

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in the United States in the circumstances described in Condition 5.5 (*General provisions applicable to payments*). Any such variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice shall have been given to the Covered Bondholders in accordance with Condition 13 (*Notices*).

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the LLP and, in certain circumstances specified therein, of the Bond Trustee and do not assume any obligation to, or relationship of agency or trust with, any Covered Bondholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

12. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Bearer Covered Bond to which it appertains) a further Talon, subject to the provisions of Condition 8 (*Prescription*).

Where:

(a) a Talon (the **relevant Talon**) has become prescribed in accordance with Condition 8 (*Prescription*); and

(b) the Covered Bond to which the relevant Talon pertains has not become void through prescription; and

(c) no Coupon sheet (or part thereof, being (a) Coupon(s) and/or a Talon, hereinafter called a **part Coupon sheet**), which Coupon sheet would have been exchangeable for the relevant Talon or for any subsequent Talon bearing the same serial number pertaining to such Covered Bond, has been issued; and

(d) either no replacement Coupon sheet or part Coupon sheet has been issued in respect of any Coupon sheet or part Coupon sheet referred to in paragraph (c) above or, in the reasonable opinion of the Issuer, there is no reasonable likelihood that any such replacement has been issued,

then upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity or security as the Issuer may reasonably require there may be obtained at the specified office of the Paying Agent (or such other place of which notice shall be given in accordance with Condition 13 (*Notices*)), a Coupon sheet or Coupon sheets or part Coupon sheet(s), as the circumstances may require, issued:

(i) in the case of a Covered Bond that has become due for redemption (x) without any Coupon itself prescribed in accordance with Condition 8 (*Prescription*) or the Relevant

Date for payment of which would fall after the Relevant Date for the redemption of the relevant Covered Bond, and (y) without any Talon or Talons, as the case may be; or

(ii) in any other case, without any Coupon or Talon itself prescribed in accordance with Condition 8 (*Prescription*) and without any Talon pertaining to a Coupon sheet the Relevant Date of the final Coupon of which falls on or prior to the date when the Coupon sheet(s) or part Coupon sheet(s) is (are) delivered to or to the order of the claimant, but in no event shall any Coupon sheet be issued the original due date for exchange of which falls after the date of delivery of such Coupon sheet(s) as aforesaid.

For the avoidance of doubt, the provisions of this Condition 12 shall not give, or revive, any rights in respect of any Talon that has become prescribed in accordance with Condition 8 (*Prescription*).

13. Notices

All notices regarding the Bearer Covered Bonds will be valid if published in one leading English language daily newspaper of general circulation in London (expected to be the *Financial Times*) or any other daily newspaper in London approved by the Bond Trustee. The Issuer or, in the case of a notice given by the Bond Trustee or the Security Trustee, the Bond Trustee or the Security Trustee (as the case may be) shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the Bearer Covered Bonds are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers or where published in such newspapers on different dates, the last date of such first publication. If publication as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Bond Trustee shall approve.

All notices regarding the Registered Covered Bonds will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Covered Bonds are listed, quoted or traded on a stock exchange or are admitted to listing or trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice will be deemed to have been given on the date of such publication. If the giving of notice as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Bond Trustee shall approve.

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

Notices to be given by any Covered Bondholder shall be in writing and given by lodging the same, together (in the case of any Covered Bond in definitive form) with the relevant Covered Bond or Covered Bonds, with the Principal Paying Agent (in the case of Bearer Covered Bonds) or the Registrar (in the case of Registered Covered Bonds). Whilst any of the Covered Bonds

are represented by a Global Covered Bond, such notice may be given by any holder of a Covered Bond to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

14. Meetings of Covered Bondholders, Modification and Waiver

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

14.1 *Meetings of Covered Bondholders*

The Trust Deed contains provisions for convening meetings of the Covered Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of modifications to these Terms and Conditions or the provisions of the Covered Bonds, the Receipts, the Coupons, the Trust Deed or any of the other Transaction Documents.

Such a meeting for the passing of a Programme Resolution which is not for the purpose of directing the Bond Trustee to accelerate the Covered Bonds or to take enforcement action pursuant to Condition 9 (*Events of Default, Acceleration and Enforcement*) may be convened by the Issuer, the LLP or the Bond Trustee and shall be convened by the Issuer at the request in writing of Covered Bondholders holding not less than 10 per cent. of the Principal Amount Outstanding of the Covered Bonds for the time being outstanding. In relation to a meeting for the passing of a Programme Resolution which is for the purpose of directing the Bond Trustee to accelerate the Covered Bonds or to take enforcement action pursuant to Condition 9 (*Events of Default, Acceleration and Enforcement*), the Covered Bondholders of all Series (with the Covered Bonds of all Series taken together as a single Series) may at any time and the Issuer shall upon a requisition in writing in the English language signed by the holders of not less than 20 per cent. of the Principal Amount Outstanding of the Covered Bonds for the time being outstanding convene a meeting of the Covered Bondholders. The quorum at any such meeting in respect of Covered Bonds of any Series for the transaction of business other than the passing of an Extraordinary Resolution or a Programme Resolution is one or more persons holding or representing in the aggregate not less than one-twentieth of the Principal Amount Outstanding of the Covered Bonds of such Series for the time outstanding. The quorum at any such meeting in respect of any Covered Bonds of any Series for passing an Extraordinary Resolution or Programme Resolution is one or more persons holding or representing in the aggregate a clear majority of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any adjourned meeting one or more persons being or representing Covered Bondholders of such Series whatever the Principal Amount Outstanding of the Covered Bonds of such Series so held or represented, except that at any meeting the business of which includes the modification of any Series Reserved Matter, the quorum shall be one or more persons holding or representing not less than two-thirds of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Covered Bondholders of a Series shall, subject as provided below, be binding on all the Covered Bondholders of such Series, whether or not they are present at the meeting, and on all Receiptholders and Couponholders in respect of such Series of Covered Bonds. Any Series Reserved Matter shall only be capable of being effected after having been approved by an Extraordinary Resolution.

A resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in Principal Amount Outstanding of the Covered Bonds of a Series shall take effect as an

Extraordinary Resolution of the holders of the Covered Bonds of such Series. If and whenever the Issuer shall have issued and have outstanding Covered Bonds of more than one Series the above provisions shall have effect subject to the following modifications:

(a) a resolution which in the opinion of the Bond Trustee affects the interests of the holders of the Covered Bonds of only one Series shall be deemed to have been duly passed if passed at a separate meeting of the holders of the Covered Bonds of that Series;

(b) a resolution which in the opinion of the Bond Trustee affects the interests of the holders of the Covered Bonds of more than one Series but does not give rise to a conflict of interest between the holders of Covered Bonds of any of the Series so affected shall be deemed to have been duly passed if passed at a single meeting of the holders of the Covered Bonds of all the Series so affected; and

(c) a resolution which in the opinion of the Bond Trustee affects the interests of the holders of the Covered Bonds of more than one Series and gives or may give rise to a conflict of interest between the holders of the Covered Bonds of one Series or group of Series so affected and the holders of the Covered Bonds of another Series or group of Series so affected shall be deemed to have been duly passed only if passed at separate meetings of the holders of the Covered Bonds of each Series or group of Series so affected,

and the above provisions concerning quorum and voting shall apply *mutatis mutandis* to such meeting or meetings.

Notwithstanding the provisions of the immediately preceding paragraph, any Extraordinary Resolution (A) (i) to direct the Bond Trustee to accelerate the Covered Bonds pursuant to Condition 9 (*Events of Default, Acceleration and Enforcement*); (ii) to direct the Bond Trustee or the Security Trustee to take any enforcement action pursuant to Condition 9 (*Events of Default, Acceleration and Enforcement*); or (iii) to direct the Bond Trustee to make any such determination as is referred to in Clause 20.1(b)(B) of the Trust Deed or (B) in relation to the appointment of a new Bond Trustee or Security Trustee or the removal of the Bond Trustee or Security Trustee (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 (with the Covered Bonds of all Series taken together as a single Series as provided in Clause 2.8 (*Separate Series*) of the Trust Deed and, if applicable, converted into Sterling at the relevant Covered Bond Swap Rate). Any such meeting to consider a Programme Resolution may be convened by the Issuer, the LLP or the Bond Trustee or by Covered Bondholders, holding at least 20 per cent. of the Principal Amount Outstanding of the Covered Bonds of all Series then outstanding. The quorum at any such meeting for passing a Programme Resolution is one or more persons holding or representing at least a clear majority of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing Covered Bonds of any Series whatever the Principal Amount Outstanding of the Covered Bonds of such Series so held or represented. A Programme Resolution passed at any meeting of the Covered Bondholders of all Series shall be binding on all Covered Bondholders of all Series, whether or not they are present at the meeting, and on all related Receiptholders and Couponholders in respect of such Covered Bonds.

In connection with any meeting or request in writing or written resolution of the holders of Covered Bonds of more than one Series where such Covered Bonds are not denominated in Sterling, the Principal Amount Outstanding of the Covered Bonds of any Series not denominated in Sterling shall be converted into Sterling at the relevant Covered Bond Swap Rate.

The Trust Deed and the Deed of Charge contain similar provisions to those described above in relation to requests in writing from Covered Bondholders upon which the Bond Trustee or, as the case may be, the Security Trustee is bound to act (including in relation to the matters

described in Conditions 9 (*Events of Default, Acceleration and Enforcement*), 9.2 (*LLP Events of Default*), 9.3 (*Enforcement*) and 14.2 (*Modifications and Waivers*)).

14.2 *Modifications and Waivers*

The Bond Trustee and the Security Trustee may in the case of paragraphs (a) and (b) below, and the Bond Trustee and the Security Trustee shall in the case of paragraphs (c) to (n) below, agree and the LLP and the Issuer may also agree, without the consent of the Covered Bondholders, Receiptholders or Couponholders of any Series and without the consent of the other Secured Creditors other than any Secured Creditor that is party to the relevant documents provided that any such modification does not relate to a Series Reserved Matter:

(a) to any modification of the trust presents, the terms and conditions applying to Covered Bonds of one or more Series (including these Terms and Conditions), the related Receipts and/or Coupons or any Transaction Document provided that in the opinion of the Bond Trustee such modification is not materially prejudicial to the interests of any of the Covered Bondholders of any Series; or

(b) to any modification of the trust presents, terms and conditions applying to Covered Bonds of any one or more Series (including these Terms and Conditions), the related Receipts and/or Coupons or any Transaction Document which is in the opinion of the Bond Trustee or the Security Trustee (as the case may be) of a formal, minor or technical nature, is to correct a manifest error or is to comply with mandatory provisions of law; or

(c) subject to receipt by the Bond Trustee and the Security Trustee of a certificate of the Issuer or the LLP certifying to the Bond Trustee and the Security Trustee that the requested amendments are to be made solely for the purpose of enabling the Issuer or the LLP to satisfy the relevant requirements, to any modifications of the terms and conditions applying to Covered Bonds of any one or more Series (including these Terms and Conditions), the related Receipts and/or Coupons or any Transaction Document as requested by the Issuer and/or the LLP in order to enable the Issuer and/or the LLP to comply with any requirements which apply to it under (i) Regulation (EU) 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories as it forms part of UK domestic law by virtue of the EUWA (**UK EMIR**) and/or (ii) Regulation (EU) 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (**EU EMIR**), as applicable, in accordance with the terms of the Trust Deed, and the Covered Bondholder shall be deemed to have instructed the Bond Trustee and the Security Trustee to consider such amendments to the Transaction Documents and/or these Terms and Conditions to be not materially prejudicial for the purposes of making a determination under Clause 23 of the Deed of Charge; or

(d) to any modification for the purpose of allowing the Issuer to maintain compliance with the RCB Regulations in respect of the Programme and the Covered Bonds provided that the Issuer and the LLP certify to the Bond Trustee and to the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or

(e) to the partial termination of any Covered Bond Swap following the redemption in part or cancellation in part of the related Series of Covered Bonds (for the avoidance of doubt, if there is more than one Covered Bond Swap in place in relation to such Series of Covered Bonds, each such Covered Bond Swap may be partially terminated in any amount as determined by the LLP) provided that the Issuer and the LLP certify to the Bond Trustee and the Security Trustee that following such partial termination (or partial terminations, as the case may be) the LLP remains adequately hedged in relation to such Series of Covered Bonds and provided further that the Issuer and the LLP have

certified to the Bond Trustee and the Security Trustee that such partial termination (or partial terminations, as the case may be) will not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Series of Covered Bonds by the Rating Agency or (y) the Rating Agency placing any Covered Bonds on rating watch negative (or equivalent); or

(f) to any modifications to a Cover Pool Swap Agreement or (if the relevant Covered Bond Swap Agreement so provides) a Covered Bond Swap Agreement requested by the LLP or the relevant Cover Pool Swap Provider or Covered Bond Swap Provider, as applicable, for the purpose of complying with, or implementing or reflecting updated criteria of one or more Rating Agencies which may be published after 24 February 2017 (the **New Rating Criteria**) and the Bond Trustee shall be obliged to concur in and to effect, and to direct the Security Trustee to concur in and to effect, any modifications to a Cover Pool Swap Agreement or a Covered Bond Swap Agreement that are requested by the LLP or a relevant Cover Pool Swap Provider or Covered Bond Swap Provider, as applicable, to modify the relevant Cover Pool Swap Agreement or Covered Bond Swap Agreement to reflect the New Rating Criteria, provided (i) that the conditions precedent to the making of such amendments as set out in the relevant Cover Pool Swap Agreement or a Covered Bond Swap Agreement have been satisfied immediately prior to the date on which it is proposed that the amendments are effected and (ii) the Issuer and the LLP certify in writing to the Bond Trustee and the Security Trustee that such modification is necessary to comply with, implement or reflect the New Rating Criteria. For the avoidance of doubt, such modifications may include, without limitation, modifications which would allow any Cover Pool Swap Provider or Covered Bond Swap Provider not to post collateral in circumstances where it previously would have been obliged to do so, subject to satisfaction of the foregoing conditions; or

(g) to any modifications to the Transaction Documents and/or the Conditions (other than those referred to in Condition 14.2(f)) that are requested by the Issuer and the LLP to comply with any criteria of the Rating Agency which may be published after 24 February 2017 and which the Issuer and the LLP certify to the Bond Trustee and the Security Trustee in writing are required to avoid a downgrade, withdrawal or suspension of the then current ratings assigned by the Rating Agency to any Series of Covered Bonds; or

(h) to any modification for the purpose of allowing one or more additional rating agencies to be appointed in respect to one or all Series of Covered Bonds provided that the Issuer and the LLP, certify in writing to the Bond Trustee and the Security Trustee that (1) the additions do not dilute any of the existing requirements from the existing Rating Agency, (2) the Rating Agency has been informed of the proposed modification and the Rating Agency has not indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Series of Covered Bonds by such Rating Agency or (y) such Rating Agency placing any Covered Bonds on rating watch negative (or equivalent) and (3) that the Issuer pays all costs and expenses (including legal fees) incurred by the Issuer, the LLP and the Bond Trustee and the Security Trustee in connection with such modification; or

(i) to any modification for the purpose of enabling the Covered Bonds to be (or to remain) listed on the Stock Exchange, provided that the Issuer and the LLP certify to the Bond Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or

(j) to any modification for the purposes of enabling the Issuer or any of the other transaction parties to comply with FATCA, provided that the Issuer and the LLP or the relevant transaction party, as applicable, certify to the Bond Trustee and the Security

Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or

(k) to any modification for the purpose of allowing any additional Account Banks or Swap Collateral Account Banks to be appointed and/or additional Transaction Accounts or Swap Collateral Accounts to be opened, including custody accounts under the relevant Bank Account Agreement and Swap Collateral Bank Account Agreement, as applicable, provided that the Issuer and the LLP certify to the Bond Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or

(l) to any modification for the purpose of allowing a Collateralised GIC Account Provider to be appointed and/or any Collateralised GIC Accounts to be opened, under the relevant Collateralised GIC Account Agreement, provided that the Issuer and the LLP certify to the Bond Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or

(m) to the accession of any New Seller to the Programme provided that the Issuer and the LLP certify to the Bond Trustee and the Security Trustee in writing that the relevant conditions precedent in the Transaction Documents are satisfied at the time of the intended accession; or

(n) to any modification of the Cover Pool Swap Agreement for the purpose of enabling the Cover Pool Swap in relation to the Variable Rate Loans to be extinguished at the option of the Cover Pool Swap Provider following a downgrade in the relevant rating of the Cover Pool Swap Provider or any guarantor of the Cover Pool Swap Provider's obligations by the Rating Agency, provided that the Issuer and the LLP certify in writing to the Bond Trustee that (a) such modification is required solely for such purpose and has been drafted solely to such effect and (b) the Rating Agency has confirmed that such a downgrade in the relevant rating of the Cover Pool Swap Provider or any guarantor of the Cover Pool Swap Provider's obligations will not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Series of Covered Bonds by the Rating Agency or (y) the Rating Agency placing any Covered Bonds on rating watch negative (or equivalent),

PROVIDED that (1) the Bond Trustee and the Security Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Bond Trustee and the Security Trustee, as applicable, would have the effect of (a) exposing the Bond Trustee and the Security Trustee, as applicable, to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (b) increasing the obligations or duties, or decreasing the rights or protections, of the Bond Trustee and the Security Trustee, as applicable in the Transaction Documents and/or the Conditions and (2) at least 14 days' prior written notice of any such proposed modification has been given to the Bond Trustee and the Security Trustee and (3) the consent of each Secured Creditor (other than the Bond Trustee, the Security Trustee and the Covered Bondholders) which is a party to the relevant Transaction Document has been obtained.

Notwithstanding the above, the Issuer and the LLP may agree, without the consent of the Bond Trustee, the Security Trustee, the Covered Bondholders, Receiptholders or Couponholders or any of the other Secured Creditors, to any modification of any of the provisions of any Final Terms which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provisions of law.

The Bond Trustee may also agree, without the consent of the Covered Bondholders of any Series, the related Receiptholders and/or Couponholders, without prejudice to its rights in respect of any subsequent breaches, to the waiver or authorisation of any breach or proposed breach of any of the provisions of the Covered Bonds, the Receipts or Coupons of any Series or any of the provisions of any of the Transaction Documents, or determine, without any such

consent as aforesaid, that any Issuer Event of Default or LLP Event of Default or Potential Issuer Event of Default or Potential LLP Event of Default shall not be treated as such, provided that, in any such case, it is not, in the opinion of the Bond Trustee, materially prejudicial to the interests of any of the Covered Bondholders of any given Series and provided always that the Bond Trustee shall not exercise any powers conferred on it in contravention of any express direction by Extraordinary Resolution but so that no such direction shall affect any waiver, authorisation or determination previously given or made. The Security Trustee may also agree, without the consent of the Covered Bondholders of any Series, the related Receiptholders and/or Couponholders or any other Secured Creditor, to the waiver or authorisation of any breach or proposed breach of any of the provisions of the Transaction Documents, provided that, in any such case, it is not, in the sole opinion of the Security Trustee, materially prejudicial to the interests of any of the Covered Bondholders of any Series.

The Bond Trustee or, as the case may be, the Security Trustee shall be bound to agree to any modification of the terms and conditions applying to Covered Bonds of one or more Series (including these Terms and Conditions), the related Receipts and/or Coupons or any Transaction Document if it is directed by Extraordinary Resolution of the relevant Covered Bondholders or requested to do so in writing by the holders of at least 20 per cent. of the aggregate Principal Amount Outstanding of the relevant Covered Bonds then outstanding and, in each case, only if it shall first be indemnified and/or secured and/or prefunded to its satisfaction against all liabilities to which it may thereby render itself liable or which it may incur by so doing.

The Bond Trustee or, as the case may be, the Security Trustee shall be bound to (i) waive or authorise any breach or proposed breach of any of the provisions of the Covered Bonds of any Series or any of the provisions of the Transaction Documents or (ii) in the case of the Bond Trustee, determine that any Issuer Event of Default, Potential Issuer Event of Default, LLP Event of Default or Potential LLP Event of Default shall not be treated as such if it is so directed by Extraordinary Resolution of the relevant Covered Bondholders or requested to do so in writing by the holders of at least 20 per cent. of the aggregate Principal Amount Outstanding of the relevant Covered Bonds then outstanding (in the case of any such determination as is referred to in (ii) above, with the Covered Bonds of all Series taken together as a single Series as provided in Clause 2.8 of the Trust Deed and, if applicable, converted into Sterling at the relevant Covered Bond Swap Rate) and, in each case, only if it shall first be indemnified and/or secured and/or prefunded to its satisfaction against all liabilities to which it may thereby render itself liable or which it may incur by so doing.

In relation to any such modification, waiver, authorisation or determination, the Trust Deed contains provisions (which are described in Condition 14.1 (*Meetings of Covered Bondholders*)) for determining which Series of Covered Bonds are relevant in any particular case and for determining whether separate Extraordinary Resolutions or requests of each relevant Series or a single Extraordinary Resolution or request of all relevant Series are/is required.

The Security Trustee or the Bond Trustee shall not agree to any modification or make or grant any authorisation, waiver or determination pursuant to this Condition 14, until it shall have received from the Issuer written confirmation that such modification, waiver, authorisation or determination, as applicable, would not result in (1) a breach of the RCB Regulations or (2) the Issuer and/or the Programme ceasing to be registered under the RCB Regulations and that either:

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

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

information required to be provided to the Authorities and the Authorities have given their consent to such proposed modification, authorisation, waiver or determination.

Any such modification, waiver, authorisation or determination shall be binding on all Covered Bondholders of all Series of Covered Bonds, the related Receiptholders and the Couponholders and the other Secured Creditors, and unless the Security Trustee and the Bond Trustee otherwise agree, any such modification shall be notified by the Issuer to the Covered Bondholders of all Series of Covered Bonds for the time being outstanding and the other Secured Creditors in accordance with the relevant terms and conditions as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Bond Trustee and (where it is required to have regard to the interests of the Covered Bondholders) the Security Trustee shall have regard to the general interests of the Covered Bondholders of each Series as a class (but shall not have regard to any interests arising from circumstances particular to individual Covered Bondholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Covered Bondholders, the related Receiptholders, Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Bond Trustee and the Security Trustee shall not be entitled to require, nor shall any Covered Bondholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the LLP, the Bond Trustee, the Security Trustee or any other person any indemnification or payment in respect of any tax or stamp duty consequences of any such exercise upon individual Covered Bondholders, Receiptholders and/or Couponholders, except to the extent already provided for in Condition 7 (*Taxation*) and/or in any undertaking or covenant given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Trust Deed.

For the purposes hereof:

Potential Issuer Event of Default means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute an Issuer Event of Default;

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; and

Stock Exchange means the London Stock Exchange or any other or further stock exchange(s) on which any Covered Bonds may from time to time be listed or admitted to trading.

14.3 *Additional Right of Modification and Waiver*

(a) In respect of any Covered Bonds issued on or after 1 November 2018 and which are not to be consolidated and form a single Series with Covered Bonds issued before 1 November 2018, the Bond Trustee, the Security Trustee and the LLP shall concur with the Issuer in making any modification (other than in respect of a Series Reserved Matter, provided that a Base Rate Modification (as defined below) will not constitute a Series Reserved Matter) to the Conditions and/or any Transaction Document (including, for the avoidance of doubt but without limitation, the Covered Bond Swap in relation to the relevant Series of Covered Bonds and subject to the consent only of the Secured Creditors (i) party to the relevant Transaction Document being amended or (ii) whose ranking in any Priorities of Payments is affected) that the Issuer considers necessary for the purpose of changing the base rate in respect of the Covered Bonds, from EURIBOR, €STR, SONIA or such other benchmark rate (each, a **Reference Rate**) to an alternative base rate (any such rate, an **Alternative Base Rate**) and making such other amendments to the Conditions and/or any Transaction Documents (including the Cover Pool

Swap) as are necessary or advisable in the reasonable judgment of the Issuer to facilitate such change (a **Base Rate Modification**), provided that:

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

I such Base Rate Modification is being undertaken due to:

(A) a material disruption to the relevant Reference Rate, an adverse change in the methodology of calculating the relevant Reference Rate or the relevant Reference Rate ceasing to exist or be published; or

(B) a public statement by the administrator of the relevant Reference Rate that it will cease publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator for the Reference Rate has been appointed that will continue publication of the relevant Reference Rate) and such cessation is reasonably expected by the Issuer to occur prior to the Final Maturity Date or the Extended Due for Payment Date, as applicable; or

(C) a public statement by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will be permanently or indefinitely discontinued or will be changed in an adverse manner and such cessation is reasonably expected by the Issuer to occur prior to the Final Maturity Date or the Extended Due for Payment Date, as applicable; or

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

(E) the reasonable expectation of the Issuer that any of the events specified in sub-paragraphs (A), (B), (C) or (D) above will occur or exist within six months of the proposed effective date of such Base Rate Modification; and

II such Alternative Base Rate is:

(A) a base rate published, endorsed, approved or recognised by the Bank of England, any regulator in the United States, the United Kingdom or the European Union or any stock exchange on which the Covered Bonds are listed (or any relevant committee or other body established, sponsored or approved by any of the foregoing); or

(B) in relation to EURIBOR, €STR, SONIA (or any rate which is derived from, based upon or otherwise similar to either of the foregoing); or

(C) a base rate utilised in a material number of publicly-listed new issues of floating rate covered bonds prior to the effective date of such Base Rate Modification (for these purposes, unless agreed otherwise by the Bond Trustee, 3 such issues shall be considered material); or

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

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

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

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

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

(A) the Issuer obtains from such Rating Agency written confirmation that such Base Rate Modification would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the relevant Covered Bonds of any Series by such Rating Agency or (y) such Rating Agency placing the Covered Bonds of any Series on rating watch negative (or equivalent) and delivers a copy of each such confirmation to the Bond Trustee and the Security Trustee; or

(B) the Issuer certifies in writing to the Bond Trustee and the Security Trustee that it has notified such Rating Agency of the Base Rate Modification and, in its opinion, formed on the basis of due consideration and consultation with such Rating Agency (including, as applicable, upon receipt of oral confirmation from an appropriately authorised person at such Rating Agency), such Base Rate Modification would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the Covered Bonds of any Series by such Rating Agency or (y) such Rating Agency placing the Covered Bonds of any Series on rating watch negative (or equivalent);

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

(vi) the Issuer has provided at least 30 days' notice to the Covered Bondholders of the relevant Series of Covered Bonds of the Base Rate Modification in accordance with Condition 13 (*Notices*) and by publication on Bloomberg on the "Company News" screen relating to the Covered Bonds (in each case specifying the date and time by which Covered Bondholders must respond), and Covered Bondholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds then outstanding have not contacted the Issuer in writing (or otherwise in accordance with the then current practice of any applicable Clearing System through which such Covered Bonds may be held) by the time specified in such notice that such Covered Bondholders do not consent to the Base Rate Modification.

If Covered Bondholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds then outstanding have notified the Issuer in writing (or otherwise in accordance with the then current practice of any applicable Clearing System through which the Covered Bonds may be held) by the time specified in such notice that such Covered Bondholders do not consent to the Base Rate Modification, then the Base Rate Modification will not be made unless an Extraordinary Resolution of the Covered Bondholders of the relevant Series then outstanding is passed in favour of the Base Rate Modification in accordance with Condition 14 (*Meetings of Covered Bondholders, Modification and Waiver*).

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

For the avoidance of doubt, the Issuer may propose an Alternative Base Rate on more than one occasion provided that the conditions set out in this Condition 14.3(a) are satisfied.

(b) When implementing any modification pursuant to this Condition 14.3:

(i) the Bond Trustee and the Security Trustee shall not consider the interests of the Covered Bondholders, any other Secured Creditor or any other person and shall act and rely solely and without investigation or liability on any Base Rate Modification Certificate or other certificate or evidence provided to it by the Issuer and shall not be liable to the Covered Bondholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and

(ii) neither the Bond Trustee nor the Security Trustee shall be obliged to agree to any modification which, in the sole opinion of the Bond Trustee and/or the Security Trustee would have the effect of (i) exposing the Bond Trustee and/or the Security Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights, powers, authorisations, discretions, indemnification or protections, of the Bond Trustee and/or the Security Trustee in the Transaction Documents and/or these Conditions.

Effect of Benchmark Transition Event on any SOFR Covered Bonds

Notwithstanding the provisions of Condition 14 (Meetings of Covered Bondholders, Modification and Waiver), if the Designated Transaction Representative determines on or prior to the relevant Interest Determination Date that a Benchmark Transition Event has occurred with respect to SOFR, then the Bond Trustee shall be obliged, without any consent or sanction of the Covered Bondholders, or any of the other Secured Creditors, to concur with the Designated Transaction Representative, and to direct the Security Trustee to concur with the Issuer or any other person and shall direct the Security Trustee to concur with the Issuer and any other person, in making any modification (other than with respect to a Series Reserved Matter, provided that neither replacing the then-current Benchmark with the Benchmark Replacement nor any Benchmark Replacement Conforming Changes (each as defined below) shall constitute a Series Reserved Matter) to these Conditions or any of the Transaction Documents that the Designated Transaction Representative decides may be appropriate to give effect to the provisions set forth under this section titled "– *Effect of Benchmark Transition Event on any SOFR Covered Bonds*" in relation only to all determinations of the rate of interest payable on any SOFR Covered Bonds and any related swap agreements:

I. If the Designated Transaction Representative determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any determination of the Benchmark on any date applicable to any SOFR Covered Bonds, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to any SOFR Covered Bonds in respect of such determination on such date and all determinations on all subsequent dates.

II. In connection with the implementation of a Benchmark Replacement with respect to any SOFR Covered Bonds, the Designated Transaction Representative will have the right to make Benchmark Replacement Conforming Changes with respect to any SOFR Covered Bonds from time to time.

III. Any determination, decision or election that may be made by the Designated Transaction Representative pursuant to this section titled "– *Effect of Benchmark Transition Event on any SOFR Covered Bonds*", including any

determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, in each case, solely with respect to any SOFR Covered Bonds, will be conclusive and binding absent manifest error, may be made in the Designated Transaction Representative's, and, notwithstanding anything to the contrary in the documentation relating to any SOFR Covered Bonds, shall become effective without consent, sanction or absence of objection from any other party (including Covered Bondholders).

IV. Other than where specifically provided under this section titled "*–Effect of Benchmark Transition Event on any SOFR Covered Bonds*" or any transaction document:

(a) when implementing any modification pursuant to this section titled "*–Effect of Benchmark Transition Event on any SOFR Covered Bonds*", the Bond Trustee shall not consider the interests of the Covered Bondholders, any other Secured Creditor or any other person and shall act and rely solely and without further investigation on any certificate or evidence provided to it by the Issuer or the relevant transaction party, as the case may be, pursuant to this section titled "*–Effect of Benchmark Transition Event on any SOFR Covered Bonds*" and shall not be liable to the Covered Bondholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and

(b) the Bond Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Bond Trustee would have the effect of (i) exposing the Bond Trustee to any liability against which is has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protection, of the Bond Trustee in the Transaction Documents and/or these Conditions.

V. Notwithstanding the definitions of business day, OBFR, OBFR Index Cessation Date, OBFR Index Cessation Event, SOFR, SOFR Index Cessation Date, SOFR Index Cessation Event, and US Government Securities Business Day set out above, the following definitions shall apply with respect to this section titled "*Effect of Benchmark Transition Event on any SOFR Covered Bonds*":

Benchmark means, initially, SOFR; provided that if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to SOFR or the then-current Benchmark, then "Benchmark" means the applicable Benchmark Replacement.

Benchmark Replacement means the first alternative set forth in the order below that can be determined by the Designated Transaction Representative as of the Benchmark Replacement Date:

(1) the sum of: (a) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark for the applicable Corresponding Tenor and (b) the Benchmark Replacement Adjustment;

(2) the sum of: (a) the ISDA Fallback Rate and (b) the Benchmark Replacement Adjustment;

(3) the sum of: (a) the alternate rate of interest that has been selected by the Designated Transaction Representative as the replacement for the then-current Benchmark for the applicable Corresponding Tenor giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for any SOFR Covered Bonds, as applicable, at such time and (b) the Benchmark Replacement Adjustment.

Benchmark Replacement Adjustment means the first alternative set forth in the order below that can be determined by the Designated Transaction Representative as of the Benchmark Replacement Date:

(1) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected, endorsed or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(2) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, then the ISDA Fallback Adjustment;

(3) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Designated Transaction Representative giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for any SOFR Covered Bonds at such time.

Benchmark Replacement Conforming Changes means, with respect to any Benchmark Replacement, any technical, administrative or operational changes with respect to any SOFR Covered Bonds (including changes to the definition of "interest period", timing and frequency of determining rates and making payments of interest, changes to the definition of "Corresponding Tenor" solely when such tenor is longer than the interest period and other administrative matters) and any related Swap Agreements that the Designated Transaction Representative decides may be appropriate to reflect the adoption of such Benchmark Replacement with respect to any SOFR Covered Bonds in a manner substantially consistent with market practice (or, if the Designated Transaction Representative decides that adoption of any portion of such market practice is not administratively feasible or if the Designated Transaction Representative determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Designated Transaction Representative determines is reasonably necessary).

Benchmark Replacement Date means:

(1) in the case of paragraph (a) or (b) of the definition of "Benchmark Transition Event," the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the relevant Benchmark permanently or indefinitely ceases to provide such Benchmark, or

(2) in the case of paragraph (c) of the definition of "Benchmark Transition Event," the date of the public statement or publication of information;

provided, however, that on or after the 60th day preceding the date on which such Benchmark Replacement Date would otherwise occur (if applicable), the Designated Transaction Representative may give written notice to holders of

any SOFR Covered Bonds in which the Designated Transaction Representative designates an earlier date (but not earlier than the 30th day following such notice) and represents that such earlier date will facilitate an orderly transition of any SOFR Covered Bonds to the Benchmark Replacement, in which case such earlier date shall be the Benchmark Replacement Date.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination.

Benchmark Transition Event means the occurrence of one or more of the following events with respect to the then-current Benchmark:

(a) a public statement or publication of information by or on behalf of the administrator of the Benchmark announcing that the administrator has ceased or will cease to provide the Benchmark permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark;

(b) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark, the central bank for the currency of the Benchmark, an insolvency official with jurisdiction over the administrator for the Benchmark, a resolution authority with jurisdiction over the administrator for the Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark has ceased or will cease to provide the Benchmark permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark; or

(c) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative.

Compounded SOFR means, for purposes of determining a replacement Benchmark pursuant to this section titled "*–Effect of Benchmark Transition Event on any SOFR Covered Bonds*", the compounded average of SOFRs for the applicable corresponding tenor, with the rate, or methodology for this rate, and conventions for this rate (which, for example, may be compounded in arrear with a look-back and/or suspension period as a mechanism to determine the interest amount payable prior to the end of each interest period or compounded in advance) being established by the Designated Transaction Representative in accordance with:

(a) the rate, or methodology for this rate, and conventions for this rate selected or recommended by the relevant governmental body for determining Compounded SOFR; provided that:

(b) if, and to the extent that, the Designated Transaction Representative determines that Compounded SOFR cannot be determined in accordance with paragraph (1) above, then the rate, or methodology for this rate, and conventions for this rate that have been selected by the Designated Transaction Representative giving due consideration to any industry-accepted market practice for similar US dollar denominated securitisation transactions at such time.

Corresponding Tenor with respect to a Benchmark Replacement means a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the then-current Benchmark.

Designated Transaction Representative means, with respect to any SOFR Covered Bonds and a particular obligation to be performed in connection with the transition to a Benchmark Replacement, the Issuer.

Federal Reserve Bank of New York's website means the website of the Federal Reserve Bank of New York at http://www.newyorkfed.org, or any successor source (for the avoidance of doubt, this website (and/or any successor source) and the contents thereof do not form part of this base prospectus).

Interpolated Benchmark with respect to the Benchmark, means the rate determined for the corresponding tenor by interpolating on a linear basis between: (1) the Benchmark for the longest period (for which the Benchmark is available) that is shorter than the corresponding tenor and (2) the Benchmark for the shortest period (for which the Benchmark is available) that is longer than the corresponding tenor.

ISDA Definitions means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time.

ISDA Fallback Adjustment means the spread adjustment, (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark for the applicable tenor.

ISDA Fallback Rate means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment.

Reference Time, with respect to any determination of the Benchmark means (1) if the Benchmark is SOFR, 3:00 p.m. (London time) on the immediately following US Government Securities Business Day and (2) if the Benchmark is not SOFR, the time determined by the Designated Transaction Representative in accordance with the Benchmark Replacement Conforming Changes.

Relevant Governmental Body means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

SOFR with respect to any day means the secured overnight financing rate published for such day by the Federal Reserve Bank of New York, as the administrator of the Benchmark, (or a successor administrator) on the Federal Reserve Bank of New York's website.

Term SOFR means the forward-looking term rate for the applicable corresponding tenor based on SOFR that has been selected or recommended by the relevant governmental body.

Unadjusted Benchmark Replacement means the Benchmark Replacement excluding the applicable Benchmark Replacement Adjustment.

VI. To the extent that there is any inconsistency between the conditions set out in this section titled "*–Effect of Benchmark Transition Event on any SOFR Covered Bonds*" and any other condition, the statements in this section shall prevail with respect to any SOFR Covered Bonds.

VII. Nothing in this section titled "*–Effect of Benchmark Transition Event on any SOFR Covered Bonds"* affects the rights of the holders of Covered Bonds other than any SOFR Covered Bonds.

VIII. For the avoidance of doubt, the Designated Transaction Representative may propose that a Benchmark Replacement replace the then-current Benchmark and any Benchmark Replacement Conforming Changes on more than one occasion provided that the conditions set out in this section titled "*–Effect of Benchmark Transition Event on any SOFR Covered Bonds*" are satisfied.

Neither the Bond Trustee nor the Security Trustee shall be responsible or liable in damages or otherwise to any person or party for any loss incurred by reason of the Bond Trustee and/or the Security Trustee consenting to or concurring in such amendments, replacements and modifications.

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

If, in connection with the exercise of its powers, trusts, authorities or discretions, the Bond Trustee or the Security Trustee is of the opinion that the interests of the holders of the Covered Bonds of any one or more Series would be materially prejudiced thereby, the Bond Trustee or the Security Trustee, as the case may be, shall not exercise such power, trust, authority or discretion without the approval of such Covered Bondholders by Extraordinary Resolution or by a direction in writing of such Covered Bondholders of at least 20 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 and/or prefunded 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 contracts, financial or other transactions with the Issuer, the LLP and/or any of their respective Subsidiaries and affiliates, holding companies or any person or body corporate associated with the Issuer 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, holding companies or any other person or body corporate as aforesaid, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Covered Bondholders, Receiptholders or Couponholders or any other Secured Creditors, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

Neither the Bond Trustee nor the Security Trustee will be responsible for any loss, expense or liability, which may be suffered as a result of any Loans or Related Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Bond Trustee and/or the Security Trustee. Neither the Bond Trustee nor the Security Trustee will be responsible for (i) supervising the performance by the Issuer, the LLP or any other party to the Transaction Documents of their respective obligations under the Transaction Documents and the Bond Trustee and the Security Trustee will be entitled to assume, until they each have received written notice to the contrary, that all such persons are properly performing their duties; (ii) considering the basis on which approvals or consents are

granted by the Issuer, the LLP or any other party to the Transaction Documents under the Transaction Documents; (iii) monitoring the Portfolio, including, without limitation, compliance with the Asset Coverage Test, the Pre-Maturity Liquidity Test or the Amortisation Test; or (iv) monitoring whether Loans and Related Security satisfy the Eligibility Criteria. Neither the Bond Trustee nor the Security Trustee will be liable to any Covered Bondholder or other Secured Creditor for any failure to make or to cause to be made on their behalf the searches, investigations and enquiries which would normally be made by a prudent chargee in relation to the Security and have no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Transaction Documents.

16. Limited Recourse

The Covered Bondholders agree with the LLP and the Security Trustee that, notwithstanding any other provision of any Transaction Document, all obligations of the LLP to the Covered Bondholders in respect of the Secured Obligations owing to the Covered Bondholders and other Secured Creditors are limited in recourse to the Charged Property and, upon the Security Trustee giving written notice to the Covered Bondholders that:

(a) it has determined in its sole opinion that there is no reasonable likelihood of there being any further realisations in respect of the Charged Property (whether arising from enforcement of the Security or otherwise) which would be available to pay amounts outstanding under the Transaction Documents; and

(b) all amounts available to be applied to pay amounts owing under the Transaction Documents have been so applied in accordance with the Transaction Documents,

the Covered Bondholders shall have no further claim against the LLP in respect of any amounts owing to them which remain unpaid and such unpaid amounts shall be deemed to be discharged in full.

17. Further Issues

The Issuer shall be at liberty from time to time (but subject always to the provisions of the Trust Deed and the Deed of Charge) without the consent of the Covered Bondholders, Receiptholders or Couponholders to create and issue further Covered Bonds (whether in bearer or registered form) having terms and conditions the same as the Covered Bonds of any Series or the same in all respects and guaranteed by the LLP save for the amount and date of the first payment of interest thereon, issue date and/or issue price and so that the same shall be consolidated and form a single Series with the outstanding Covered Bonds of such Series.

18. Ratings Confirmations

18.1 By subscribing for or purchasing Covered Bond(s), each Covered Bondholder shall be deemed to have acknowledged and agreed that a credit rating of a Series of Covered Bonds is an assessment of credit risk and does not address other matters that may be of relevance to Covered Bondholders, including, without limitation, in the case of a confirmation by the Rating Agency that any action proposed to be taken by the Issuer, the LLP, the Seller, the Servicer, the Cash Manager, the Bond Trustee, the Security Trustee or any other party to a Transaction Document will not have an adverse effect on the then current rating of the Covered Bonds or cause such rating to be withdrawn (a **Rating Agency Confirmation**), whether such action is either (i) permitted by the terms of the relevant Transaction Document or (ii) in the best interests of, or not prejudicial to, some or all of the Covered Bondholders.

18.2 In being entitled to have regard to the fact that the Rating Agency has confirmed that the then current rating of the relevant Series of Covered Bonds would not be adversely affected or withdrawn, each of the Issuer, the LLP, the Bond Trustee, the Security Trustee and the Secured Creditors (including the Covered Bondholders) is deemed to have acknowledged and agreed that a Rating Agency Confirmation does not impose or extend any actual or contingent liability on the Rating Agency to the Issuer, the LLP, the Bond Trustee, the Security Trustee, the Secured Creditors (including the Covered Bondholders) or any other person or create any legal

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

18.3 By subscribing for or purchasing Covered Bond(s) each Covered Bondholder shall be deemed to have acknowledged and agreed that:

(a) a Rating Agency Confirmation may or may not be given at the sole discretion of the Rating Agency;

(b) depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that the Rating Agency cannot provide a Rating Agency Confirmation in the time available, or at all, and the Rating Agency shall not be responsible for the consequences thereof;

(c) a Rating Agency Confirmation, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time, and in the context of cumulative changes to the transaction of which the Covered Bond forms a part; and

(d) a Rating Agency Confirmation represents only a restatement of the opinions given, and shall not be construed as advice for the benefit of any Covered Bondholder or any other party.

19. Substitution, Consolidation, Merger, Amalgamation or Transfer of the Issuer

19.1 If so requested by the Issuer, the Bond Trustee and the Security Trustee shall, without the consent of the Covered Bondholders, Receiptholders or Couponholders or any other Secured Creditor, agree with the Issuer and the LLP to the substitution in place of the Issuer (or of the previous substitute under this Condition 19) as the principal debtor under the Covered Bonds, the Receipts, the Coupons and all other Transaction Documents of any Subsidiary of the Issuer or any holding company of the Issuer or any other subsidiary of any such holding company, in each case incorporated or to be incorporated in any country in the world or to the resubstitution of the Issuer (such substituted issuer being hereinafter called the **New Company**) PROVIDED THAT in each case a trust deed is executed and other forms of undertaking are given by the New Company in the form and manner satisfactory to the Bond Trustee, agreeing to be bound by the provisions of the Covered Bonds, the Receipts, the Coupons and the other Transaction Documents to which the Issuer is a party and with any consequential amendments which the Bond Trustee may deem appropriate as fully as if the New Company had been named in the trust presents, the Covered Bonds, the Receipts, the Coupons and the other Transaction Documents as the principal debtor in place of the Issuer (or of the previous substitute under this Condition). Further conditions shall apply to such substitution above as set out in the Trust Deed.

19.2 Any such trust deed executed and/or undertakings given pursuant to this Condition 19 shall, if so expressed, operate to release the Issuer or the previous substitute as aforesaid from all of its obligations as principal debtor under the Covered Bonds, the Receipts, the Coupons and the other Transaction Documents to which it is a party. Not later than 14 days after the execution of such documents and compliance with such requirements, the New Company shall give notice thereof in a form previously approved by the Bond Trustee to the Covered Bondholders in the manner provided in Condition 13 (*Notices*). Upon the execution of such documents and compliance with such requirements, the New Company shall be deemed to be named in the Covered Bonds, the Receipts, the Coupons and the other Transaction Documents in place of the Issuer (or in each case in place of the previous substitute) under the Covered Bonds, the Receipts, the Coupons and the other Transaction Documents and the Covered Bonds, the Receipts, the Coupons and the other Transaction Documents shall be deemed to be modified in such manner as shall be necessary to give effect to the above provisions and, without limitation, references in the Covered Bonds, the Receipts, the Coupons and the other Transaction Documents to the Issuer shall, unless the context otherwise requires, be deemed to be or include references to the New Company.

19.3 The Issuer may (without the consent of the Covered Bondholders, Receiptholders or Couponholders of any Series or any other Secured Creditor (including the Bond Trustee and the Security Trustee) where the new entity is a corporation organised under the laws of the United Kingdom) consolidate with, merge or amalgamate into or transfer its assets substantially as an entirety to any corporation (where the surviving entity or transferee company is not the Issuer, such surviving entity or transferee company shall be referred to as the **New Entity**). Further conditions shall apply to such consolidation, merger or amalgamation as set out in the Trust Deed.

19.4 Any such trust deed executed and/or undertakings given pursuant to this Condition 19 shall, if so expressed, operate to release the Issuer (as the case may be) or the previous substitute as aforesaid from all of its obligations under the Covered Bonds, the Receipts, the Coupons and the other Transaction Documents. Not later than 14 days after such consolidation, merger, amalgamation and/or transfer, the New Entity shall give notice thereof in a form previously approved by the Bond Trustee to the Covered Bondholders in the manner provided in Condition 13 (*Notices*). Upon the execution of such documents and compliance with such requirements, the New Entity shall be deemed to be named in the Covered Bonds, the Receipts, the Coupons and the other Transaction Documents to which the Issuer is a party as the principal debtor in place of the Issuer (where the New Entity is the successor entity or transferee company of the Issuer) (or in each case in place of the previous substitute under this Condition 19) under the Covered Bonds, the Receipts, the Coupons and the other Transaction Documents and the Covered Bonds, the Receipts, the Coupons and the other relevant Transaction Documents shall be deemed to be modified in such manner as shall be necessary to give effect to the above provisions and, without limitation, references in the trust presents, the Covered Bonds, the Receipts, the Coupons and the other relevant Transaction Documents to the Issuer shall, unless the context otherwise requires, be deemed to be or include references to the New Entity.

20. Contracts (Rights of Third Parties) Act 1999

No person (other than the Rating Agency in respect of Condition 18 (*Ratings Confirmations*)) 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.

21. Governing Law

The Trust Deed, the Agency Agreement, the Corporate Services Agreement, the Covered Bonds, the Receipts, the Coupons and the other Transaction Documents (other than each Scottish Declaration of Trust and certain documents to be granted pursuant to the Deed of Charge) are governed by, and shall be construed in accordance with, English law unless specifically stated to the contrary. Each Scottish Declaration of Trust is governed by, and shall be construed in accordance with, Scots law. Certain documents to be granted pursuant to the Deed of Charge will be governed by, and construed in accordance with, Scots law.

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 exchanging the proceeds of the Term Advances into Sterling, if necessary) either to (i) acquire Loans and their Related Security or (ii) to invest the same in Substitution Assets up to the prescribed limit to the extent required to meet the requirements of Regulations 17(2)(b) and 24(1)(a)(ii) of the RCB Regulations and the Asset Coverage Test and thereafter may be applied by the LLP:

(a) to acquire Loans and their Related Security;

(b) to invest the same in Substitution Assets up to the prescribed limit;

(c) 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;

(d) subject to complying with the Asset Coverage Test, to make Capital Distributions to one or more Members; and/or

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

TSB BANK PLC

CORPORATE DETAILS OF THE ISSUER

TSB Bank plc (**TSB**) is domiciled in the UK. TSB was incorporated and registered in Scotland on 24 September 1985 (Registration number SC095237). TSB's registered office is at Henry Duncan House, 120 George Street, Edinburgh EH2 4LH, Scotland, telephone number (+44) (0) 131 260 0264.

BACKGROUND

On 9 September 2013, TSB was launched as a re-branded retail bank operating in the UK with branches across England, Scotland and Wales.

In November 2009, Lloyds Banking Group announced that it had agreed the terms of a restructuring plan with the European Commission, including the divestment of a significant UK retail banking business (the business that is TSB Bank today) as part of the approval by the European Commission of the State aid granted to Lloyds Banking Group.

HM Treasury's financial support of Lloyds Banking Group during a period of unprecedented turbulence in the global financial markets in 2008 – 2009 was deemed by the European Commission to have constituted State aid. As a result, Lloyds Banking Group was required to dispose of a UK retail banking business meeting certain criteria, with the aim of bringing more competition to UK retail banking. The criteria to be met by the divestment business, included a minimum number of branches and their customers, a minimum share of the PCA market in the UK and a specified proportion of Lloyds Banking Group's mortgage assets meeting certain quality thresholds.

Lloyds Banking Group chose to divest TSB business by way of initial public offering and on 25 June 2014, the ordinary shares of TSB Banking Group were admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities.

On 20 March 2015, the boards of TSB Banking Group and Sabadell announced that they had reached agreement on the terms of a recommended cash offer to be made by Sabadell for the entire issued share capital of TSB Banking Group. The acquisition of TSB Banking Group plc by Sabadell was completed on 30 June 2015 and the ordinary shares of TSB Banking Group were delisted.

As at the date of the Prospectus, the Issuer is a wholly owned subsidiary of TSB Banking Group plc which in turn is wholly owned by Sabadell. However, on 2 July 2025, Banco Sabadell announced that it had entered into an agreement of sale with Banco Santander who will acquire the whole of the issued share capital of TSB Banking Group, subject to shareholder and regulatory approvals (the **Sale**) (the announcement is incorporated by reference in this Prospectus). There can be no assurance that the Sale will complete. The Sale will be subject to the satisfaction of certain conditions, including the receipt of appropriate regulatory clearances. See also the risk factor headed "*Proposed sale of TSB Banking Group plc*".

STRATEGY

TSB Bank refreshed its strategy for the 3-year cycle 2023-25, which is centred around its purpose of delivering 'Money Confidence. For Everyone Everyday.' To deliver on its purpose, TSB Bank's strategy focuses on four key themes: Service Excellence, Customer Focus, Simplification and Efficiency, and Do What Matters.

Service Excellence

To achieve service excellence across its channels TSB Bank will deliver three elements:

(i) TSB Bank will offer a modern mobile banking app with all the core functionality and servicing features expected of a digital bank. TSB Bank will differentiate its digital proposition by creating a personalised financial health centre in app, the Money Confidence hub, which will be one of the core platforms for delivering truly personalised banking.

(ii) TSB Bank will provide service that retains its 'human touch' through a more diverse range of channels – including TSB pods, pop-up services and video banking – meaning that customers have a greater choice of channels to access personal support at key moments.

(iii) TSB Bank will continue to differentiate in mortgage markets through its market leading service model. This will be evolved by developing a digital end-to-end mortgage proposition, delivering faster and more automated mortgage journeys, and upgrading its broker systems.

Customer focus

TSB Bank aims to grow its stock of main bankers and deepen its relationship with its customers through a three-pronged approach:

(i) TSB Bank will personalise its engagement with its customers. TSB Bank will combine data science with world leading content management and customer relationship management solutions to proactively approach customers with the right offers;

(ii) Create a more rewarding banking experience centred on a tiered PCA proposition with increasing value to encourage progression up the PCA ladder. Benefits and reward will be built across the product book to encourage customers to deepen their product holding; and

(iii) Serve more customer needs by extending the range of products TSB Bank provides, particularly in mortgages and unsecured lending. Partnerships will continue to supplement TSB Bank's product portfolio by offering a quicker, cheaper, and safer approach to expanding the needs the Group can serve.

Simplification and Efficiency

TSB Bank will continue its focus on cost efficiency and operational effectiveness, by:

(i) Creating a simpler organisational design with clearer accountability and greater customer focus.

(ii) Continuing TSB Bank's cloud journey, by ensuring that all new technology development is cloud based by default and progressively moving the higher cost elements out of TSB Bank's on-premises technology estate.

(iii) Developing and embedding an agile approach to change. TSB Bank will transition from an organisation that is predominantly waterfall in change delivery to an agile IT organisation with the in-house skills needed to deliver complex programmes more efficiently.

(iv) Rationalising central offices and reducing third party supplier spend.

Do What Matters

The Do What Matters Plan, TSB Bank's responsible business programme, seeks to ensure that TSB Bank will continue to contribute to the wider community in which it operates. The Do What Matters Plan focuses on three key areas:

(i) Essentials: TSB Bank's responsible business plan starts with robust governance, transparent reporting, and adherence to regulatory and voluntary codes of practice.

(ii) People: TSB Bank is focused on delivering social good. That means supporting financial and social inclusion, creating a truly diverse and inclusive workplace, and encouraging fair business practices.

(iii) Planet: TSB Bank will reduce its impact on the environment by continuing its transition towards net zero in its own operations by 2030 and supporting customers, colleagues and suppliers to transition to greener and more sustainable practices.

Despite the sale agreement reached between Banco Sabadell and Santander for the acquisition of TSB Bank (subject to regulatory approvals), TSB is currently committed to delivering its Board-approved strategic and financial objectives.

CURRENT OPERATIONS AND PRINCIPAL ACTIVITIES

TSB Bank's business is of a fully functioning UK bank with a multi-channel, national distribution model. This consists of 184 physical branches (as at December 2024), local points of presence in the community, and is complimented with a full digital channel (internet and mobile), telephone capability and an expanding video channel.

TSB Bank's comprehensive product suite includes Personal and Business Current Accounts, Personal and Business, savings products, mortgages, unsecured personal and business lending and certain insurance products.

TSB Bank has a simple balance sheet and comparatively low-risk financial structure overall. TSB Bank also benefits from a Conduct Indemnity from Lloyds Bank which provides the Group with certain protections against losses arising out of historical conduct issues in connection with its core mortgage book, albeit that is subject to certain limitations as further described at the risk factor entitled "*The Group faces risks associated with its operations' compliance with a wide range of laws and regulations*".

On 7 December 2015, TSB Bank further grew its balance sheet by acquiring a portfolio of ex-Northern Rock residential mortgages (and linked unsecured loans) from Cerberus Capital Management (the **Whistletree Portfolio**).

BUSINESS AND ACTIVITIES

TSB Bank offers a range of retail banking services and products to individuals and businesses throughout the UK. Business banking services are predominantly offered to 'micro and small' business customers.

1. ***Deposits***

PCAs

For most retail customers, a Personal Current Account (PCA) is at the core of their overall relationship with a bank. PCAs provide retail banks with loyal customers and a source of resilient, low cost funding.

Savings accounts

Savings accounts can offer a fixed interest rate for a fixed term, or a variable interest rate (which may change at the discretion of the bank). Variable rate savings accounts may also include a "bonus" rate on top of the standard variable deposit rate for a specified term. This bonus is normally fixed for its duration, even when the underlying rate changes. Deposits held with savings accounts can either be instant access (where customers can withdraw the deposits at any time) or be term deposits (where customers can generally only withdraw deposits without penalty at the end of the term).

2. ***Residential mortgages***

The information in this section does not cover the Whistletree Portfolio.

TSB Bank's residential mortgage portfolio consists solely of residential mortgage loans to individuals secured on residential properties located in the UK. TSB Bank's residential mortgage loans are fully secured by way of a first ranking charge on the residential property to which the mortgage loan relates, on terms which allow for the repossession and sale of the property if the borrower fails to comply with the terms of the loan.

TSB Bank offers both mainstream residential mortgage lending (where the borrower is the owner and occupier of the mortgaged property) and buy-to-let lending (where the borrower intends to let the mortgaged property). In common with other residential mortgage lenders in the UK, TSB Bank does not offer mortgages to borrowers who self-certify their income or who have adverse credit histories (sub-prime).

3. *Unsecured Lending*

The unsecured lending products offered to customers by TSB Bank consist of unsecured personal loans, credit cards and PCA overdrafts.

Unsecured personal loans

TSB Bank's unsecured personal loan portfolio consists of fixed rate lending to customers available from a standard loan product. TSB Bank also offers a loan product which comes with a deferred payment feature which is available in branch. The products can be used for a range of different purposes as well as allowing customers to refinance any other internal debt with TSB Bank or debt with an external provider. Both loan products come with additional features, including the option of repayment holidays and overpayments. In addition, TSB Bank offers "Graduate Loans" for customers who require assistance with their finances following graduation.

Credit cards

Credit cards are a key transactional banking product, meeting a range of customers' buying and borrowing needs. TSB Bank offers credit cards both to customers with an existing relationship with the bank, and on the open market.

PCA Overdrafts

TSB Bank also offers both arranged and unarranged overdrafts to its PCA customers. Arranged overdrafts are overdrafts that have been formally agreed to by TSB Bank. Unarranged overdrafts are overdrafts that have not been formally agreed to by TSB Bank and occur where a PCA holder spends money from their PCA in excess of their credit balance or the amount of their arranged overdraft.

4. *Business Banking*

As TSB Bank initially focused on retail customers, its business banking services are geared towards the needs of "micro and small" business customers (which TSB Bank defines as business banking customers with a revenue of less than £2 million and borrowing typically less than £1 million) with part of the business banking lending risks being mitigated by taking of a second charge over commercial or residential property. During 2020, the business banking portfolio increased significantly as a result of lending under the Government's Bounce Back Loan Scheme and Coronavirus Business Interruption Loan Scheme to support business through the COVID-19 crisis. Those loans are guaranteed by the UK government, with the British Business Bank responsible for all administration in connection with such guarantees.

5. *Insurance products*

TSB Bank offers general insurance products, underwritten by Aviva Insurance Limited for Home Insurance and Legal & General for Life Insurance, through its branch, digital and telephony channels.

6. *Partnerships*

In addition to core retail banking products and services, TSB Bank also meets the needs of its customers through partnerships. Leveraging the marketplace launched by TSB Bank in August 2021, TSB Bank's customers can access a curated set of product and service propositions from third party fintech entities across verticals like investments and insurance as well as bill and subscription management. In addition, TSB Bank has launched a customer rewards portal providing customers with a range of offers, discounts and general rewards. TSB Bank's partnerships allow it to deepen its relationships with customers as well as support growth of the UK's important fintech economy.

7. *Interim Financial Statements*

The Issuer does not publish interim financial statements.

8. ***Directors of the Issuer***

The directors of the Issuer, the business address of each of whom is 19th Floor, 8 Bishopsgate, London EC2N 4BQ, and their respective principal outside activities, where significant to the Group, are as follows:

Name	Principal outside activities
Nick Prettejohn *Chairman*	Chair, Reach plc Chair, Prisoners Abroad
Marc Armengol *Chief Executive Officer*	-
Judith Eden *Independent Non-executive Director*	Non-executive Director, Pension Insurance Corporation Group / Pension Insurance Corporation plc Non-executive Director, Invesco Asset Management Limited Non-executive Director, Merrill Lynch International
Elizabeth (Libby) Chambers *Independent Non-executive Director*	Non-executive Director, Wise plc Non-executive Director, Kape Technologies Operating Partner, Searchlight Capital Partners and its portfolio companies
Adam Banks *Independent Non-executive Director*	Non-executive Director, Thames Water Non-executive Director, Finastra
Zahra Bahrololoumi *Independent Non-executive Director*	Chief Executive Officer, Salesforce UK & Ireland
Ahmed Essam *Independent Non-executive Director*	Chief Executive Officer of European markets and Executive Chair of Germany, Vodafone Non-executive Director, Vodafone Three UK
Morten Friis *Independent Non-executive Director*	Non-executive Director, Peoples Group
Sergio Palavecino *Non-executive Director*	General Manager and Chief Financial Officer, Banco de Sabadell, S.A.
Carlos Paz *Non-executive Director*	Chief Credit Risk Officer, Banco de Sabadell, S.A.

Sergio Palavecino and Carlos Paz both hold executive positions within Sabadell and for this reason are not considered to be independent. As such, Sergio Palavecino and Carlos Paz have a potential conflict of interest in circumstances where the interests of the Issuer and the wider Sabadell Group are not, or may not be, aligned. This potential conflict has been authorised by the Board of the Issuer.

None of the other directors of the Issuer has any actual or potential conflict between their duties to the Issuer and their private interests or other duties as listed above.

SUPERVISION AND REGULATION

As a financial institution, the Group is subject to extensive financial services laws, regulations, administrative actions and policies in the UK and each location in which the Group operates. As well as being subject to UK regulation, as its parent is Sabadell and the Group is also impacted indirectly through regulation by the Banco de España and, at a corporate level, by the ECB (following the introduction of the Single Supervisory Mechanism in November 2014). The laws, regulations and policies to which the Group is subject may be changed at any time. In addition, the interpretation and the application of those laws and regulations by regulators are also subject to change. Extensive legislation affecting the financial services industry has recently been adopted in regions that directly or indirectly affect the Group's business, including in the UK, Spain and the EU.

The Banking Act, the SRR and the BRRD

The Banking Act was amended to implement in the UK the majority of the requirements of the BRRD which were required to be implemented prior to the UK leaving the EU. The Banking Act grants substantial powers to the Bank of England (or, in certain circumstances, HM Treasury), in consultation with the PRA, the FCA and HM Treasury, as appropriate as part of the Special Resolution Regime (the **SRR**). These powers enable the Resolution Authority (as defined below) to implement various resolution measures and stabilisation options (including, but not limited to, the bail-in tool, described below) with respect to a UK bank or PRA-authorised investment firm and certain of its affiliates (currently including the Issuer) (a **relevant entity**) in circumstances in which the Resolution Authority is satisfied that the resolution conditions are met. Such conditions include that a relevant entity is failing or is likely to fail to satisfy the FSMA threshold conditions for authorisation to carry on certain regulated activities (within the meaning of section 55B of the FSMA) or, in the case of a UK banking group company that is a third country (including EEA) institution or investment firm, that the relevant third country relevant authority is satisfied that the resolution conditions are met in respect of such entity. **Resolution Authority** means the Bank of England or any successor or replacement thereto or such other authority in the United Kingdom (or if the relevant Issuer becomes domiciled in a jurisdiction other than the United Kingdom, such other jurisdiction) having primary responsibility for the recovery and/or resolution of the relevant Issuer and/or the Group.

The SRR consists of five stabilisation options: (a) private sector transfer of all or part of the business or shares of the relevant entity, (b) transfer of all or part of the business of the relevant entity to a "bridge bank" established by the Bank of England, (c) transfer to an asset management vehicle wholly or partly owned by HM Treasury or the Bank of England, (d) the bail-in tool (as described below) and (e) temporary public ownership (nationalisation).

The stabilisation options are intended to be used prior to the point at which any insolvency proceedings with respect to the relevant entity could have been initiated. The purpose of the stabilisation options is to address the situation where all or part of a business of a relevant entity has encountered, or is likely to encounter, financial difficulties, giving rise to wider public interest concerns.

The Banking Act also provides for additional insolvency and administration procedures for relevant entities and for certain ancillary powers, such as the power to modify contractual arrangements in certain circumstances (which could include a variation of the terms of the Covered Bonds), powers to impose temporary suspension of payments, powers to suspend enforcement or termination rights that might be invoked as a result of the exercise of the resolution powers and powers for the relevant Resolution Authority to disapply or modify laws in the UK (with possible retrospective effect) to enable the powers under the Banking Act to be used effectively.

Subject to certain exemptions set out in the Banking Act (including secured liabilities, bank deposits guaranteed under a deposit guarantee scheme, liabilities arising by virtue of the holding of client money, liabilities to other non-group banks or investment firms that have an original maturity of fewer than seven days and certain other exceptions), it is intended that all liabilities of institutions and/or their UK parent holding companies should be within scope of the bail-in tool. The Banking Act specifies the order in which the bail-in tool should be applied, reflecting the hierarchy of capital instruments under CRD IV and otherwise respecting the hierarchy of claims in an ordinary insolvency.

There are incoming changes to the Bank of England's powers under the Banking Act: the Bank Resolution (Recapitalisation) Bill will allow the Bank of England to levy money from the banking industry to manage the failure of a bank, if doing so would be in the public interest. As at the date of this Prospectus, it is not clear when and if the Bill will be enacted and as such, any final details including the precise circumstances under which the Bank of England could exercise these new powers remain subject to potential amendment before its passage into law.

In 2019, the EU finalised a number of banking reforms, including a number of significant revisions to the BRRD (known as BRRD2). The BRRD2 proposals were finalised in June 2019 and were due to be implemented in Member States by 28 December 2020 with certain requirements relating to the implementation of the total loss-absorbing capacity standard (requiring global systemically important banks to have financial instruments available during resolution to absorb losses and enable them to be recapitalised to continue performing their critical functions while the resolution process is ongoing) (the TLAC Standard) applying from 1 January 2022. The UK implemented the majority of the BRRD2 provisions which became applicable on 28 December 2020 (although certain of those provisions were subject to a 'sunset' clause which disapplied them from 1 January 2021), but not those which became applicable on or after 1 January 2021.

Further, MREL, which has been implemented in the UK (for further detail, see the risk factor entitled "*The Group is subject to substantial and changing prudential regulation*"), applies to UK financial institutions and covers capital and debt instruments that are capable of being written-down or converted to equity in order to prevent a financial institution from failing in a crisis.

In addition, the Banking Act requires the relevant Resolution Authority to permanently write-down, or convert into equity, tier 1 capital instruments, tier 2 capital instruments and relevant internal liabilities at the point of non-viability of the relevant entity and before, or together with, the exercise of any stabilisation option (except in the case where the bail-in tool is to be utilised for other liabilities, in which case such capital instrument would be written down or converted into equity pursuant to the exercise of the bail-in tool rather than the mandatory write-down and conversion power applicable only to capital instruments or relevant internal liabilities).

For the purposes of the application of such mandatory write-down and conversion power, the point of non-viability is the point at which the relevant Resolution Authority determines that the relevant entity meets the conditions for resolution (but no resolution action has yet been taken) or that the relevant entity will no longer be viable unless the relevant capital instruments or relevant internal liabilities are written down or converted or the relevant entity requires extraordinary public support without which, the relevant Resolution Authority determines that the relevant entity would no longer be viable.

EU Banking Reforms

Basel III is an internationally agreed set of measures developed by the Basel Committee on Banking Supervision in response to the financial crisis of 2007-09. The measures aim to strengthen the regulation, supervision and risk management of banks. The original components of the Basel III package were implemented in the EEA, which at the time included in the UK, through the legislative package comprising the amended Capital Requirements Directive (2013/36/EU) (the CRD) and Capital Requirements Regulation (575/2013) (CRR) (collectively, CRD IV). CRD IV, as applicable in the EU at the point of the UK's exit from the EU was assimilated into the UK's legislative framework as a result of the EUWA.

CRD IV introduced significant changes in the prudential regulatory regime applicable to banks including increased minimum capital ratios, changes to the definition of capital and the calculation of risk-weighted assets and new measures relating to leverage, liquidity and funding. CRD IV also made changes to rules on corporate governance, including remuneration, and introduces standardised regulatory reporting requirements which specify the information that must be reported to supervisors in areas such as own funds, large exposures and financial information.

CRD IV has subsequently been amended to further implement Basel III, including in 2019 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective

investment undertakings, large exposures, and reporting and disclosure requirements. The changes also included phase-in arrangements for the regulatory capital impact of IFRS 9 and the on-going interaction of IFRS 9 with the regulatory framework, including changes to relevant accounting standards, which came into force on 1 January 2018 and which resulted in changes to the methodologies which the Group is required to adopt for the valuation of financial instruments.

The UK committed to implementing international standards including those aspects of Basel III which formed part of the EU's 2019 amendments to CRD IV but which were not applicable at the time the UK left the EU and therefore did not form part of UK law by virtue of the EUWA. Those Basel III reforms which make up the UK equivalent of the 2019 EU banking reforms came into force in the UK on 1 January 2022, mostly via amendments to the PRA rulebook.

The 'final' Basel III standards, sometimes referred to as Basel 3.1, Basel IV or the Basel endgame, will be implemented in the EU by virtue of further amendments to CRD IV applicable from 1 January 2025, with the exception of the market risk requirements which were announced as being delayed by a further year until 1 January 2027 and in the UK by PRA Rules still subject to finalisation but will enter into force from 1 January 2027, with the exception of market risk internal modelled approach requirements which will be delayed to 1 January 2028, in each case with transitional arrangements for certain provisions. The changes they implement will impact the Group's risk-based capital ratios with changes in the standardised approach to determining risk weighted assets (RWAs), changes to the internal ratings-based (IRB) approach including the introduction of input floors on the parameters used in calculating RWAs and the imposition of an output floor on the RWAs calculated by banks using their internal models. They also remove the option to use the IRB approach for certain types of exposures and introduce a new operational risk framework.

Resolvability Assessment Framework

The Banking Act and associated FCA and PRA rules contain requirements relating to recovery and resolution plans, early supervisory interventions and the resolution of firms (including the bail-in tool as described above). The Bank of England made a commitment to the UK parliament that major UK banks would be fully resolvable by 2022. To satisfy this commitment, the Bank of England and the PRA have introduced a new Resolvability Assessment Framework, which is intended to increase public awareness of resolution, help market participants to make better informed investment decisions and incentivise firms to meet the resolvability objectives by the relevant deadline.

The Resolvability Assessment Framework is implemented through:

(a) a Statement of Policy from the Bank of England, which sets out the Bank of England's approach to assessing resolvability for UK firms with a bail-in or partial transfer resolution strategy (including the Group) and for material subsidiaries of overseas firms. The Bank of England will assess firms against three resolvability outcomes they must meet by the relevant deadline: (i) adequate financial resources; (ii) being able to continue to do business through resolution and restructuring; and (iii) being able to communicate and coordinate within the firm and with authorities; and

(b) PRA rules in the Resolution Assessment part of the PRA Rulebook, requiring major UK banks (those with £50 billion or more in retail deposits on an individual or consolidated basis, including the Group) to assess their preparations for resolution, submit reports of their assessment to the PRA and publicly disclose a summary of their report. The first public statement on the resolvability of major UK banks was published by the Bank of England in June 2022, and the Bank of England repeated its assessment of major UK banks in August 2024, assessing the progress they have made in enhancing their preparations for resolution. The Group is not currently subject to the disclosure requirements of the Resolution Assessment part of the PRA Rulebook as it has less than £50 billion in retail deposits.

Consumer credit regulation

The FCA is responsible for the oversight and regulation of consumer credit. The framework for consumer credit regulation comprises the FSMA and its secondary legislation (consumer credit

activities are, therefore, subject to the General Prohibition and the FSMA authorisation regime), retained provisions in the Consumer Credit Act 1974 and rules and guidance in the FCA Handbook (for the purposes of this section, collectively the **Consumer Credit Regime**).

Under the Consumer Credit Regime, the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 has been amended so that consumer credit activities, including entering into a "regulated credit agreement" as lender are "regulated activities" for the purposes of the FSMA. A "regulated credit agreement" is any "credit agreement" that is not an "exempt agreement". A "credit agreement" is any agreement between an individual or relevant recipient of credit (**A**) and any other person (**B**), under which B provides A with "credit" of any amount. Credit is widely defined and includes cash loans and any other form of financial accommodation. Exempt agreements include certain agreements predominantly for the purposes of a business, certain agreements secured on land and agreements relating to the purchase of land where a local authority or other specified type of organisation is the lender. Other regulated consumer credit activities include credit broking, debt related consumer credit activities, entering into a regulated consumer hire agreement as owner, operating an electronic system in relation to lending and providing credit information services and credit references.

Key features of the Consumer Credit Regime include:

(i) Authorisation: To become authorised, firms must meet the threshold conditions (the minimum standards for becoming and remaining authorised) and obtain pre-approval for individuals who will perform key roles in the applicant firm;

(ii) Supervision: Under the Consumer Credit Regime there is a distinction between higher-risk and lower-risk consumer credit activities and different supervisory approaches for each. There is close supervision of firms engaged in higher risk consumer credit activities and a less intensive supervision regime for lower risk firms. Firms are subject to regular reporting requirements in relation to their consumer credit activities and the FCA engage in thematic work in response to systemic issues;

(iii) Rules: The relevant rules are FCA rules (breaches of which can be penalised), guidance and provisions of the Consumer Credit Act. The FSMA financial promotions regime also applies, and the FCA has also imposed financial promotion rules for high cost short-term credit, cold calling and debt management companies;

(iv) Enforcement: The FCA's enforcement powers include the power to: bring criminal, civil and disciplinary proceedings; withdraw authorisations; suspend authorised firms for 12 months; suspend or ban individuals from performing certain roles; and the power to issue unlimited fines. It is also able to use its product intervention powers in the consumer credit market, which can include restrictions on product features and selling practices or product bans; and

(v) Complaints and redress: Consumers have access to the FOS. The FCA also has the power to require authorised firms to reimburse consumers who have suffered loss due to the firm's actions.

In June 2022, the UK Government announced plans for wholesale reform of the Consumer Credit Act, with the ambition to facilitate innovation in the credit sector and increase the accessibility of credit products, whilst ensuring customers remain adequately protected in an increasingly digital economy. The reforms were intended to build on the recommendations of the FCA's retained provisions report and the 2021 Woolard Review into the unsecured credit market and are likely to provide the FCA with increased ability to respond to emerging developments in the consumer credit market. A consultation paper for stakeholder input was published by HM Treasury in December 2022 and HM Treasury published its response in July 2023, stating it plans to move forward with an ambitious overhaul of the Consumer Credit Act. With the change of government following the general election on 4 July 2024, the proposals have not yet been taken forward, but TSB representatives are fully engaged in the ongoing discussions via UK Finance and further progress is expected over the next 12 months.

Mortgage lending

The FSMA regulates mortgage credit within the definition of "regulated mortgage contract" and also regulates certain other types of home finance. A credit agreement is a regulated mortgage contract if at the time it is entered into: (i) the credit agreement is one where a lender provides credit to an individual or to trustees (the **borrower**); (ii) the contract provides for the repayment obligation of the borrower to repay to be secured by a mortgage on land, where "land" for this purpose means: (a) in relation to a contract entered into before 31 December 2020 (the **IP completion day**), land in the United Kingdom or within the territory of an EEA State; and (b) in relation to a contract entered into on or after IP completion day, land in the United Kingdom; and (iii) at least 40 per cent. of that land is used, or is intended to be used, in the case of credit provided to an individual, as or in connection with a dwelling; or in the case of credit provided to a trustee who is not an individual, as or in connection with a dwelling by an individual who is a beneficiary of the trust or by a related person. Entering into a regulated mortgage contract is a specified kind of activity under the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, as is administering a regulated mortgage contract where the contract was entered into by way of business (a) on or after 31 October 2004 or (b) before 31 October 2004 and was a regulated credit agreement immediately before 21 March 2016.

If prohibitions under the FSMA as to authorisation or financial promotions are contravened, then the relevant regulated mortgage contract (and, in the case of financial promotions, certain other credit secured on land) is unenforceable against the borrower without a court order. The FCA's Mortgages and Home Finance: Conduct of Business Sourcebook (**MCOB**) sets out rules in respect of regulated mortgage contracts and certain other types of home finance. Under the MCOB rules, an authorised firm (such as TSB Bank) is subject to strict rules on arrears handling and repossessions and is restricted from repossessing a property unless all other reasonable attempts to resolve the position have failed, which can include the extension of the term of the mortgage, product type changes and deferral of interest payments.

For further information please see the "*UK Mortgage Regulation*" section below.

Sustainable Finance

The UK regulators are focused on sustainable finance. The PRA, together with the FCA, has established a Climate Financial Risk Forum to build intellectual capacity and share best practice. The FCA has issued an Environmental, Social and Governance sourcebook, including a specific new anti-greenwashing rule, and a new ESG related labelling regime for certain financial services products and services. It is expected that this sourcebook will continue to be built out over time.

In April 2025, the PRA issued Consultation Paper 10/25 - Enhancing banks' and insurer's approaches to managing climate-related risks – update to SS3/19. The consultation period closed on 31 July 2025, and the new Supervisory Statement is expected in Q1 2026. CP10/25 has been positioned by the PRA as updated supervisory expectations, building on Supervisory Statement 3/19 (issued in 2019), and combing PRA guidance from various letters to firms over recent years, as well as reflecting international standards. Key expectations within CP 10/25 include the use of tailored science-based scenario analysis, as well as reverse stress testing, expanding the Biennial Exploratory Scenario (BES) work carried out by the Bank of England in 2021. In addition to the set of climate scenarios published by he Network for Greening the Financial System (NGFS) that served as the basis for the scenarios in the 2021 BES, the NGFS issued a new set of short-term climate scenarios for central banks and supervisors in May 2025.

Results published in the Bank of England's BES report in Q2 2022 indicate that the Group was, at that time, at the lower end of industry estimates for forecast credit losses. The analysis shows that the 'No Additional Action' scenario drives the largest expected credit losses over the 30-year horizon. The effects of flooding are the key driver, driven by very high-risk assets becoming uninsurable or unliveable, resulting in reductions in mortgage collateral values. Losses within the 'Late Action' scenario are, again, driven by the same key flooding factors. The 'Early Action' scenario, which drives the lowest forecast losses, resulted in a more even mix between physical risk, such as flooding, and transition risks, such as the impacts that might arise from minimum Energy Performance Certificate

(EPC) and energy efficiency regulations. Further analysis will be completed in the coming years in compliance with the PRA's updated supervisory expectations.

Since 2021, premium listed companies have been required by the FCA to comply with Taskforce for Climate-related Financial Disclosures (TCFD), extended to standard listed companies, asset managers and FCA-regulated asset owners in 2022.

Additionally, pursuant to the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, the Companies Act 2006 was amended to place reporting requirements aligned with TCFD recommendations on certain publicly quoted companies, large private companies and LLPs. In-scope corporates must produce a non-financial and sustainability information statement, which includes the relevant climate-related disclosures.

The reporting standard against which companies report is set to change, as the government moves forward with its commitment to endorse International Sustainability Standards Board (**ISSB**) standards for the UK. In June 2023, the ISSB published the final versions of the first two global sustainability disclosure standards – IFRS S1 on General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 on Climate-related Disclosures. The UK government initiated a 12-week consultation on the exposure draft Sustainability Reporting Standards (UK SRS) in June 2025. The proposed UK SRS are based on IFRS S1 and S2. Following the consultation, the UK government will decide on endorsing the draft UK SRS for voluntary use, with final versions expected in autumn 2025. The FCA plans to consult on requiring listed companies to use UK SRS and the UK Government will also evaluate extending requirements to certain private companies.

In November 2023, the UK's Transition Plan Taskforce (**TPT**) launched a consultation on sector specific guidance on transition plan disclosure (including for banks), supplementing its TPT Disclosure Framework. This guidance was finalised in April 2024.

On 25 June 2025, the UK government published a consultation (open until 17 September 2025) seeking views on how the government should take forward its commitment to mandating that UK-regulated financial institutions and FTSE 100 companies develop and implement credible transition plans that align with the 1.5ºC goal of the Paris Agreement.

The upshot is that transition plans are likely to represent an area of significant focus for regulators and governmental bodies in the next three to five years.

As a separate but related initiative, the UK government has commissioned the Transition Finance Market Review, with a report published in October 2024. The purpose was to grow transition finance in the UK, as well as to look at how companies in the UK and abroad can be supported to access the capital they need to decarbonise and deliver on net zero ambitions. The review recommended governmental and regulatory, as well as private sector, initiatives.

Payment Services and Systems Regulation

Under the Payment Services Regulations 2017 (the **PSRs**), the FCA is responsible for regulating payment services in the UK. The PSRs contain certain transparency and conduct of business requirements about providing payment services that payment service providers must comply with, including in relation to consent for payment transactions, unauthorised or incorrectly executed transactions, liability for unauthorised payment transactions, refunds, execution of payment transactions, execution time, information to be provided to payment service users and liability of payment services providers if things go wrong. The PSRs also include a requirement to grant (in certain circumstances) certain regulated third parties access to customer payment accounts and information, and contain with customer authentication and consumer protection requirements.

The general functions of the Payment Systems Regulator, a body corporate established by the FCA to regulate payment systems (the **PSR**) are:

(i) giving general directions;

(ii) giving general guidance; and

(iii) determining the general policy and principles by reference to which it performs particular functions.

In discharging its general functions, the PSR must, so far as is reasonably possible, act in a way which advances one or more of its payment systems objectives. The PSR's payment systems objectives are:

(i) to promote effective competition in the market for payment systems and the markets for services provided by payment systems;

(ii) to promote the development of, and innovation in, payment systems in the interests of those who use, or are likely to use, services provided by payment systems, with a view to improving the quality, efficiency and economy of payment systems; and

(iii) to ensure payment systems are operated and developed in a way that takes account of, and promotes, the interests of those who use, or are likely to use, services provided by payment systems.

The FCA is reviewing the detailed regulations that apply to payment firms, including the technical standards for strong customer authentication which it plans to replace with an outcomes-based regime. In March 2025, the UK government announced its intention to consolidate the PSR and its functions primarily within the FCA. The UK government intends to consult on the details of the proposal over the course of the summer of 2025 before announcing the final details and legislating thereafter.

European regulatory landscape for payments

The UK payment services regulatory regime originated from EU law.

In January 2016, a revised payment services directive (**PSD II**) came into force. PSD II is implemented in the UK by the PSR and parts of the FCA Handbook. The aim of the directive was to take account of new types of payment services due to technological development and to harmonise the transposition of certain rules set out in the Payment Services Directive that had been transposed or applied by Member States in different ways, leading to regulatory arbitrage and legal uncertainty. A regulation on multilateral interchange fees also came into force on 9 December 2015. Taken together, these pieces of legislation were designed to (i) extend the scope of the Payment Services Directive as regards geographical scope, currencies covered and payment services regulated, (ii) limit the scope of available exemptions under the Payment Services Directive, (iii) enhance consumer rights and payment security and (iv) reduce interchange fees for card payments and prohibit surcharging.

The European Commission has proposed a revised payment services directive (**PSD III**), which is progressing through the EU legislative process. These proposals include merging the e-money and payment services regimes and introducing a new payment services regulation so that consistent conduct of business standards apply across the EU.

Interchange Fee Regulation

The Interchange Fee Regulation (EU Regulation 2015/751) (**IFR**), which became retained UK law pursuant to, and as amended by, the Interchange Fee (Amendment) (EU Exit) Regulations 2019 (**UK IFR**), brought major changes to the way card schemes (such as Visa and Mastercard) operate, most notably by introducing a cap on certain interchange fees applicable to payment cards. The IFR mainly imposes requirements on payment card schemes and issuing and acquiring payment service providers. Consumer cross-border card payments between the UK and EU (or any other third country), where either the acquirer or issuer is based outside the UK's jurisdiction, are no longer subject to the interchange fee caps established under either IFR or UK IFR. In December 2023, the PSR proposed to cap cross-border interchange fees on credit and debit cards. This proposal is currently under review following consultation.

Single Euro Payments Area

The European Parliament and Council have sought to create an integrated market for electronic payments in euro, with no distinction between national and cross-border payments. This single euro payments area (**SEPA**) project aims to develop common EU-wide payment services to replace current national payment services.

Regulation (EU) No 260/2012 of the European Parliament and of the Council of 14 March 2012 establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009 (the **SEPA Regulation**) was onshored as UK law after Brexit through the EUWA, and lays down rules for credit transfer and direct debit transactions denominated in euro within the EU and the UK. However, divergence in UK law from the SEPA regime has the potential to have an impact on the UK's SEPA membership.

Instant Payments Regulation

In February 2024, the Instant Payments Regulation (EU Regulation 2024/886) was adopted by the European Parliament. This law requires banks and other payment service providers that provide credit transfers in euros to also offer instant payments at no extra cost. They will need to verify that the payee's IBAN and name match to alert the payer to possible mistakes or fraud before a transaction is made.

Payment Accounts Directive

Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features (the **Payment Accounts Directive**), as implemented in the UK by means of the Payment Accounts Regulations 2015 (the **PARs**), is intended to enable consumers to make informed choices when opening a payment account by improving the transparency and comparability of information on account fees, while eliminating discrimination based on residency, and to enable consumers to switch accounts more easily.

In January 2024, several sections (under Part 2 and Schedules 1 and 2) of the PARs were revoked which related to the requirements on UK payment service providers who offer payment accounts to provide their personal customers with certain documents related to their account fees. It is now the FCA's responsibility to determine detailed firm-facing requirements on customer information requirements.

UK ring-fencing regime

The Financial Services (Banking Reform) Act 2013 introduced amendments to the FSMA which provide for, inter alia, the ring-fencing of vital banking services from international and investment banking services, measures on loss absorbency and depositor preference and proposals for enhancing competition in the banking sector.

This legislation mandates the 'ring-fencing' of certain core activities and services relating to the regulated activity of accepting deposits by a UK institution. Entities that meet the threshold for the UK ring-fencing regime (£25 billion of deposits, excluding deposits from financial institutions and certain corporates and high net worth individuals that "opt out") are required to separate the core activity of accepting deposits, together with the core services associated with that activity, into a separate ring-fenced body (an **RFB**). The legislation also prohibits an RFB from undertaking certain excluded activities, namely dealing in investments as principal and dealing in commodities. RFBs are also subject to certain prohibitions, which include prohibitions on incurring exposures to certain types of financial institutions, and on having branches or subsidiaries outside of the UK in non-EEA Member States. The excluded activities and prohibitions are subject in each case to limited exceptions.

In addition, the PRA published Policy Statement PS20/16 in July 2016 setting out ring-fencing rules that govern the relationship between the RFB and the rest of its group, including entities that carry out excluded activities and activities that the RFB is prohibited from undertaking (such entities being non-ring-fenced bodies, or **NRFBs**). These ring-fencing rules address areas such as the legal structure of the RFB sub-group, governance arrangements for RFBs, prudential requirements and requirements for intra-group transactions and distributions. The rules came into effect on 1 January 2019.

In February 2025, the Financial Services and Markets Act 2000 (Ring-fenced Bodies, Core Activities, Excluded Activities, and Prohibitions) amended these requirements to exempt retail-focused banking groups from the regime if their investment banking activities account for less than 10 per cent. of common equity tier 1 capital. Following these changes TSB now falls outside the scope of the ringfencing regulations as confirmed by the PRA publication of an updated list of entities falling within

the definition of a ring-fenced body as of 4 February 2025. The Sale may affect whether TSB falls within the scope of the ringfencing regulations following completion of the transaction.

FSCS – UK Deposit Guarantee Scheme

The Deposit Guarantee Schemes Directive (EU Directive 2014/49) (**EU DGSD**) required EU Member States and the UK to introduce at least one deposit guarantee scheme by 1 July 1995. Directive 2009/14/EC, amending Directive 94/19/EC, required Member States to set the minimum level of compensation for deposits, for firms declared in default on or after 1 January 2011, at €100,000.

The recast EU DGSD was published in the Official Journal of the EU on 12 June 2014 and Member States had until 3 July 2015 to transpose the majority of the EU DGSD into national law. The changes included restricting the definition of "deposit", excluding deposits made by certain financial institutions and certain public authorities, reducing time limits for payments of verified claims by depositors and provisions on how deposit guarantee schemes should be funded. In addition, the recast EU DGSD sought to harmonise eligibility for protection (including an extension of scope to protect deposits of most companies, whatever their size) and allows for temporary increases in the coverage level in relation to deposits arising from certain events, such as the sale of a private residential property. The EU DGSD requirements were implemented in the UK before the UK's exit from the EU, with further clarification provided through the Deposit Guarantee Scheme and Miscellaneous Provisions (Amendment) (EU Exit) Regulations 2018.

The UK deposit scheme is the FSCS which was established under FSMA. It pays compensation to eligible customers of authorised financial services firms which are unable, or are likely to be unable, to pay claims against them. There are different compensation limits for different categories of claim. For example, the limits are (in general terms): (i) for claims against firms that failed on or after 1 January 2017, for deposits, 100 per cent. of the first £85,000; (ii) for claims for mortgage advice and arranging against firms that failed on or between 1 January 2010 and 31 March 2019, up to £50,000, and against firms that failed on or after 1 April 2019, up to £85,000; (iii) for claims against firms that failed on or after 3 July 2015, for insurance, 100 per cent. of cover for all long-term policies, for professional indemnity insurance and claims arising from death or incapacity; and (iv) for claims against debt management firms that failed on or after 1 April 2019, up to £85,000. The FSCS pays compensation for financial loss and the actual compensation a customer will receive depends on the basis of their claim. Compensation limits are per person, per firm and per type of claim. The FCA has conducted a review of the UK compensation framework within which the FSCS operates, to (among other things) ensure it remains appropriate and proportionate. On 31 March 2025, the PRA proposed to raise the deposit protection limit of the FSCS from £85,000 to £110,000. The proposed increase takes into account inflation since the limit was last changed, and is designed to give consumers confidence that their money is safe if their UK-authorised bank, building society or credit union fails. If taken forward, the new limit would apply to firms that fail from 1 December 2025. The PRA expects to confirm the outcome of its consultation in November 2025, with any change to the deposit protection limit requiring approval from HM Treasury.

Competition regulation

The Group is subject to EU and UK competition laws, which are enforced by a number of competition regulators, including the CMA, sector regulators and the European Commission. In its market investigation into retail banking (the final report in relation to which was published in 2016) the CMA identified several adverse effects on competition and announced a package of reforms designed to address these, including requiring certain banks to adopt and maintain an open application programming interface (API) standard, to publish certain information on their services and to send certain information to customers. The Retail Banking Market Investigation Order 2017 (the **CMA Order 2017**) formally implements these reforms, which have been introduced according to the timetable set out in the CMA Order 2017. The Group is subject to and has implemented the CMA Order 2017.

Both the FCA and the PSR have concurrent powers with the CMA to enforce competition rules in the UK insofar as they relate to the provision of financial services and participation in payment systems, respectively.

The FCA routinely undertakes studies, inquiries and investigations on the banking and insurance sector market (including studies in respect of mortgages, overdrafts, high cost credit and the retail banking business model).

In 2016, the FCA issued a call for input on high-cost credit and review of the high-cost short-term credit (**HCSTC**) price cap in 2016. The FCA decided to maintain the HCSTC price cap and continued to review both sector-wide issues and concerns about certain products (rent-to-own, home-collected credit and catalogue credit). In relation to overdrafts, the FCA introduced significant reforms to its rules in June 2019 and published a policy statement on overdraft pricing and competition remedies in October 2019. The new rules on overdraft pricing and competition remedies came into force on 6 April 2020. In July 2019, the FCA and the CMA entered into memoranda of understanding in relation to consumer protection and competition powers.

While the outcome of such initiatives and studies and the scope any future initiatives and/or studies is inherently uncertain, they may ultimately result in the application of behavioural and/or structural remedies by the regulator.

Other relevant legislation and regulation

The UK Money Laundering, Terrorist Financing and Transfer of Funds (Information on Payer) Regulations 2017 as amended, including by the Money Laundering and Terrorist Financing (Amendment) Regulations 2019, place a requirement on TSB Bank to verify the identity of customers opening accounts with it, and to keep records to help prevent money laundering. In addition, the Proceeds of Crime Act 2002, Terrorism Act 2000, Counter-Terrorism Act 2008 and Terrorist Asset-Freezing etc. Act 2010 collectively contain requirements and offences in relation to money laundering and the financing of terrorism that are applicable to TSB Bank. Guidance on the application of TSB Bank's anti-money laundering and counter-terrorist financing obligations is produced by the Joint Money Laundering Steering Group, which comprises UK trade associations in different sectors of the financial services industry.

The Bribery Act 2010 contains offences relating to bribing another person, being bribed and bribing foreign public officials. It also contains an offence for commercial organisations of failing to prevent bribery. The Ministry of Justice has published guidance about procedures which commercial organisations can put into place to help prevent against persons associated with them engaging in such activity.

The Economic Crime and Corporate Transparency Act 2023 (the **ECCTA**) received Royal Assent in October 2023. Certain provisions of the ECCTA that came into effect on 26 December 2023 reframe the "identification principle" for the purpose of criminal corporate liability, making a firm criminally liable if one of its "senior managers" (as defined in the ECCTA), acting within their actual or apparent authority, commits a specified offence, which includes offences in respect of money laundering and fraud. The ECCTA also includes a new 'failure to prevent fraud' offence (the offence will come into effect on 1 September 2025), which introduces strict criminal liability for larger firms that did not have reasonable procedures in place to prevent a corporate fraud committed by an associated person (including employees and outsourced providers). The government has published guidance on the concept of "reasonable procedures" in this context. The Group is developing procedures and controls in line with government guidance.

Where personal data (for example names, addresses, location data) is processed (which includes collection), the General Data Protection and Regulation, as it forms part of domestic law by virtue of the EUWA, and the Data Protection Act 2018, and as amended by Schedules 1 and 2 to the Data Protection, Privacy and Electronic Communications (Amendments etc) (EU Exit) Regulations 2019 (SI 2019/419) and subsequent amendments will apply to the Bank. In addition, the e-Privacy Directive and the Privacy and Electronic Communications Regulations also provide individuals further privacy rights in relation to electronic communications. The UK Unfair Terms in Consumer Contracts Regulations 1999 (together with, insofar as applicable, the Unfair Terms in Consumer Contracts Regulations 1994) apply to consumer contracts entered into on or after 1 July 1995 and prior to 1 October 2015. Contracts entered into on or after 1 October 2015 are governed by the Consumer Rights Act 2015. The main effect

of these pieces of legislation is that a contract term which is "unfair" will not be enforceable against a consumer. This applies to, among other things, mortgages and related products and services.

For the financial services regulatory risks relating to the Company and the Bank's business, please see "*Risk Factors – Risks Relating to the Legal and Regulatory Environment in Which the Group Operates*".

THE LLP

TSB Covered Bonds LLP (the **LLP**) was incorporated on 16 May 2016 in England and Wales as a limited liability partnership (with registered number OC411834) under the LLPA, with TSB Bank plc and TSB Covered Bonds (LM) Limited (the **Liquidation Member**) as its Members.

The LLP's registered office is at 5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU. The telephone number of the LLP's registered office is (+44) (0) 2073 986 300.

The LLP forms a group with its Members and has no subsidiaries. The LLP is dependent on (i) TSB Bank plc to provide certain services to it on the terms of the Transaction Documents and (ii) on the Corporate Services Provider to provide certain corporate administration services.

The principal activities of the LLP are set out in the LLP Deed and include, *inter alia*, the ability to carry on the business of acquiring the Loans and their Related Security pursuant to the terms of the Mortgage Sale Agreement with a view to profit, to borrow money and to do all such things as are incidental or conducive to the carrying on of that business.

The LLP has not engaged since incorporation, and will not engage whilst the Covered Bonds or any Term Advance remains outstanding, in any material activities other than activities incidental to its incorporation under the LLPA, activities contemplated under the Transaction Documents to which it is or will be a party, filing a notification under the DPA and other matters which are incidental or ancillary to the foregoing.

Members

The Members of the LLP as at the date of this Prospectus and their registered offices are:

Name	Registered Office
TSB Covered Bonds (LM) Limited	5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU
TSB Bank plc	Henry Duncan House, 120 George Street, Edinburgh EH2 4LH

The directors of each of TSB Bank plc and TSB Covered Bonds (LM) Limited are set out below.

Directors of TSB Covered Bonds (LM) Limited

The following table sets out the directors of TSB Covered Bonds (LM) Limited and their respective businesses addresses and occupations at the date of this Prospectus.

Name	Business Address	Business Occupation
CSC Directors (No.3) Limited	5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU	Corporate Director
CSC Directors (No.4) Limited	5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU	Corporate Director
Pavi Helena Whitaker	5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU	Director

Further, the directors of CSC Directors (No.3) Limited and CSC Directors (No.4) Limited and their principal activities or business occupations are:

Name	Business address	Principal Activities
Alasdair Watson	5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU	Director

Aline Sternberg	5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU	Director
Catherine McGrath	5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU	Director
Debra Parsall	5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU	Director
Christian Danisi	5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU	Company Secretary
Dragos Savacenco	5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU	Company Secretary
Pavi Helena Whitaker	5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU	Director
Jackie Sarpong	5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU	Company Secretary
Jonathan Hanly	5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU	Director
Jordina Walker	5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU	Director
Laura Cocco	5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU	Company Secretary
Meka Umeadi	5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU	Company Secretary
Tak Yee (Natalie) Lau	5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU	Company Secretary
Navaneetha Rajan	5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU	Company Secretary
Oreoluwa Salu	5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU	Company Secretary
Oskari Tammenmaa	5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU	Director
Raheel Khan	5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU	Director
Renda Manyika	5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU	Director
Robert Pitcher	5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU	Company Secretary
Sukanthapriya Jeyaseelan	5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU	Company Secretary
Umar Khan	5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU	Company Secretary

Directors of TSB Bank plc

The directors of TSB Bank plc are set out under "*TSB Bank plc – Directors of the Issuer*" above.

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

LLP Management Board

The Members have appointed the LLP Management Board to act on all matters relating to the LLP, other than those specific matters which require the unanimous decision of the Members (as set out in the LLP Deed). Any decision by the LLP Management Board relating to the admission of a New Member, any change in the LLP's business, any change to the LLP's name and any decision not to indemnify the LLP, will be made, whilst any Covered Bonds are outstanding, with the consent of the Security Trustee.

At the date of this Prospectus, the following are the members of the LLP Management Board:

Name	Business Address	Principal Activities outside the LLP
Shahid Shafi	19th Floor, 8 Bishopsgate, London EC2N 4BQ	Treasurer of TSB Bank plc
Glenn Wilson	19th Floor, 8 Bishopsgate, London EC2N 4BQ	Director of Prudential, Enterprise and Operational Risk Oversight of TSB Bank plc
Katherine Sinclair	19th Floor, 8 Bishopsgate, London EC2N 4BQ	Head of Wholesale Funding and Financial Resilience of TSB Bank plc
Gina Bouette	19th Floor, 8 Bishopsgate, London EC2N 4BQ	Managing Counsel, Treasury Legal of TSB Bank plc

The LLP has no employees.

There are no potential conflicts of interest between, on the one hand, any duties of the members of the LLP Management Board to the LLP and, on the other hand, their private interests or other duties.

As at the date of this Prospectus, the LLP is controlled by TSB Bank plc. To ensure that such control is not abused, the Members of the LLP and the LLP, *inter alios*, have entered into the LLP Deed which governs the operation of the LLP.

In the event of the appointment of a liquidator or an administrator to TSB Bank plc or TSB Bank plc disposing of any of the shares of TSB Covered Bonds (LM) Limited (such that it ceases to hold at least 20 per cent. of TSB Covered Bonds (LM) Limited without any necessary consents), TSB Covered Bonds (LM) Limited would take control of the LLP.

The LLP's accounting reference date is 31 December. The financial statements of the LLP for the years ended 31 December 2023 and 31 December 2024 have been audited by the LLP's auditors and have been prepared in accordance with generally accepted accounting principles under international accounting standards.

SUMMARY OF THE PRINCIPAL DOCUMENTS

Trust Deed

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

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

Covered Bond Guarantee

Under the terms of the Covered Bond Guarantee, if the Issuer defaults in the payment on the due date of any moneys due and payable under or pursuant to the Trust Deed or the Covered Bonds or any Receipts or Coupons, or if any other Issuer Event of Default occurs (other than by reason of non-payment), and, in either case, if the Bond Trustee has served an Issuer Acceleration Notice, the LLP has agreed (subject as described below) to pay or procure to be paid (following service of a Notice to Pay) unconditionally and irrevocably to or to the order of the Bond Trustee (for the benefit of the Covered Bondholders) an amount equal to that portion of the Guaranteed Amounts which shall become Due for Payment but would otherwise be unpaid, as of any Original Due for Payment Date or, if applicable, the Extended Due for Payment Date, by the Issuer. Payment by the LLP of the Guaranteed Amounts pursuant to the Covered Bond Guarantee will be made on the later of (a) the day which is two Business Days following service of a Notice to Pay on the LLP and (b) the day on which the Guaranteed Amounts are otherwise Due for Payment (the **Guaranteed Amounts Due Date**). In addition, the LLP shall, to the extent it has funds available to it, make payments in respect of the unpaid portion of the Final Redemption Amount on any Original Due for Payment Date up until the Extended Due for Payment Date (where an Extended Due for Payment Date is provided for in the relevant Final Terms). The Bond Trustee will be required to serve a Notice to Pay on the LLP with a copy to the Principal Paying Agent following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice.

Under the Covered Bond Guarantee, the Guaranteed Amounts will become due and payable on any earlier date on which, following the occurrence of an LLP Event of Default, an LLP Acceleration Notice is served in accordance with Condition 9.2 (*LLP Events of Default*). Following service of an LLP Acceleration Notice, the Covered Bonds will (if an Issuer Acceleration Notice has not already been served) become immediately due and payable as against the Issuer and the obligations of the LLP under the Covered Bond Guarantee will be accelerated.

All payments of Guaranteed Amounts by or on behalf of the LLP shall be made without withholding or deduction for, or on account of, any present or future taxes, duties or other charges of whatever nature imposed or levied by or on behalf of the UK or any authority thereof or therein having power to tax, unless such withholding or deduction of such taxes, duties or other charges is required by law. In that event 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 (subject to a Notice to Pay or LLP Acceleration Notice having been served), irrespective

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

Subject to the grace period specified in Condition 9.2 (*LLP Events of Default*) of the Terms and Conditions, failure by the LLP to pay the Guaranteed Amounts which are Due for Payment on the relevant Guaranteed Amounts Due Date will result in an LLP Event of Default.

The Trust Deed provides that any Excess Proceeds shall be paid by the Bond Trustee on behalf of the Covered Bondholders of the relevant Series to the LLP for its own account, as soon as practicable, and shall be held by the LLP in the Transaction Accounts and the Excess Proceeds shall thereafter form part of the Security and shall be used by the LLP in the same manner as all other moneys from time to time standing to the credit of the Transaction Accounts and shall be applied as Available Principal Receipts. Any Excess Proceeds received by the Bond Trustee shall discharge *pro tanto* the obligations of the Issuer in respect of the Covered Bonds, Receipts and Coupons. However, the obligations of the LLP under the Covered Bond Guarantee are (following service of a Notice to Pay) unconditional and irrevocable and the receipt by the Bond Trustee of any Excess Proceeds shall not reduce or discharge any of such obligations.

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

Fees and expenses

The LLP will pay certain fees to the Bond Trustee and will reimburse it for all its costs and expenses properly incurred in acting as Bond Trustee and in addition shall indemnify it in respect of all claims, actions, proceedings, demands, liabilities, losses, damages, costs and expenses suffered as a result of the Issuer (or, following service of a Notice to Pay on the LLP, the LLP) failing to perform any of its obligations under the Transaction Documents.

Any remuneration, costs and expenses paid by the LLP to the Bond Trustee shall be paid subject to, and in accordance with, the relevant Priorities of Payments, as applicable.

Neither the Issuer nor the LLP will be responsible under the Trust Deed for any liabilities, losses, damages, costs or expenses resulting from the fraud, gross negligence or wilful default on the part of the Bond Trustee or any of its officers, employees and advisers.

Retirement and removal

The Bond Trustee may retire at any time on giving not less than three months' prior written notice to the Issuer, the LLP and the Security Trustee. The Covered Bondholders may by Extraordinary Resolution of all the Covered Bondholders of all Series taken together as a single Series remove any Bond Trustee. The retirement or removal of the Bond Trustee who is the sole Bond Trustee shall not become effective until a successor bond trustee is appointed.

Governing law

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 nominal value of the issue of the related Covered Bonds to the LLP by way of a Term Advance pursuant to the Intercompany Loan Agreement. Each Term Advance will be made in the Specified Currency of the relevant Series or Tranche, as applicable, of the Covered Bonds, as set out in the applicable Final Terms and will be swapped into Sterling pursuant to the relevant Covered Bond Swap Agreement. The Sterling Equivalent of each Term Advance will be used by the LLP:

(a) as consideration (in whole or in part) for the acquisition of Loans and their Related Security from the Seller pursuant to the terms of the Mortgage Sale Agreement, as described under "*Summary of the Principal Documents – Mortgage Sale Agreement – Sale by the Seller of the Loans and Related Security*"; and/or

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

to the extent required to meet the Asset Coverage Test and the requirement of Regulation 17(2)(b) and 24(1)(a)(ii) of the RCB Regulations and thereafter may be applied by the LLP:

(i) as consideration in part for the acquisition of Loans and their Related Security from the Seller pursuant to the terms of the Mortgage Sale Agreement; and/or

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

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

(iv) if an existing Series, or part of an existing Series, of Covered Bonds is being refinanced by such issue of Covered Bonds, to repay the Term Advances corresponding to the Covered Bonds being so refinanced; and/or

(v) to make a deposit in the Transaction Accounts (including, without limitation, to fund the Reserve Fund to an amount not exceeding the prescribed limit).

Each Term Advance will bear interest at a rate of interest equal to the rate of interest payable on the corresponding Series or Tranche, as applicable, of Covered Bonds.

The Issuer will not be relying on repayment of any Term Advance in order to meet its repayment obligations under the Covered Bonds. The LLP will pay amounts due in respect of Term Advances(s) in accordance with the relevant Priorities of Payments. Provided no Asset Coverage Test Breach Notice is outstanding, prior to 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 (but is not required to) use the proceeds of the Term Advances to pay amounts due on the Covered Bonds; any failure by the LLP to pay any amounts due on the Term Advances, however, will not affect the liability of the Issuer to pay the relevant amount due on the Covered Bonds. For so long as an Asset Coverage Test Breach Notice is outstanding, the LLP may not borrow any new Term Advances from the Issuer under the Intercompany Loan Agreement.

The amounts owed by the LLP to the Issuer under the Term Advances will be reduced by (i) any amounts paid by the LLP under the terms of the Covered Bond Guarantee and (ii) the Principal Amount Outstanding of any Covered Bonds (the proceeds of which were originally applied to make such Term Advances) purchased by the Issuer or the LLP and cancelled in accordance with Condition 6.9 (*Purchases*).

The Intercompany Loan Agreement is governed by English law.

Mortgage Sale Agreement

The Seller

Loans and their Related Security will be sold to the LLP from time to time pursuant to the terms of the Mortgage Sale Agreement entered into on the Programme Date between TSB Bank plc (in its capacity as Seller), the LLP and the Security Trustee.

Sale by the Seller of the Loans and Related Security

The Portfolio will consist of the Loans and their Related Security sold from time to time by the Seller to the LLP in accordance with the terms of the Mortgage Sale Agreement. The types of Loans forming the Portfolio will vary over time provided that the Eligibility Criteria (as described below) in respect of such Loans are met on the relevant Sale Date. Accordingly, the Portfolio may, at any time, include

Loans with different characteristics from Loans that were included in the Portfolio or being offered to Borrowers on previous Sale Dates.

Prior to the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice or an LLP Event of Default and service of an LLP Acceleration Notice, the LLP will acquire the Loans and their Related Security from the Seller in certain circumstances, including the three circumstances described below.

(a) *First*, in relation to the issue of Covered Bonds from time to time in accordance with the Programme, the Issuer will make Term Advances to the LLP, the proceeds of which may be applied in whole or in part by the LLP to acquire Loans and their Related Security from the Seller.

(b) *Second*, the LLP will, in certain circumstances, use the Available Principal Receipts to acquire Loans and their Related Security from the Seller and/or Substitution Assets (in the case of any Substitution Assets, up to the prescribed limit) on each LLP Payment Date.

(c) *Third*, the LLP and the Seller are required to ensure that the Portfolio is maintained at all times in compliance with the Asset Coverage Test (as determined by the Cash Manager on each Calculation Date). If on any Calculation Date there is a breach of the Asset Coverage Test, the Seller will use all reasonable endeavours to offer to sell to the LLP sufficient New Loans and their Related Security on or before the next Calculation Date to ensure compliance with the Asset Coverage Test as at the next Calculation Date.

If an Issuer Event of Default has occurred but no liquidator or administrator has been appointed to the Seller, Loans and their Related Security may only be acquired from the Seller if the Seller has provided a solvency certificate to the LLP and the Security Trustee.

In exchange for the sale of the Loans and their Related Security to the LLP, the Seller will receive an amount equal to the Current Balance of those Loans sold by it as at the Sale Date, which will be satisfied by one or a combination of:

(i) a cash payment to be made by the LLP from the Sterling Equivalent of the proceeds of the relevant Term Advance and/or from Available Principal Receipts;

(ii) the Seller being treated as having made a Capital Contribution in Kind in an amount equal to the difference between the Current Balance of the New Loans sold by the Seller as at the relevant Sale Date and the cash payment (if any) made by the LLP in accordance with paragraph (i) above; and/or

(iii) Deferred Consideration (including any Postponed Deferred Consideration) which shall be paid by the LLP on each LLP Payment Date (provided there are available funds) in accordance with the relevant Priorities of Payments.

If Selected Loans and their Related Security are sold by or on behalf of the LLP as described below under "*LLP Deed – Sale of Selected Loans and their Related Security whilst an Asset Coverage Test Breach Notice remains outstanding*" and "*Sale of Selected Loans and their Related Security following service of a Notice to Pay*" and "*Sale of Selected Loans and their Related Security if a Supplemental Liquidity Event has occurred*" and "*Sale of Selected Loans and their Related Security if the Pre-Maturity Liquidity Test is breached*", the obligations of the Seller insofar as they relate to those Selected Loans and their Related Security will cease to apply.

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

Eligibility Criteria

The sale of Loans and their Related Security to the LLP will be subject to various conditions (the **Eligibility Criteria**) being satisfied on the relevant Sale Date. These include (but are not limited to) the following:

(a) there shall have been neither an Issuer Event of Default and service of an Issuer Acceleration Notice nor an LLP Event of Default and service of an LLP Acceleration Notice as at the relevant Sale Date;

(b) the LLP, acting on the advice of the Cash Manager, is not aware, and could not reasonably be expected to be aware, that the proposed purchase by the LLP of the relevant Loans and their Related Security on the relevant Sale Date would adversely affect the then current rating by Moody's of the Covered Bonds;

(c) the yield on the Loans in the Portfolio together with the yield of the New Loans to be sold to the LLP on the relevant Sale Date (the **Relevant Loans**) is at least 0.18 per cent. greater than the SONIA Spot Rate as at the relevant Sale Date, after taking into account the weighted average yield on the Relevant Loans and the margins on the Swaps, in each case as at the relevant Sale Date;

(d) no Loan that is proposed to be sold to the LLP on the relevant Sale Date has a Current Balance of more than £1,000,000;

(e) if the Loans that are proposed to be sold to the LLP on the relevant Sale Date include New Loan Types, the LLP has obtained written confirmation from the Rating Agency that if such New Loan Types were to be sold to the LLP, such sale of New Loan Types to the LLP would not have an adverse effect on the then current ratings by the Rating Agency of the Covered Bonds; and

(f) no Loan that is proposed to be sold to the LLP on the relevant Sale Date relates to a Property which is not a residential property.

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

Transfer of title to the Loans to the LLP

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

The assignments, assignations, transfers or conveyances (as appropriate) of the Loans and their Related Security (or, where specified, the Selected Loans and their Related Security) to the LLP shall be perfected by the Seller (or, as the case may be, the LLP or the Security Trustee pursuant to powers granted under the Seller Power of Attorney) on or before the 20th London Business Day after the earliest to occur of:

(a) service of a Notice to Pay (unless the Seller has notified the LLP that it will accept the offer set out in the Selected Loan Offer Notice within the prescribed time) or an LLP Acceleration Notice;

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

(c) the Seller and/or the LLP being required to perfect legal title to the Loans and their Related Security, or procure any or all of the acts referred to in Clause 7 of the Mortgage Sale Agreement, by an order of a court of competent jurisdiction, or by a regulatory authority to which the Seller is subject or any organisation whose members comprise, but are not necessarily limited to, mortgage lenders with whose instructions it is customary for the Seller to comply;

(d) it becoming necessary by law to take such actions;

(e) the Security Trustee giving notice that, in its opinion, the property, assets and rights of the LLP comprised in the Security constituted by the Deed of Charge or any material part thereof are in jeopardy and that the doing of any or all of the acts referred to herein is necessary in order to materially reduce such jeopardy;

(f) the Seller calling for perfection by serving notice in writing to the LLP and the Security Trustee;

(g) the occurrence of an Insolvency Event in relation to the Seller; or

(h) the date on which the Seller ceases to be assigned a long-term Counterparty Risk Assessment from Moody's of at least "Baa3(cr)",

(each a **Perfection Event**).

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

The Title Deeds (if any) and Customer Files relating to the Loans in the Portfolio will be held by or to the order of the Seller or by solicitors, licensed conveyancers or (in Scotland) qualified conveyancers acting for the Seller in connection with the creation of the Loans and their Related Security, save for Title Deeds (if any) held at the Land Registry or the Registers of Scotland or the Registry of Deeds. The Seller will undertake that all the Customer Files and Title Deeds relating to the Loans in the Portfolio which are at any time in its possession or under its control or held to its order will be held to the order of the LLP or as the LLP may direct.

Representations and Warranties

None of the LLP, the Security Trustee or the Bond Trustee has made or has caused to be made on its behalf any enquiries, searches or investigations in respect of the Loans and their Related Security to be sold to the LLP. Instead, each is relying entirely on the Representations and Warranties by the Seller contained in the Mortgage Sale Agreement. The parties to the Mortgage Sale Agreement may, with the prior written consent of the Security Trustee (which consent will only be given if the Security Trustee is satisfied, acting reasonably, that there will be no adverse effect on the then current ratings of the Covered Bonds as a result thereof), amend or waive the Representations and Warranties in the Mortgage Sale Agreement. The material Representations and Warranties are as follows and are given on the relevant Sale Date in respect of the Loans and Related Security to be sold to the LLP only on that date:

- each Loan was originated or acquired by the Seller and is denominated in Sterling;
- no Loan has a Current Balance of more than £1,000,000;
- prior to the making of each advance under a Loan, the Lending Criteria and all preconditions to the making of that advance were satisfied in all material respects subject only to exceptions made on a case by case basis as would be acceptable to a Reasonable, Prudent Mortgage Lender;
- so far as the Seller is aware, other than with respect to Monthly Payments, no Borrower is or has, since the date of the execution of the relevant Mortgage, been in material breach of any obligation owed in respect of the relevant Loan or its Related Security and accordingly no steps have been taken by the Seller to enforce any Related Security;

- the total amount of interest or principal in arrears, including any fees, commissions and premiums payable at the same time as that interest payment or principal repayment, on any Loan is not, on the relevant Sale Date in respect of any Loan, more than the amount of the Monthly Payment then due;
- all of the Borrowers are individuals (and not partnerships) and were aged 18 years or older at the date of execution of the Mortgage;
- at least one Monthly Payment has been made in respect of each Loan or, for the avoidance of doubt, in case of a Product Switch, Flexible Loan Drawing or Further Advance, the original advance;
- the whole of the Current Balance on each Loan is secured by the relevant Mortgage;
- no loan is originated under a dedicated staff scheme;
- no Loan is an Equity Release Loan or a Self-Certified Loan;
- no Loan, Related Security or Insurance Claim Proceeds consists of stock or marketable securities (in either case for the purposes of Section 122 of the Stamp Act 1891), chargeable securities (for the purposes of Section 99 of the Finance Act 1986) or a chargeable interest (for the purposes of Section 48 of the Finance Act 2003 and section 4 of the Land and Buildings Transaction Tax (Scotland) Act 2013) and Section 4(1) of the Land Transaction Tax and Anti-Avoidance of Devolved Taxes (Wales) Act 2017);
- each Mortgage constitutes a valid and subsisting first charge by way of legal mortgage (or in Scotland) first ranking standard security over the relevant Property, and subject only in certain appropriate cases to applications for registrations or recordings at the Land Registry of England and Wales or in the Registers of Scotland which, where required, have been made and are pending and in relation to such cases the Seller is not aware of any notice or any other matter that would prevent such registration or recording;
- each Loan and its Related Security is, save in relation to any term of a Loan or of its Related Security which is not binding by virtue of the Unfair Terms in Consumer Contracts Regulations 1994 or (as the case may be) the Unfair Terms in Consumer Contracts Regulations 1999, or (as the case may be) the Consumer Rights Act 2015, valid and binding and enforceable in accordance with its terms and is non-cancellable. To the best of the Seller's knowledge, none of the terms of any Loan or of its Related Security, save for any term which relates to Early Repayment Charges, the power to vary closing administration charges and the power to recover indemnity costs is unfair within the meaning of the Unfair Terms in Consumer Contracts Regulations 1994 or (as the case may be) the Unfair Terms in Consumer Contracts Regulations 1999 or (as the case may be) the Consumer Rights Act 2015. In this warranty, references to any legislation shall be construed as a reference to that legislation as amended, extended or re-enacted from time to time;
- all of the Properties are located in England, Wales or Scotland;
- in respect of the Loans the Seller will have obtained a valuation report or other evidence of value, the contents of which were such as would be acceptable to a Reasonable, Prudent Mortgage Lender;
- prior to the taking of each Mortgage (other than a remortgage), the Seller (a) instructed its solicitor or licensed conveyancer or (in Scotland) qualified conveyancer to carry out an investigation of title to the relevant Property and to undertake such other searches, investigations, enquiries and other actions on its behalf in accordance with the instructions which the Seller issued to the relevant solicitor or licensed conveyancer or (in Scotland) qualified conveyancer as are set out in the applicable UK Finance Mortgage Lenders' Handbook for conveyancers or other comparable, predecessor or successor instructions and/or guidelines as may for the time being be in place, subject only to such variations made on a case-by-case basis as would have been acceptable to a Reasonable, Prudent Mortgage Lender

at the relevant time; and (b) received a Certificate of Title from the solicitor or licensed conveyancer or (in Scotland) qualified conveyancer referred to in paragraph (a) above relating to the Property, the contents of which were such as would have been acceptable to a Reasonable, Prudent Mortgage Lender at that time;

- so far as the Seller is aware, buildings insurance cover for such Property is available under a policy arranged by the Borrower or by or on behalf of the Seller or a buildings insurance policy arranged by the relevant landlord or the Properties in Possession Cover;
- the Seller has full right, good and valid title to, and is the absolute unencumbered legal and beneficial owner of, all property, interests, rights and benefits agreed to be sold by it to the LLP pursuant to the Mortgage Sale Agreement free and clear of all Security Interests, claims and equities (including, without limitation, rights of set-off or counterclaim and unregistered dispositions which override first registration and unregistered interests which override registered dispositions (as listed in Schedule 1 and Schedule 3 respectively to the Land Registration Act 2002) in the case of any property, interests or rights governed by English law) and the Seller is not in breach of any covenant implied by reason of its selling the relevant Portfolio with full title guarantee or with absolute warrandice or as beneficial owner, as the case may be;
- the Seller has, since the making of or acquisition of each Loan, kept or procured the keeping of full and proper accounts, books and records showing clearly all variations in the relevant financial terms and conditions, transactions, payments, payment holidays, receipts, proceedings and notices relating to such Loan; and
- there are no authorisations, approvals, licences or consents required as appropriate for the Seller to enter into or to perform its obligations under the Mortgage Sale Agreement or to make the Mortgage Sale Agreement legal, valid, binding, enforceable and admissible in evidence.

Each Loan and its Related Security will be **eligible property** for the purposes of Regulation 2 of the RCB Regulations.

The Seller will make Representations and Warranties (subject to appropriate adjustments) in relation to each Loan which is subject to a Product Switch, Flexible Loan Drawing or Further Advance that remains in the Portfolio on the date on which the relevant Product Switch, Flexible Loan Drawing or Further Advance (as the case may be) is made.

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

Repurchase of Loans

If the Seller receives a Loan Repurchase Notice from the LLP identifying a Loan or its Related Security in the Portfolio which did not, as at the relevant Sale Date, materially comply with the Representations and Warranties set out in the Mortgage Sale Agreement, then the Seller will be required to repurchase (a) any such Loan and its Related Security and (b) any other Loan secured or intended to be secured by that Related Security or any part of it. The repurchase price payable upon the repurchase of any such Loan is an amount (not less than zero) equal to the Current Balance of such Loan(s). The Seller may also be required to repurchase Loans and their Related Security which have been the subject of a Product Switch, Further Advance or Flexible Loan Drawing (as to which, see "*Product Switches, Further Advances and Flexible Loan Drawings*" below). In each case, the repurchase proceeds received by the LLP will be applied in accordance with the Pre-Acceleration Principal Priority of Payments (see "*Cashflows*" below).

General ability to repurchase

Prior to the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice or an LLP Event of Default and service of an LLP Acceleration Notice, the Seller may from time to time

offer to repurchase a Loan and its Related Security from the LLP for a purchase price (not less than zero) equal to the Current Balance of such Loan(s) as at the date of repurchase. The LLP may accept such offer at its discretion. If an Issuer Event of Default has occurred, the Seller's right to repurchase Loans and their Related Security will be conditional upon the delivery by the Seller of a solvency certificate to the LLP and the Security Trustee.

Defaulted Loans

Defaulted Loans will be attributed a reduced weighting in the calculation of the Asset Coverage Test and the Amortisation Test as at the relevant Calculation Date. Prior to the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice or an LLP Event of Default and service of an LLP Acceleration Notice, the Seller may, at its option, offer to repurchase a Defaulted Loan and its Related Security from the LLP for an amount equal to its aggregate Current Balance of such Loans as at the date of repurchase. The LLP may accept such offer at its discretion. If an Issuer Event of Default has occurred, the Seller's right to repurchase Defaulted Loans and their Related Security will be conditional upon the delivery by the Seller of a solvency certificate to the LLP and the Security Trustee.

Right of pre-emption

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

The LLP will serve on the Seller a Selected Loan Offer Notice offering to sell those Selected Loans and their Related Security for an offer price in aggregate equal to (a) where the Selected Loans are offered for sale whilst an Asset Coverage Test Breach Notice is outstanding but prior to service of a Notice to Pay, the then Current Balance of the Selected Loans and (b) where the Selected Loans are offered for sale following service of a Notice to Pay, the greater of the then Current Balance of the Selected Loans and the Adjusted Required Redemption Amount, in each case subject to the offer being accepted by the Seller within 10 London Business Days from and including the date of the Selected Loan Offer Notice. If an Issuer Event of Default has occurred, the Seller's right to accept the offer (and therefore its right of pre-emption) will be conditional upon the delivery by the Seller of a solvency certificate to the LLP and the Security Trustee. If the Seller rejects the LLP's offer or fails to accept it in accordance with the foregoing, the LLP will offer to sell the Selected Loans and their Related Security to other Purchasers (as described under "*LLP Deed – Sale of Selected Loans and their Related Security following service of a Notice to Pay*" below).

If the Seller validly accepts the LLP's offer to sell the Selected Loans and their Related Security, the LLP will, within three London Business Days of such acceptance, serve a Selected Loan Repurchase Notice on the Seller. The Seller will sign and return a duplicate copy of the Selected Loan Repurchase Notice and will repurchase from the LLP free from the Security created by and pursuant to the Deed of Charge the relevant Selected Loans and their Related Security (and any other Loan secured or intended to be secured by that Related Security or any part of it) referred to in the relevant Selected Loan Repurchase Notice. Completion of such repurchase shall take place on the LLP Payment Date next occurring after receipt by the Seller of such Selected Loan Repurchase Notice or such other date as the LLP may direct in the Selected Loan Repurchase Notice (provided that such date, where a Notice to Pay has been served, shall not be later than the earlier to occur of the date which is (a) 10 London Business Days after receipt by the LLP of the returned Selected Loan Repurchase Notice or (b) the Final Maturity Date of, as applicable, the Hard Bullet Covered Bonds or the Earliest Maturing Covered Bonds).

Product Switches, Further Advances and Flexible Loan Drawings

The Seller is solely responsible for funding all Further Advances and Flexible Loan Drawings in respect of Loans sold by the Seller to the LLP, if any. The Seller will be treated as having made a Capital Contribution in Kind in an amount equal to the relevant increase of the Current Balance of the Loan, as set out in the LLP Deed.

The right to the interest and benefit in the Further Advances or Flexible Loan Drawings shall pass to the LLP automatically on the relevant Advance Date (subject where necessary to a further Scottish

Declaration of Trust being declared) and the deemed Capital Contribution in Kind made by the Seller to the LLP in respect of such Further Advances or Flexible Loans shall be made on such Advance Date.

The Seller (or the Servicer on its behalf) may also accept applications from or make offers to Borrowers for Product Switches. The Seller (or the Servicer on its behalf) is solely responsible for documenting any relevant offer or accepting any application for a Product Switch and the LLP shall not itself accept any application from or make offers to relevant Borrowers for Product Switches.

Neither the Seller (nor the Servicer on behalf of the Seller or the LLP) shall take or omit to take any action, including without limitation offering or making a Further Advance, Flexible Loan Drawing or Product Switch (as applicable), if such action or omission would result in the LLP arranging or advising in respect of, administering or entering into, a Regulated Mortgage Contract or agreeing to carry on any of these activities, if the LLP would be required to be authorised under the FSMA to do so.

If the Servicer determines on a Calculation Date that there is a breach of any of the Representations and Warranties with respect to any Further Advance or a Flexible Loan Drawing, as applicable, as at the relevant Advance Date purchased by the LLP in the preceding calendar month, the Seller shall offer to repurchase the relevant Loan and its Related Security subject to such Further Advance or a Flexible Loan Drawing, as applicable, from the LLP, on any London Business Day prior to the LLP Payment Date immediately following such Calculation Date, at a repurchase price equal to the then Current Balance of the relevant Loan as at the date of such repurchase. The LLP (or the Servicer on behalf of the LLP) may at its absolute discretion accept such offer by delivering a Loan Repurchase Notice duly signed on behalf of the LLP in accordance with the provisions of the Mortgage Sale Agreement. The repurchase price for a Loan and its Related Security subject to a Further Advance or a Flexible Loan Drawing, as applicable, and repurchased by the Seller will not include the amount of the relevant Further Advance or a Flexible Loan Drawing, as applicable (unless the Seller has already made a Capital Contribution in Kind in relation to such Further Advance or a Flexible Loan Drawing, as applicable, in accordance with the LLP Deed), which will be returned by the Seller.

If the Servicer determines on a Calculation Date that there is a breach of any of the Representations and Warranties with respect to any Product Switch made in the preceding calendar month, the Seller shall offer to repurchase the relevant Loan and its Related Security subject to such Product Switch from the LLP, on any London Business Day prior to the LLP Payment Date immediately following such Calculation Date, at a repurchase price equal to the then Current Balance of the relevant Loan as at the date of such repurchase. The LLP (or the Servicer on behalf of the LLP) may at its absolute discretion accept such offer by delivering a Loan Repurchase Notice duly signed on behalf of the LLP in accordance with the provisions of the Mortgage Sale Agreement.

New Sellers

In the future, New Sellers may accede to the Programme and sell loans and their related security to the LLP. Any such New Seller will be required to enter into a New Mortgage Sale Agreement, which will be in substantially the same form and contain substantially the same provisions as the Mortgage Sale Agreement entered into on the Programme Date between the Seller, the LLP and the Security Trustee. The sale of New Seller Loans and their Related Security by New Sellers to the LLP will be subject to certain conditions, including the following:

- each New Seller accedes to the terms of the LLP Deed as Member (with such subsequent amendments as may be agreed by the parties thereto) so that it has, in relation to those New Seller Loans and their Related Security to be sold by the relevant New Seller, substantially the same rights and obligations as the Seller had in relation to those Loans and their Related Security comprised in the Initial Portfolio under the LLP Deed;
- each New Seller enters into a New Mortgage Sale Agreement with the LLP and the Security Trustee, in each case so that it has, in relation to those New Seller Loans and their Related Security to be sold by such New Seller, substantially the same rights and obligations as the Seller had in relation to those Loans and their Related Security comprised in the Initial Portfolio under the Mortgage Sale Agreement;

- each New Seller accedes to such Transaction Documents and enters into such other documents as may be required by the Security Trustee, the Bond Trustee, the Cash Manager and/or the LLP (in each case acting reasonably) to give effect to the addition of such New Member to the transactions contemplated under the Programme;
- any New Seller Loans and their Related Security sold by a New Seller to the LLP comply with the Eligibility Criteria set out in the New Mortgage Sale Agreement;
- either the Servicer services the New Seller Loans and their Related Security sold by the New Member on the terms set out in the Servicing Agreement (with such subsequent amendments as may be agreed by the parties thereto) or the New Member (or its nominee) enters into a servicing agreement with the LLP and the Security Trustee which sets out the servicing obligations of the New Member (or its nominee) in relation to the New Seller Loans and their Related Security and which is on terms substantially similar to the terms set out in the Servicing Agreement (such that any fees payable to the Servicer or the New Member (or its nominee) acting as servicer of such New Seller Loans and their Related Security would be determined on the date of the accession of such New Member to the Programme); and
- the Security Trustee is satisfied that any modification of the Transaction Documents in order to accommodate the accession of the New Seller to the Programme will not be materially prejudicial to the interests of the relevant Secured Creditors and has obtained a Rating Agency Confirmation in relation thereto.

If the above conditions are met, the consent of Covered Bondholders will not be required in relation to the accession of a New Seller to the Programme.

The Seller may from time to time purchase mortgages originated by another originator which it may on-sell to the LLP in accordance with the Mortgage Sale Agreement.

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

Servicing Agreement

On the Programme Date, TSB Bank plc was appointed by the LLP as servicer of the Loans in the Portfolio pursuant to the terms of the Servicing Agreement to administer the Loans and their Related Security in the Portfolio.

Pursuant to the terms of the Servicing Agreement entered into on the Programme Date between the Seller, the LLP, the Servicer, the Back-Up Servicer Facilitator and the Security Trustee, the Servicer has agreed to service, on behalf of the LLP, the Loans and their Related Security comprised in the Portfolio.

The Servicer will be required to manage the Loans and their Related Security in accordance with the Servicing Agreement:

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

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

The Servicer's actions in servicing the Loans in accordance with its procedures will be binding on the LLP, the Seller and the other Secured Creditors.

The Servicer will have the power to exercise the rights, powers and discretions and to perform the duties of the LLP and the Seller (according to their respective estates and interests) in relation to the Loans and their Related Security that it is servicing pursuant to the terms of the Servicing Agreement, and to do anything which it reasonably considers necessary, convenient or incidental to the management of the Loans and their Related Security.

Right of delegation by the Servicer

The Servicer may from time to time sub-contract or delegate the performance of its duties under the Servicing Agreement, provided that it will nevertheless remain responsible for the performance of those duties to the LLP and the Security Trustee and, in particular, will remain liable at all times for servicing the Loans and their Related Security and for the acts or omissions of any delegate or sub-contractor. Any such sub-contracting or delegation may be varied or terminated at any time by the Servicer.

Undertakings of the Servicer

Pursuant to the terms of the Servicing Agreement (and as noted below in item (i), the Cash Management Agreement), the Servicer will undertake in relation to those Loans and their Related Security that it is servicing, *inter alia*, to:

(a) keep records and books of account on behalf of the LLP in relation to the Loans and their Related Security;

(b) keep any records necessary for the purposes of all Taxation, including, without limitation, VAT;

(c) maintain approvals, authorisations, permissions, consents and licences required in order properly to service the loans and their related security and to perform or comply with its obligations under the Servicing Agreement, and to prepare and submit all necessary applications and requests for any further approvals, authorisations, permissions, consents and licences required in connection with the provision of services under the servicing agreement, and in particular any necessary registrations under the DPA and permissions under the FSMA;

(d) to the extent so required by the relevant Mortgage Conditions and applicable law, notify Borrowers of any change in interest rates, whether due to a change in any Discretionary Rate (defined below) or margin in relation to any Loan sold by the Seller to the LLP and in the Portfolio or as a consequence of any provisions of the Mortgage Conditions. Any change in any Discretionary Rate or margin in relation to any Loan shall be notified in writing to each of the LLP, the Seller and the Security Trustee as soon as reasonably practicable and the Servicer shall, upon receipt of a request from any of such parties, notify such requesting party of any changes in the Monthly Payments in relation to the Loans sold by the Seller to the LLP;

(e) act as collection agent for the LLP for the purpose of collecting amounts due from Borrowers under the Loans and their Related Security sold by the Seller to the LLP and comprised in the Portfolio. It will deliver to the bankers automated clearing system or to the Collection Account Bank such instructions as may be necessary for the debit of the account of each Borrower in respect of which there is a direct debit mandate with the Monthly Payment due from such Borrower and for the amount of such monthly payment to be credited to the Collection Account. Under certain circumstances, alternative payment arrangements that ensure timely payment of monthly payments due from the Borrower may be agreed between the Servicer and the Borrower;

(f) keep the Customer Files and Title Deeds in its possession in safe custody and maintain records necessary to enforce each Mortgage and to provide the LLP and the Security Trustee with access to the Title Deeds (if any), the Customer Files and other records relating to the management of the Loans and their Related Security in its possession;

(g) in respect of any application for any Further Advance, Flexible Loan Drawing or Product Switch (whether written or otherwise) in respect of any Loan in the Portfolio accepted by the Servicer, notify the Seller (where the Seller is a different entity to the Servicer) and the LLP in writing on the Calculation Date following the calendar month in which such application was accepted;

(h) keep and maintain records in respect of the Portfolio for the purposes of identifying amounts paid by each Borrower, any amount due from a Borrower and the Current Balance of each Loan and such other records as would be kept by a Reasonable, Prudent Mortgage Lender;

(i) assist the Cash Manager in the preparation of an Asset Coverage and Investor Report substantially in the form set out in the Cash Management Agreement which will include information on the Loans and payments in arrears;

(j) provide to the LLP and the Security Trustee a report on a monthly basis containing information about the Loans and their Related Security comprised in the Portfolio, and a report on a quarterly basis, in a form agreed with the LLP and the Security Trustee, containing certain information about the individual Loans in the Portfolio;

(k) provide to the Authorities such information on the composition of the Loans and their Related Security contained in the Portfolio and/or such other information as the Authorities may direct pursuant to the RCB Regulations;

(l) take all reasonable steps, in accordance with the usual procedures undertaken by a Reasonable, Prudent Mortgage Lender, to recover all sums due to the LLP including, without limitation, the institution of proceedings and/or the enforcement of any Loan sold by the Seller to the LLP comprised in the Portfolio or its Related Security; and

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

Setting of Discretionary Rates

In addition to the undertakings described above, the Servicer has also undertaken in the Servicing Agreement to determine and set, in relation to the Loans in the Portfolio, any Discretionary Rates or margins applicable in relation to the Loans comprising the Portfolio from time to time, except in the limited circumstances described below when the LLP will be entitled to do so.

The Servicer will not (except in limited circumstances) at any time set or maintain:

(a) any Discretionary Rate applicable to any Variable Rate Loan sold by the Seller to the LLP and in the Portfolio at a rate which is higher than (although it may be lower than or equal to) the then prevailing relevant TSB Discretionary Rate; or

(b) any other variable rate or margin in respect of any other Loan sold by the Seller to the LLP and in the Portfolio which is higher than (although it may be lower than or equal to) the then prevailing relevant variable rate or margin of the Seller,

which applies to that type of Loan beneficially owned by the Seller outside the Portfolio, unless the Servicer is required to do so pursuant to the Servicing Agreement due to an Interest Rate Shortfall or in connection with its lowering of any Discretionary Rate, and, subject to that requirement, it shall not change any Discretionary Rate nor any other variable rate or margin in relation to any Loans sold by the Seller and in the Portfolio save for the same reasons as the Seller was entitled, under the Mortgage Terms, to change the relevant Discretionary Rate or any other variable rate or margin of the Seller prior to the sale to the LLP of the Loans comprised in the Portfolio and their Related Security. The LLP shall be bound by the relevant Discretionary Rate and any other variable rate or margin in relation to any Loan set in accordance with the Servicing Agreement.

In particular, the Servicer shall determine on each Calculation Date immediately preceding each LLP Payment Date, having regard to the aggregate of:

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

(ii) the Discretionary Rates or margins applicable in respect of the Loans which the Servicer proposes to set for the Relevant LLP Payment Period under the Servicing Agreement; and

(iii) the other resources available to the LLP including those under the Cover Pool Swap Agreement, the relevant Covered Bond Swap Agreements and the Reserve Fund,

whether the LLP would receive an amount of revenue 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 in respect of interest which would be payable (or provisioned to be paid) under the Intercompany Loan Agreement or, if a Notice to Pay has been served, the Covered Bond Guarantee on the LLP Payment Date falling at the end of the Relevant LLP Payment Period and relevant amounts payable (or provisioned to be paid) to the Covered Bond Swap Providers under the Covered Bond Swap Agreements in respect of all Covered Bonds on the LLP Payment Date falling at the end of the Relevant LLP Payment Period and (2) the other amounts payable by the LLP ranking in priority thereto in accordance with the relevant Priority of Payments applicable prior to an LLP Event of Default (the **Interest Rate Shortfall Test**). If the Servicer determines that there will be any shortfall on such Calculation Date (the **Interest Rate Shortfall**), the Interest Rate Shortfall Test shall not be met.

If the Servicer determines that the Interest Rate Shortfall Test will not be met on such Calculation Date, it will within one London Business Day of such determination give written notice to the LLP, the Seller and the Security Trustee of the amount of such Interest Rate Shortfall and of the relevant Discretionary Rates or margins applicable which would (taking into account the applicable Mortgage Conditions), in the Servicer's reasonable opinion, need to be set in order for no Interest Rate Shortfall to arise and the Interest Rate Shortfall Test to be met, having regard to the date(s) (which shall be specified in the notice) on which such change to the relevant Discretionary Rates or margins would take effect, and at all times acting in accordance with the standards of a Reasonable, Prudent Mortgage Lender, subject to the terms of the underlying Mortgage Conditions, as regards the competing interests of Borrowers with Variable Rate Loans and Borrowers with other relevant Loans. For the avoidance of doubt, any action taken by the Servicer to set the relevant Discretionary Rates or margins which are lower than that of the competitors of the Seller will be deemed to be in accordance with the standards of a Reasonable, Prudent Mortgage Lender, subject to the terms of the underlying Mortgage Conditions.

If the LLP notifies the Servicer (copied to the Seller) that, having regard to the obligations of the LLP, the relevant Discretionary Rates and/or any other variable rates or margins should be increased, the Servicer shall take all steps which are necessary, including publishing any notice which is required in accordance with the Mortgage Conditions, to effect such change in the Discretionary Rates and/or any other variable rates or margins on the date(s) specified in the notice referred to in the paragraph above. In these circumstances the Servicer shall have the right to set the Discretionary Rates or margins of the Seller, as the case may be.

In the event of an Interest Rate Shortfall, the Servicer is only permitted to determine and/or set any Discretionary Rate and/or any other applicable variable rates or margins in accordance with the Servicing Agreement prior to the perfection of the assignment in accordance with the Mortgage Sale Agreement.

In addition, the Servicer shall determine on each Calculation Date following the occurrence of a Perfection Event having regard to the aggregate of:

(a) the relevant Discretionary Rates or margins which the Servicer proposes to set for the Relevant LLP Payment Period under the Servicing Agreement; and

(b) the other resources available to the LLP under the Cover Pool Swap Agreement,

whether the LLP would receive an aggregate amount of interest on the Loans and amounts under the Cover Pool Swap Agreement during the Relevant LLP Payment Period which would give an annual yield on the Loans in the Portfolio of at least 0.18 per cent. plus the SONIA Spot Rate published on the final London Business Day in the previous Calculation Period (the **Yield Shortfall Test**).

If the Servicer determines that the Yield Shortfall Test will not be met on such Calculation Date, it will within one London Business Day of such determination give written notice to the LLP, the Seller and the Security Trustee of the amount of the shortfall and of the Discretionary Rates or margins applicable which would (taking into account the applicable Mortgage Conditions), in the Servicer's reasonable opinion, need to be set in order for no shortfall to arise and the Yield Shortfall Test to be met, having regard to the date(s) (which shall be specified in the notice) on which such change to the Discretionary Rates or margins applicable in relation to any other Loan sold by the Seller to the LLP and in the

Portfolio would take effect, and at all times acting in accordance with the standards of a Reasonable, Prudent Mortgage Lender, subject to the terms of the underlying Mortgage Conditions, as regards the competing interests of Borrowers with Variable Rate Loans and Borrowers with other relevant Loans. For the avoidance of doubt, any action taken by the Servicer to set the Discretionary Rates or margins which are lower than that of the competitors of the Seller will be deemed to be in accordance with the standards of a Reasonable, Prudent Mortgage Lender, subject to the terms of the underlying Mortgage Conditions.

If the LLP notifies the Servicer that, having regard to the obligations of the LLP, the Discretionary Rates or margins in relation to any Loans sold by the Seller to the LLP and in the Portfolio should be increased, the Servicer shall take all steps which are necessary, including publishing any notice which is required in accordance with the relevant Mortgage Conditions, to effect such change in the Discretionary Rates or margins on the date(s) specified in the notice referred to above. In these circumstances the Servicer shall have the right to set the Discretionary Rates or margins of the Seller, subject to the terms of the underlying Mortgage Conditions.

The LLP (with the prior written consent of the Security Trustee) may terminate the authority of or any direction to the Servicer to determine and set the applicable Discretionary Rates or margins in relation to any Loans in the Portfolio on or after the occurrence of a Servicer Termination Event as defined under "*Removal or resignation of the Servicer*" below, in which case the LLP will set the applicable Discretionary Rates or margins in relation to any such Loans in the Portfolio.

Remuneration

The LLP shall pay to the Servicer a servicing fee (inclusive of VAT) for its services (the **Administration Fee**). Such Administration Fee shall be calculated in relation to each LLP Payment Period and shall be payable to the Servicer in arrear on each LLP Payment Date.

Removal or resignation of the Servicer

The LLP (subject to the prior written notice of the Security Trustee) may, upon written notice to the Servicer, terminate the Servicer's appointment under the Servicing Agreement if any of the following events (each a **Servicer Termination Event**) occurs and while such event continues:

- the Servicer defaults in the payment on the due date of any payment due and payable by it under the Servicing Agreement and such default continues unremedied for a period of seven London Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Security Trustee or the LLP, as the case may be, requiring the same to be remedied;
- the Servicer defaults in the performance or observance of any of its other covenants and obligations under the Servicing Agreement, which failure in the reasonable opinion of the LLP (prior to the delivery of an LLP Acceleration Notice) or the Security Trustee (following the delivery of an LLP Acceleration Notice) is materially prejudicial to the interests of the Covered Bondholders, and the Servicer does not remedy that failure within 20 London Business Days after the earlier of the Servicer becoming aware of the failure or of receipt by the Servicer of written notice from the LLP or the Security Trustee requiring the Servicer's non-compliance to be remedied;
- the Servicer fails to obtain or maintain the necessary licences or regulatory approvals enabling it to continue to service the Loans;
- the Servicer ceases to be assigned a long-term Counterparty Risk Assessment by Moody's of at least "Ba2(cr)";
- an Insolvency Event occurs in relation to the Servicer; or
- the LLP resolves, after due consideration and acting reasonably, that the appointment of the Servicer should be terminated.

Each of the Servicer and the LLP have covenanted in the Servicing Agreement that, upon the Servicer ceasing to be assigned a long-term Counterparty Risk Assessment by Moody's of at least "Baa3(cr)" (a **Back-Up Servicer Event**), they will use best endeavours (with, in the case of the LLP, the assistance of the Back-Up Servicer Facilitator), to identify and appoint a suitable third party to act as a back-up or stand-by servicer (the **Back-Up Servicer**) to the Servicer within 60 days of such Back-Up Servicer Event.

Each of the Servicer and the LLP have covenanted in the Servicing Agreement that they will use best endeavours to procure that the agreement appointing the Back-Up Servicer contains an undertaking from the Back-Up Servicer that it will commence servicing the Portfolio within 60 days of a Servicer Termination Event.

Subject to the fulfilment of a number of conditions, the Servicer may voluntarily resign by giving not less than 12 months' written notice to the Security Trustee, the LLP and the Back-Up Servicer Facilitator (or such shorter time as may be agreed between the Servicer, the LLP and the Security Trustee) provided that a substitute servicer qualified to act as such under the FSMA and with a management team with experience of administering residential mortgages in the UK has been appointed (with the assistance of the Back-Up Servicer Facilitator) and enters into a servicing agreement with the LLP substantially on the same terms as the Servicing Agreement. The resignation of the Servicer is conditional on the resignation having no adverse effect on the then current ratings of the Covered Bonds unless the Covered Bondholders agree otherwise by Extraordinary Resolution.

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

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

The Servicing Agreement will be governed by English law (provided that any terms of the Servicing Agreement that are particular to the law of Scotland shall be construed in accordance with Scottish law) and will be made by way of deed.

Asset Monitor Agreement

Under the terms of the Asset Monitor Agreement entered into on the Programme Date between the Asset Monitor, the LLP, the Cash Manager, the Servicer 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 be appointed and act as asset pool monitor (as defined in the RCB Regulations) and to conduct tests in respect of the arithmetical accuracy of the calculations performed by the Cash Manager, prior to service of a Notice to Pay or an LLP Acceleration Notice, on the Calculation Date immediately prior to each anniversary of the Programme Date or at such other additional times as may be agreed from time to time with a view to confirmation of compliance by the LLP with the Asset Coverage Test on that Calculation Date. If and for so long as the long-term Counterparty Risk Assessment by Moody's of the Cash Manager is below "Baa3(cr)" or whilst an Asset Coverage Test Breach Notice is outstanding, the Asset Monitor will, subject to receipt of the relevant information from the Cash Manager, be required to conduct such tests following each Calculation Date. Following service of a Notice to Pay (but prior to an LLP Event of Default or service of an LLP Acceleration Notice), the Asset Monitor will also be required to test the arithmetical accuracy of the calculations performed by the Cash Manager in respect of the Amortisation Test.

Following a determination by the Asset Monitor of any errors in the arithmetical accuracy of the calculations performed by the Cash Manager such that the Asset Coverage Test or the Amortisation Test has been failed on the applicable Calculation Date (where the Cash Manager had recorded it as being satisfied) or the Adjusted Aggregate Loan Amount or the Amortisation Test Aggregate Loan Amount is mis-stated by an amount exceeding one per cent. of the Adjusted Aggregate Loan Amount or the Amortisation Test Aggregate Loan Amount, as applicable (as at the date of the relevant Asset

Coverage Test or the relevant Amortisation Test), the Asset Monitor will be required to conduct such tests following each Calculation Date for a period of six months thereafter.

The Asset Monitor is entitled, except in certain limited circumstances, to assume that all information provided to it by the Cash Manager for the purpose of conducting such tests is true and correct and is complete and not misleading, and is not required to conduct an audit or other similar examination in respect of or otherwise take steps to verify the accuracy of any such information. The Asset Monitor Report will be delivered to the Cash Manager, the LLP, the Issuer, the Bond Trustee and the Security Trustee.

As at the Programme Date, the LLP will pay to the Asset Monitor an agreed upon amount for the tests to be performed by the Asset Monitor.

The LLP may, at any time, but subject to the prior written consent of the Security Trustee, terminate the appointment of the Asset Monitor by giving at least 30 days' prior written notice to the Asset Monitor, provided that such termination may not be effected unless and until a replacement asset monitor has been found by the LLP (such replacement to be approved by the Security Trustee (such approval to be given if the replacement is an accountancy firm of national standing)) which agrees to perform the duties of the Asset Monitor set out in the Asset Monitor Agreement (or substantially similar duties).

The Asset Monitor may, at any time, resign by giving at least 30 days' prior written notice to the LLP and the Security Trustee, and may resign by giving immediate notice in the event of a professional conflict of interest caused by the action of any recipient of its reports.

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

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

The Asset Monitor Agreement is governed by English law.

LLP Deed

The Members of the LLP have agreed to operate the business of the LLP in accordance with the terms of a limited liability partnership deed entered into on the Programme Date between the LLP, the Seller, the Liquidation Member, the Bond Trustee and the Security Trustee (as amended and/or supplemented and/or restated from time to time, the **LLP Deed**). A management board comprised as of the Programme Date of directors, officers and/or employees of TSB Bank plc will manage and conduct the business of the LLP and will have all the rights, power and authority to act at all times for and on behalf of the LLP, subject to certain decisions reserved to the Members in the LLP Deed.

Members

As at the Programme Date, each of the Seller and the Liquidation Member is a member (each a **Member**, and together with any other members from time to time, the **Members**) of the LLP. The Seller and the Liquidation Member are designated members (each a **Designated Member**, and together with any other designated members from time to time, the **Designated Members**) of the LLP. The Designated Members shall have such duties as are specified in the LLPA or otherwise at law and in the LLP Deed. The LLP Deed requires that there will at all times be at least two Designated Members of the LLP.

For so long as Covered Bonds are outstanding, if an administrator, bank administrator, bank liquidator or a liquidator is appointed to the Seller or if the Seller disposes of its interest in the Liquidation Member

such that the Seller holds less than 20 per cent. of the share capital of the Liquidation Member (without the consent of the LLP and, whilst any Covered Bonds are outstanding, the Security Trustee), the Seller will automatically cease to be a Member of the LLP and the outstanding balance of the Seller's Capital Contribution to the LLP will be converted into a subordinated debt obligation (the **Issuer Subordinated Loan**) owed by the LLP to TSB Bank plc. In these circumstances, the Liquidation Member (acting on behalf of itself and the other Members) will admit a new Member to the LLP (which will be a wholly-owned subsidiary of the Liquidation Member) and will appoint such New Member as a Designated Member pursuant to the terms of the LLP Deed (in each case with the prior written consent of the Security Trustee).

Any New Seller that wishes to sell New Seller Loans and their Related Security to the LLP will, amongst other things, be required to become a Member of the LLP and accede to the LLP Deed, amongst other documents. Other than in the case of a New Seller or the replacement of the Seller as a Member in the circumstances outlined in the previous paragraph, no New Member may be appointed without the consent of the Security Trustee and the receipt by the LLP or the Security Trustee of a Rating Agency Confirmation.

Capital Contributions

From time to time the Seller (in its capacity as a Member) will make Capital Contributions to the LLP. Capital Contributions may be made in cash or in kind (e.g. through a contribution of Loans to the LLP). The Capital Contributions of the Seller shall be calculated in Sterling on each Calculation Date as the difference between (a) the Current Balance of Loans in the Portfolio as at the last day of the immediately preceding Calculation Period plus Principal Receipts standing to the credit of the Principal Ledger of each Transaction Account plus the principal amount of Substitution Assets and Authorised Investments as at the last day of the immediately preceding Calculation Period and (b) the Sterling Equivalent of the aggregate Principal Amount Outstanding under the Covered Bonds as at the last day of the immediately preceding Calculation Period. The LLP Deed does not impose any limit on the amount of Capital Contributions the Seller (in its capacity as a Member) may make to the LLP from time to time. Cash Capital Contributions will normally be credited to the Principal Ledger on the relevant Transaction Account and be applied as Available Principal Receipts. However, the Seller shall be entitled to require that the LLP credits Cash Capital Contributions to (i) the Reserve Ledger on the relevant Transaction Account so that they may be applied as Available Revenue Receipts (except where provided otherwise) or (ii) the Revenue Ledger so that they may be otherwise applied as Available Revenue Receipts, including in circumstances where the LLP is required to make payments to the Covered Bond Swap Provider as a consequence of a negative interest rate or where a shortfall in Available Revenue Receipts occurs as a consequence of any forbearance measure implemented by the Seller. Any Cash Capital Contributions made by a Member will also be recorded on the Capital Account Ledger in accordance with the Cash Management Agreement. Any amounts credited to the Revenue Ledger in accordance with paragraph (ii) above may be applied by the Cash Manager as Available Revenue Receipts on any LLP Payment Date or to provide for payment on any such other date as the Seller may require.

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 service of a Notice to Pay or an LLP Acceleration Notice, the Adjusted Aggregate Loan Amount is in an amount at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date.

If on any Calculation Date the Adjusted Aggregate Loan Amount is less than the Sterling Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds as calculated on the relevant Calculation Date, then the LLP (or the Cash Manager on its behalf) shall notify in writing the Members, the Bond Trustee and the Security Trustee thereof and each Member (other than the Liquidation

Member) will use all reasonable endeavours to sell sufficient further Loans and their Related Security to the LLP in accordance with the Mortgage Sale Agreement (see "*Mortgage Sale Agreement – Sale by the Seller of the Loans and Related Security*"), transfer Substitution Assets or provide Cash Capital Contributions in an aggregate amount sufficient to ensure that the Asset Coverage Test is met on the next following Calculation Date. If the Adjusted Aggregate Loan Amount is less than the Sterling Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds on the next following Calculation Date, the Asset Coverage Test will be breached and the Bond Trustee will serve an Asset Coverage Test Breach Notice on the LLP and the Issuer or the LLP shall send notice of the same to the Authorities pursuant to the RCB Regulations. The Bond Trustee shall revoke an Asset Coverage Test Breach Notice if, on any Calculation Date falling on or prior to the third Calculation Date following the service of an Asset Coverage Test Breach Notice, the Asset Coverage Test is subsequently satisfied and neither a Notice to Pay nor an LLP Acceleration Notice has been served.

For so long as an Asset Coverage Test Breach Notice is outstanding:

(a) the LLP will be required to sell Selected Loans (as described further under "*Sale of Selected Loans and their Related Security whilst an Asset Coverage Test Breach Notice remains outstanding*");

(b) prior to the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice or, if earlier, the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice, the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments will be modified as more particularly described in "*Cashflows – Allocation and distribution of Available Revenue Receipts whilst no Asset Coverage Test Breach Notice is outstanding and prior to the service on the LLP of a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security*" below; and

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

If an Asset Coverage Test Breach Notice has been served and not revoked on or before the third Calculation Date after service of such Asset Coverage Test Breach Notice, then an Issuer Event of Default shall occur and pursuant to Condition 9.1 (*Issuer Events of Default*) the Bond Trustee shall be entitled (and, in certain circumstances may be required) to serve an Issuer Acceleration Notice. On the occurrence of an Issuer Event of Default, the Bond Trustee shall give notice of the same to the Authorities pursuant to the RCB Regulations. Following service of an Issuer Acceleration Notice, the Bond Trustee will be required to serve a Notice to Pay on the LLP.

For the purposes hereof:

Adjusted Aggregate Loan Amount means the amount calculated on each Calculation Date as follows:

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

where,

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

(a) = the sum of the **Adjusted Current Balance** of each Loan in the Portfolio as at the end of the relevant Calculation Period, which shall be the lower of:

(i) the Current Balance of the relevant Loan in the Portfolio as calculated as at the end of the relevant Calculation Period; and

(ii) the Indexed Valuation relating to that Loan multiplied by M (where for all Loans that are not Defaulted Loans, M = 0.75, for all Loans that are Defaulted Loans and have a Current Balance to Indexed Valuation ratio of less than or equal to 75 per cent., M = 0.40; and for all Loans that are Defaulted Loans and have a Current Balance to Indexed Valuation ratio of more than 75 per cent., M = 0.25),

minus

the aggregate sum of the following deemed reductions to the aggregate Adjusted Current Balance of the Loans in the Portfolio if any of the following occurred during the previous Calculation Period:

(1) a Loan or its Related Security was, in the immediately preceding Calculation Period, identified as being in breach of the Representations and Warranties contained in the Mortgage Sale Agreement or subject to any other obligation of the Seller to repurchase the relevant Loan and its Related Security, and in each case the Seller has not repurchased the Loan or Loans of the relevant Borrower and its or their Related Security to the extent required by the terms of the Mortgage Sale Agreement. In this event, the aggregate Adjusted Current Balance of the Loans in the Portfolio (as calculated on the relevant Calculation Date) will be deemed to be reduced by an amount equal to the Adjusted Current Balance of the relevant Loan or Loans (as calculated on the relevant Calculation Date) of the relevant Borrower; and/or

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

AND

(b) = the aggregate **Arrears Adjusted Current Balance** of the Loans in the Portfolio as at the end of the relevant Calculation Period which shall be the lower of:

(i) the Current Balance of the relevant Loan in the Portfolio as at the end of the relevant Calculation Period; and

(ii) the Indexed Valuation relating to that Loan multiplied by N (where for all Loans that are not Defaulted Loans, N = 1, for all Loans that are Defaulted Loans and have a Current Balance to Indexed Valuation ratio of less than or equal to 75 per cent., N = 0.40 and for all Loans that are Defaulted Loans and have a Current Balance to Indexed Valuation ratio of more than 75 per cent., N = 0.25);

minus

the aggregate sum of the following deemed reductions to the aggregate Arrears Adjusted Current Balance of the Loans in the Portfolio if any of the following occurred during the previous Calculation Period:

(1) a Loan or its Related Security was, in the immediately preceding Calculation Period, identified as being in breach of the Representations and Warranties contained in the Mortgage Sale Agreement or subject to any other obligation of the Seller to repurchase the relevant Loan and its Related Security, and in each case the Seller has not

repurchased the Loan or Loans of the relevant Borrower and its or their Related Security to the extent required by the terms of the Mortgage Sale Agreement. In this event, the aggregate Arrears Adjusted Current Balance of the Loans in the Portfolio (as calculated on the relevant Calculation Date) will be deemed to be reduced by an amount equal to the Arrears Adjusted Current Balance of the relevant Loan or Loans (as calculated on the relevant Calculation Date) of the relevant Borrower; and/or

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

the result of which is multiplied by the Asset Percentage (as defined below);

B = the aggregate amount of any Principal Receipts on the Loans in the Portfolio up to the end of the immediately preceding Calculation Period (as recorded in the Principal Ledger) which have not been applied as at the relevant Calculation Date to acquire further Loans and their Related Security or otherwise applied in accordance with the LLP Deed and/or the other Transaction Documents (including, for the avoidance of doubt, any amount then standing to the credit of each Transaction Account and any Collateralised GIC Account and any Authorised Investments (but without double counting));

C = the aggregate amount of any Cash Capital Contributions made by the Members (as recorded in the Capital Account Ledger of each Member) or proceeds of Term Advances which have not been applied as at the relevant Calculation Date to acquire further Loans and their Related Security or otherwise applied in accordance with the LLP Deed and/or the other Transaction Documents;

D = the aggregate principal amount of any Substitution Assets as at the relevant Calculation Date;

E = the aggregate amount of (i) any Sale Proceeds or Capital Contributions (to the extent not falling within "C" above) otherwise standing to the credit of each Transaction Account and credited to the Pre-Maturity Liquidity Ledger as at the relevant Calculation Date plus (ii) any amount standing to the credit of each Transaction Account and credited to the Supplemental Liquidity Reserve Ledger as at the relevant Calculation Date (in each case, without double counting);

U = an amount equal to the Supplemental Liquidity Reserve Amount;

V = if a Collateralised GIC Provider has been appointed (i) for so long as the Collateralised GIC Provider does not have ratings at least equal to the Account Bank Required Ratings, an amount equal to the amounts deposited in the Collateralised GIC Account comprising the Designated Mortgages Amount or (ii) in all other cases, zero;

X = either:

(i) zero, for so long as the Issuer's long-term Counterparty Risk Assessment by Moody's is at least "A3(cr)"; or

(ii)

(x), where the Seller monitors deposit account balances on a monthly basis, the sum of the Deposit Set-off Balance for each Loan, where the **Deposit Set-off Balance** equals,

(1) in respect of each Loan where the aggregate amount of the relevant Borrowers' deposit account balances exceeds the FSCS Limit but the Current Balance of the relevant Loan does not exceed the FSCS Limit, the lower of:

(A) the Current Balance of the relevant Loan; and

(B) the aggregate amount of deposit account balances of the relevant Borrower minus the FSCS Limit, each as calculated on the relevant Calculation Date and notified to the Rating Agency; or

(2) in respect of each Loan where the aggregate amount of the relevant Borrowers' deposit account balances exceeds the FSCS Limit and the Current Balance of the relevant Loan also exceeds the FSCS Limit, the lower of:

(A) the Current Balance of the relevant Loan; and

(B) the aggregate amount of deposit account balances, or

(3) in respect of each Loan where the aggregate amount of the relevant Borrower's deposit account balances is below the FSCS Limit, nil; or

(y) provided that if the aggregate amount of deposit account balances of such Borrower is not available, or is not monitored on a monthly basis the Deposit Set-off Balance for that Loan shall be 4% of the Current Balance of that Loan on the relevant Calculation Date;

FSCS Limit means the current applicable limit established by the Financial Services Compensation Scheme.

Y = 8 per cent. ***multiplied by*** the Flexible Draw Capacity (as defined below) ***multiplied by*** 3; and

Z = the weighted average remaining maturity of all Covered Bonds (expressed in years) then outstanding ***multiplied by*** the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds ***multiplied by*** the Negative Carry Factor (where the **Negative Carry Factor** is a percentage calculated as the weighted average Covered Bond Swap interest rate used to determine payments to be paid by the LLP under the Covered Bonds Swaps less the interest rate payable (as reasonably determined by the Cash Manager) on the relevant Calculation Date) on the LLP Accounts (other than any Swap Collateral Account or any custody account) and will, in any event, be not less than 0.50 per cent.).

The **Asset Percentage** on any Calculation Date shall be the lowest of:

(a) 94.0 per cent.; or

(b) the percentage figure as selected by the LLP (or the Cash Manager acting on its behalf) and notified to Moody's and the Security Trustee on such Calculation Date or, where the LLP (or the Cash Manager acting on its behalf) has not notified Moody's and the Security Trustee of the minimum percentage figure on the relevant Calculation Date, the percentage figure on the last date of such notification, such percentage figure being that necessary to ensure that the Covered Bonds achieve an "Aaa" rating by Moody's using Moody's expected loss methodology (regardless of the actual Moody's rating of the Covered Bonds at the time) and taking into account the Supplemental Liquidity Reserve Amount.

Deposit Non-Reserved Amounts means all cash amounts which may be held by the LLP in the Collateralised GIC Account, provided that the Reserve Fund and amounts standing to the credit of either

the Pre-Maturity Liquidity Ledger or the Supplemental Liquidity Reserve Ledger may not be held in the Collateralised GIC Account.

Designated Mortgages Amount means such amount of Deposit Non-Reserved Amounts as are collateralised by mortgages as the Cash Manager shall determine as at any date of determination;

Flexible Draw Capacity means, on a Calculation Date, the amount equal to the excess of (1) the maximum amount that Borrowers may draw under Flexible Loans included in the Portfolio (whether or not drawn) over (2) the aggregate Current Balance in respect of Flexible Loans in the Portfolio on such Calculation Date.

In addition, the LLP or the Cash Manager acting on its behalf may, from time to time, send notification to Moody's and the Security Trustee of the percentage figure selected by it, being the difference between 100 per cent. and the amount of credit enhancement required to ensure that the Covered Bonds achieve an "Aaa" rating by Moody's using Moody's expected loss methodology.

There is no obligation on the LLP to ensure that an "Aaa" rating is maintained by Moody's and the LLP is under no obligation to change the figure selected by it and notified to Moody's and the Security Trustee in line with the level of credit enhancement required to ensure an "Aaa" rating by Moody's, using Moody's expected loss methodology.

Supplemental Liquidity Reserve Amount means (i) prior to the service of a Notice to Pay, an amount calculated on the basis of a method proposed by the Issuer to the Rating Agency in connection with the funding of the Supplemental Liquidity Reserve Ledger when required under the terms of the LLP Deed and which may be varied by the Cash Manager from time to time but which, as at the Programme Date, is equal to zero per cent. of the then Adjusted Aggregate Loan Amount as required under the Asset Coverage Test provided that for the purposes of calculating such Adjusted Aggregate Loan Amount the Asset Coverage Test was (A) calculated in respect of the Adjusted Aggregate Loan Amount without taking into account factor "U" and (B) not failed; and (ii) following the service of a Notice to Pay, an amount equal to the Supplemental Liquidity Reserve Amount immediately prior to the service of such Notice to Pay minus an amount equal to the aggregate Current Balance of Loans sold to fund or replenish the Supplemental Liquidity Reserve Ledger, provided that, in each case, such amount shall (as at the Programme Date) be equal to zero per cent. of the Sterling Equivalent of the Principal Amount Outstanding of the Covered Bonds as calculated on each relevant Calculation Date (such amount subject to adjustment by the Cash Manager in accordance with the terms of the Cash Management Agreement provided that such amount will not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Series of Covered Bonds by the Rating Agency or (y) the Rating Agency placing any Covered Bonds on rating watch negative (or equivalent)).

Supplemental Liquidity Reserve Ledger means the ledger maintained by the Cash Manager on behalf of the LLP to record the credits and debits of moneys available from the proceeds of sales of Selected Loans sold with the aim to fund or replenish such Supplemental Liquidity Reserve Ledger.

Amortisation Test

The LLP and the Members (other than the Liquidation Member) must ensure that on each Calculation Date following service of a Notice to Pay on the LLP (but prior to service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security) the Amortisation Test Aggregate Loan Amount will be in an amount at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date.

If on any Calculation Date following service of a Notice to Pay, the Amortisation Test Aggregate Loan Amount is less than the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on such 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.

The **Amortisation Test Aggregate Loan Amount** will be calculated on each Calculation Date as follows:

$$A + B + C - Y - Z$$

where,

A = the aggregate **Amortisation Test Current Balance** of each Loan, which shall be the lower of:

(a) the Current Balance of the relevant Loan as at the end of the relevant Calculation Period ***multiplied by*** *M*; and

(b) 100 per cent. of the Indexed Valuation ***multiplied by*** M,

where for all Loans that are not Defaulted Loans M = 1 or for all the Loans that are Defaulted Loans M = 0.7;

B = the sum of the amount of any cash standing to the credit of the Transaction Accounts and the principal amount of any Authorised Investments (excluding any Revenue Receipts received in the immediately preceding Calculation Period);

C = the aggregate principal amount of any Substitution Assets; and

Y = an amount equal to the Supplemental Liquidity Reserve Amount; and

Z = the weighted average remaining maturity of all Covered Bonds (expressed in years) then outstanding ***multiplied by*** the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds ***multiplied by*** the Negative Carry Factor.

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

The LLP Deed provides for sales of Selected Loans and their Related Security in circumstances where the Pre-Maturity Liquidity Test has been breached and the Pre-Maturity Liquidity Ledger is not funded by a Cash Capital Contribution by the Seller. The Pre-Maturity Liquidity Test will be breached if the ratings of the Issuer fall below a specified level and a Hard Bullet Covered Bond is due for repayment within a specified period of time thereafter (see further "*Credit Structure – Pre-Maturity Liquidity Test*" below). The LLP will be obliged to sell the Selected Loans and their Related Security to Purchasers, subject to the rights of pre-emption in favour of the Seller to buy the Selected Loans and their Related Security pursuant to the terms of the Mortgage Sale Agreement, in accordance with the procedure summarised in "*Method of Sale of Selected Loans*" below and subject to any Cash Capital Contribution made by the Members (other than the Liquidation Member). If the Issuer fails to repay any Series of Hard Bullet Covered Bonds on the Final Maturity Date thereof, then following the service of a Notice to Pay on the LLP, the proceeds from any sale of Selected Loans or the Cash Capital Contributions standing to the credit of the Pre-Maturity Liquidity Ledger will be applied to repay the relevant Series of Hard Bullet Covered Bonds. Otherwise, the proceeds will be applied as set out in "*Credit Structure – Pre-Maturity Liquidity Test*" below.

Sale of Selected Loans and their Related Security if a Supplemental Liquidity Event has occurred

If a Supplemental Liquidity Event has occurred which is continuing, then the LLP is permitted (but not required) to sell Selected Loans with the aim to fund or replenish the Supplemental Liquidity Reserve Ledger, provided that the aggregate Current Balance of Selected Loans so sold shall not exceed the Supplemental Liquidity Reserve Amount.

Sale of Selected Loans and their Related Security whilst an Asset Coverage Test Breach Notice remains outstanding

After service of an Asset Coverage Test Breach Notice and for so long as such Asset Coverage Test Breach Notice remains outstanding but prior to service of a Notice to Pay and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, the LLP will be obliged to sell Selected Loans in the Portfolio and their Related Security in accordance with the LLP Deed (as described below), subject to the rights of pre-emption in favour of the Seller to buy the Selected Loans

and their Related Security pursuant to the Mortgage Sale Agreement and subject to any Cash Capital Contribution made by the Members. The proceeds from any such sale will be credited to the Transaction Accounts and applied as set out in "*Cashflows – Allocation and distribution of Available Revenue Receipts whilst no Asset Coverage Test Breach Notice is outstanding and prior to the service on the LLP of a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security*" below.

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

After service of a Notice to Pay on the LLP, but prior to service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, the LLP shall sell Selected Loans and their Related Security in the Portfolio in accordance with the LLP Deed (as described below), subject to the rights of pre-emption in favour of the Seller to buy the Selected Loans and their Related Security pursuant to the Mortgage Sale Agreement. The proceeds from any such sale will be credited to the relevant Transaction Account and applied as set out in the Guarantee Priority of Payments.

Method of Sale of Selected Loans

If the LLP is required to sell Selected Loans in the Portfolio and their Related Security to Purchasers following a breach of the Pre-Maturity Liquidity Test, whilst an Asset Coverage Test Breach Notice remains outstanding or following service of a Notice to Pay, the LLP will be required to ensure that:

(a) the Selected Loans have been selected from the Portfolio on a random basis as described in the LLP Deed; and

(b) the Selected Loans have an aggregate Current Balance in an amount (the **Required Current Balance Amount**) which is as close as possible to the amount calculated as follows:

(i) whilst an Asset Coverage Test Breach Notice is outstanding (but prior to service of a Notice to Pay), such amount that would ensure that, if the Selected Loans were sold at their Current Balance, the Asset Coverage Test would be satisfied on the next Calculation Date taking into account the payment obligations of the LLP on the LLP Payment Date immediately following that Calculation Date (assuming for this purpose that the Asset Coverage Test Breach Notice is not revoked on or before the next Calculation Date); or

(ii) following a breach of the Pre-Maturity Liquidity Test or service of a Notice to Pay:

$$N \times \frac{Current\ Balance\ of\ all\ Loans\ in\ the\ Portfolio less\ Supplemental\ Liquidity\ Available\ Amount}{the\ Sterling\ Equivalent\ of\ the\ Required\ Redemption\ Amount\ in\ respect\ of\ each\ Series\ of\ Covered\ Bonds\ then\ outstanding}$$

where N is an amount equal to:

(A) in respect of Selected Loans being sold following a breach of the Pre-Maturity Liquidity Test, the Sterling Equivalent of the Required Redemption Amount of the relevant Series of Hard Bullet Covered Bonds less amounts standing to the credit of the Pre-Maturity Liquidity Ledger that are not otherwise required to provide liquidity for any Series of Hard Bullet Covered Bonds which mature prior to or on the same date as the relevant Series of Hard Bullet Covered Bonds; or

(B) in respect of the Selected Loans being sold following the service of a Notice to Pay, the Sterling Equivalent of the Required Redemption Amount of the Earliest Maturing Covered Bonds less amounts standing to the credit of the LLP Accounts (other than any Swap Collateral Account) and the principal amount of any Substitution Assets or Authorised Investments (excluding all amounts to be applied on the next following LLP Payment Date to repay higher ranking amounts in the Guarantee Priority of Payments and those amounts that

are required to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds).

For the avoidance of doubt, the entire Portfolio may comprise Selected Loans.

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

Supplemental Liquidity Available Amount means (i) prior to the service of a Notice to Pay, an amount equal to the Supplemental Liquidity Reserve Amount minus, if a Supplemental Liquidity Event has occurred which is continuing, an amount equal to the aggregate Current Balance of Loans sold to fund or replenish the Supplemental Liquidity Reserve Ledger and (ii) following the service of a Notice to Pay, an amount equal to the Supplemental Liquidity Reserve Amount.

The LLP will offer the Selected Loans and their Related Security for sale to Purchasers for the best price reasonably available but in any event:

(i) whilst an Asset Coverage Test Breach Notice is outstanding (but prior to service of a Notice to Pay), for an amount not less than the Current Balance of the Selected Loans; and

(ii) following a breach of the Pre-Maturity Liquidity Test or service of a Notice to Pay, for an amount not less than the Adjusted Required Redemption Amount.

For the purposes hereof:

Adjusted Required Redemption Amount means the Sterling Equivalent of:

(a) the Sterling Equivalent of the Required Redemption Amount; plus or minus

(b) the Sterling Equivalent of any swap termination amounts (if any) payable under the Covered Bond Swap Agreement by or to the LLP in respect of the relevant Series of Covered Bonds less (where applicable):

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

  (ii) in respect of a sale of Loans following service of a Notice to Pay, amounts standing to the credit of the LLP Accounts (other than any Swap Collateral Account) and the Sterling Equivalent of the principal balance of any Substitution Assets and Authorised Investments (excluding all amounts to be applied on the next following LLP Payment Date to pay or repay higher ranking amounts in the Guarantee Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds; plus or minus

(c) any swap termination amounts payable to or by the LLP under the Cover Pool Swap Agreement in respect of the relevant Series of Covered Bonds.

Following a breach of the Pre-Maturity Liquidity Test or a service of the Notice to Pay, if the Selected Loans have not been sold (in whole or in part) in an amount at least equal to the Adjusted Required Redemption Amount by the date which is six months prior to, as applicable, the Final Maturity Date of

the Earliest Maturing Covered Bonds (where the Earliest Maturing Covered Bonds are not subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee), or 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) (where the Earliest Maturing Covered Bonds are subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee) or the Final Maturity Date of the relevant Series of Hard Bullet Covered Bonds in respect of a sale in connection with the Pre-Maturity Liquidity Test, then the LLP will offer the Selected Loans for sale for the best price reasonably available notwithstanding that such amount may be less than the Adjusted Required Redemption Amount.

Following service of a Notice to Pay, in addition to offering Selected Loans for sale to Purchasers in respect of the Earliest Maturing Covered Bonds, the LLP (subject to the rights of pre-emption in favour of the Seller pursuant to the Mortgage Sale Agreement) is permitted to offer for sale a portfolio of Selected Loans, in accordance with the provisions summarised above, in respect of other Series of Covered Bonds, provided that any such sale of Selected Loans is for an amount not less than the Adjusted Required Redemption Amount in respect of that Series of Covered Bonds or, where the sale occurs within six months prior to the Final Maturity Date or Extended Due for Payment Date (as applicable) for that Series of Covered Bonds, the best price reasonably available in accordance with the above paragraph.

The LLP is also permitted to offer for sale to Purchasers part of any portfolio of Selected Loans (a **Partial Portfolio**). Except in circumstances where the portfolio of Selected Loans is being sold within six months prior to the Final Maturity Date or, as applicable, if the Covered Bonds are subject to an Extended Due for Payment Date in respect of the Series of Covered Bonds to be repaid from such proceeds or, in respect of a sale in connection with the Pre-Maturity Liquidity Test, the Final Maturity Date of the relevant series of Hard Bullet Covered Bonds, the sale price of the Partial Portfolio (as a proportion of the Adjusted Required Redemption Amount) shall be at least equal to the proportion that the Partial Portfolio bears to the relevant portfolio of Selected Loans.

The LLP will through a tender process appoint a portfolio manager of recognised standing approved by the Security Trustee (the **Portfolio Manager**) on a basis intended to incentivise the portfolio manager to achieve the best price for the sale of the Selected Loans (if such terms are commercially available in the market) to advise it in relation to the sale of the Selected Loans in accordance with the LLP Deed to Purchasers (except where the Seller is buying the Selected Loans in accordance with its right of pre-emption in the Mortgage Sale Agreement). The terms of the agreement giving effect to the appointment of the Portfolio Manager shall be in such form as is approved by the Security Trustee. The Security Trustee shall approve the appointment of the Portfolio Manager if (i) the Portfolio Manager is an investment bank or accountant of recognised standing and (ii) two authorised signatories of the LLP have certified to the Security Trustee that such appointment is on a basis intended to incentivise the Portfolio Manager to achieve the best price for the sale of the Selected Loans (on terms that are commercially available in the market), which certificate shall be conclusive and binding on all parties.

In respect of any sale or refinancing of Selected Loans and their Related Security for so long as an Asset Coverage Test Breach Notice is outstanding or following a breach of the Pre-Maturity Liquidity Test or following service on the LLP of a Notice to Pay, the LLP will instruct the Portfolio Manager to use all reasonable endeavours to procure that Selected Loans are sold as quickly as reasonably practicable and in accordance with its recommendations (which shall take into account the market conditions at that time and the scheduled repayment dates of the Covered Bonds and the terms of the LLP Deed).

The terms of any sale and purchase agreement with respect to the sale or refinancing of Selected Loans and their Related Security will be subject to the prior written approval of the Security Trustee. The Security Trustee will not be required to release the Selected Loans from the Security unless the conditions relating to the release of the Security (as described under "*Deed of Charge – Release of Security*" below) are satisfied.

If Purchasers accept the offer or offers from the LLP or the portfolio manager on its behalf so that some or all of the Selected Loans and their Related Security shall be sold prior to the Final Maturity Date of the Earliest Maturing Covered Bonds or the Hard Bullet Covered Bonds or, if the Covered Bonds are

subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee, the Extended Due for Payment Date in respect of the Earliest Maturing Covered Bonds, then the LLP will, subject to the foregoing paragraph, enter into a sale and purchase agreement with the relevant Purchasers which will require, *inter alia*, a cash payment from the relevant Purchasers. Any such sale will not include any representations and warranties from the LLP or the Seller in respect of the Loans and their Related Security unless expressly agreed by the Security Trustee and unless otherwise agreed with the Seller.

Covenants of the LLP and the Members

Each of the Members covenants that (amongst other things), subject to the terms of the Transaction Documents, it will not sell, transfer, convey, create or permit to arise any security interest on, declare a trust over, create any beneficial interest in or otherwise dispose of its interest in the LLP without the prior written consent of the LLP and, whilst the Covered Bonds are outstanding, the Security Trustee. Whilst any amounts are outstanding in respect of the Covered Bonds, each of the Members undertakes not to dissolve or purport to dissolve the LLP or institute any winding-up, administration, insolvency or similar proceedings against the LLP.

The LLP covenants that (amongst other things) it will not, save with the prior written consent of the LLP Management Board (and, for so long as any Covered Bonds are outstanding, the consent of the Security Trustee) or as envisaged by or pursuant to the Transaction Documents:

(a) create or permit to subsist any Security Interest (unless arising by operation of law) upon the whole or any part of its assets or undertakings, present or future;

(b) sell, assign, transfer, convey, lend, part with, charge, declare a trust over, create any beneficial interest in or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of the Charged Property or any of its interest, estate, right, title or benefit therein or thereto or agree or attempt to purport to do so;

(c) have an interest in a bank account other than the LLP Accounts, unless such account or interest therein is charged to the Security Trustee on terms acceptable to it;

(d) incur any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any such indebtedness;

(e) consolidate or merge with any person or convey or transfer its property or assets substantially as an entirety to any other person;

(f) have any employees, premises or subsidiaries;

(g) acquire assets;

(h) engage in any activities in the U.S. (directly or through agents) or derive any income from U.S. sources as determined under U.S. income tax principles or hold any property if doing so would cause it to be engaged or deemed to be engaged in a trade or business within the U.S.;

(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, amongst other things:

(a) ensure that the Asset Pool will only comprise of those assets set out in items (a) to (h) of Regulation 3(1) (Asset Pool) of the RCB Regulations;

(b) ensure that the Loans and the Related Security, the Substitution Assets and the Authorised Investments contained in the Asset Pool comply with the definition of **eligible property** in Regulation 2 (*Eligible Property*) of the RCB Regulations;

(c) 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

(d) at all times comply with its obligations under the RCB Regulations and/or the Regulated Covered Bond Sourcebook.

Limit on Investing in Substitution Assets and Authorised Investments

Provided no Asset Coverage Test Breach Notice is outstanding and prior to the service on the LLP of a Notice to Pay, the LLP will be permitted to invest Available Revenue Receipts, Available Principal Receipts and the proceeds of Term Advances in Substitution Assets, provided that the aggregate amount so invested in such Substitution Assets does not exceed 10 per cent. of the total assets of the LLP at any one time and provided that such investments are made in accordance with the terms of the Cash Management Agreement. Placing such amounts in any LLP Account will not constitute an investment in Substitution Assets for these purposes.

For so long as an Asset Coverage Test Breach Notice is outstanding or following service on the LLP of a Notice to Pay, 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 Transaction Accounts and the LLP will be permitted to invest all available moneys in Authorised Investments, provided that such investments are made in accordance with the terms of the Cash Management Agreement.

There is no limit on the amounts that the LLP shall be entitled to invest in Authorised Investments.

Other Provisions

The allocation and distribution of Revenue Receipts, Principal Receipts and all other amounts received by the LLP is described under "*Cashflows*" below.

The LLP Management Board, comprised as at the Programme Date of directors, officers and/or employees of TSB Bank plc, will act on behalf of the LLP to which (other than certain specified decisions which require a unanimous decision of the Members, including (without limitation) any decision to appoint or remove the auditors of the LLP and determine the remuneration of such auditors, approve the audited accounts of the LLP and the payment of distributions, to make a resolution for the voluntary winding-up of the LLP or to contribute to the losses of the LLP) the Members delegate all matters. Any decision by the LLP Management Board relating to waiving certain indemnities provided to the LLP, any transfer of the whole or any part of or any change in the LLP's business and any change to the LLP's name will be made, whilst any Covered Bonds are outstanding, with the consent of the Security Trustee.

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

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

Following the appointment of a liquidator to the Seller or the disposal by the Seller of its interest in the shares of the Liquidation Member (other than with the consent of the LLP and, for as long as any Covered Bonds are outstanding, the Security Trustee), any decisions of the LLP that are reserved to the Members in the LLP Deed shall be made by the Liquidation Member only, the Seller shall cease to be a Member of the LLP and the Liquidation Member shall become entitled to appoint a Subsidiary of the Liquidation Member as a Member of the LLP.

The LLP Deed is governed by English law.

Cash Management Agreement

The Cash Manager will provide certain cash management services to the LLP pursuant to the terms of the Cash Management Agreement entered into on the Programme Date between the LLP, TSB Bank plc in its capacity as the Cash Manager, the Back-Up Cash Manager Facilitator and the Security Trustee.

The Cash Manager's services include but are not limited to:

(a) maintaining the Ledgers on behalf of the LLP;

(b) maintaining records of all Authorised Investments and/or Substitution Assets, as applicable;

(c) distributing the Revenue Receipts and the Principal Receipts in accordance with the Priorities of Payments described under "*Cashflows*" below;

(d) determining whether the Asset Coverage Test is satisfied on each Calculation Date in accordance with the LLP Deed, as more fully described under "*Credit Structure – Asset Coverage Test*" below;

(e) determining whether the Amortisation Test is satisfied on each Calculation Date following the service of a Notice to Pay in accordance with the LLP Deed, as more fully described under "*Credit Structure – Amortisation Test*" below;

(f) on each London Business Day, determining whether the Pre-Maturity Liquidity Test for each Series of Hard Bullet Covered Bonds is satisfied as more fully described under "*Credit Structure – Pre-Maturity Liquidity Test*" below;

(g) providing the Authorities with information on the composition of any Substitution Assets and/or Authorised Investments comprised in the assets of the LLP and/or such other information as may be required in accordance with the RCB Regulations; and

(h) preparation of the Asset Monitor and Investor Report for the Covered Bondholders, the Rating Agency and the Bond Trustee.

Removal or resignation of the Cash Manager

The LLP and/or the Security Trustee may terminate the appointment of the Cash Manager under the Cash Management Agreement by notice in writing to the Cash Manager (with a copy to the Security Trustee and the Back-Up Cash Manager Facilitator) if any of the following events occurs:

(a) default is made by the Cash Manager in the payment on the due date of any payment due and payable by it under the Cash Management Agreement or in the performance of certain of its obligations thereunder and such default continues unremedied for a period of seven London Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the LLP (copied to the Security Trustee) or the Security Trustee, as the case may be, requiring the same to be remedied; or

(b) the Cash Manager defaults in the performance or observance of any of its other covenants and obligations under the Cash Management Agreement, which in the reasonable opinion of the Security Trustee is materially prejudicial to the interests of the Covered Bondholders and such default continues unremedied for a period of 20 London Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the LLP (copied to the Security Trustee) or the Security Trustee requiring the same to be remedied;

(c) the Cash Manager ceases to be assigned a long-term Counterparty Risk Assessment by Moody's of at least "Ba2(cr)"; or

(d) an Insolvency Event occurs with respect to the Cash Manager,

(each a **Cash Manager Termination Event**).

Such termination shall take effect from a date (not earlier than the date of the notice) specified in the notice, provided that in the case of paragraph (c) above such termination will occur within 30 days following the relevant Cash Manager Termination Event.

The Cash Manager and the LLP each covenant that, on the Cash Manager ceasing to be assigned a long-term Counterparty Risk Assessment by Moody's of at least "Baa3(cr)" (a **Back-Up Cash Manager Event**), they will use best endeavours (with, in the case of the LLP, the assistance of the Back-Up Cash Manager Facilitator) to identify and appoint a suitable third party to act as back-up or stand-by cash manager to the Cash Manager and to undertake back-up cash management services to the LLP within 30 days of such Back-Up Cash Manager Event.

The Cash Manager and the LLP covenant that they will use best endeavours to procure that the agreement appointing the back-up cash manager contains an undertaking from the back-up cash manager that it will commence performing cash management services to the LLP within 30 days of a Cash Manager Termination Event.

Subject to the fulfilment of a number of conditions, the Cash Manager may voluntarily resign by giving not less than 12 months' written notice to the Security Trustee and the LLP (or such shorter time as may be agreed between the Cash Manager, the LLP and the Security Trustee) provided that a substitute cash manager with cash management experience and approved by the LLP and the Security Trustee enters into a cash management agreement with the LLP substantially on the same terms as the Cash Management Agreement (or on such terms as are satisfactory to the LLP and the Security Trustee). The Cash Manager shall not be released from its obligations under the relevant provisions of the Cash Management Agreement until such substitute cash manager has entered into such new agreement and the rights of the LLP under such agreement are charged in favour of the Security Trustee on terms satisfactory to the Security Trustee. The resignation of the Cash Manager is conditional on the resignation having no adverse effect on the then current ratings of the Covered Bonds unless the Covered Bondholders agree otherwise by Extraordinary Resolution.

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.

Cover Pool Swap Agreement

Some of the Loans in the Portfolio from time to time will pay a variable rate of interest for a period of time (subject to the Servicer's ability to set the Discretionary Rates, as to which see "*Mortgage Sale Agreement*"), some of the Loans will pay a fixed rate of interest for a period of time and other Loans will pay rates of interest which track the Bank of England Base Rate. However, the Sterling payments to be made by the LLP under each of the Covered Bond Swaps will be based on SONIA and, in addition, the LLP's obligations to make interest payments under the outstanding Term Advances, or (following service on the LLP of a Notice to Pay or an LLP Acceleration Notice) the Covered Bond Guarantee, may be based on SONIA. To provide a hedge against the possible variance between:

(a) the rates of interest payable on the Loans in the Portfolio; and

(b) SONIA plus a spread (as specified in the Cover Pool Swap Agreement),

the LLP, the Cover Pool Swap Provider and the Security Trustee will enter into Cover Pool Swaps (one in relation to Variable Rate Loans, one in relation to Fixed Rate Loans and one in relation to Tracker Loans) under the Cover Pool Swap Agreement.

Under the terms of the Cover Pool Swap Agreement, in the event that the relevant rating of the Cover Pool Swap Provider or any guarantor of the Cover Pool Swap Provider's obligations is downgraded by the Rating Agency below the rating specified in the Cover Pool Swap Agreement (in accordance with the requirements of the Rating Agency) for the Cover Pool Swap Provider or any guarantor of the Cover Pool Swap Provider's obligations, the Cover Pool Swap Provider will, in accordance with the Cover Pool Swap Agreement, be required to take certain remedial measures which may include providing collateral for its obligations under the Cover Pool Swap, arranging for its obligations under the Cover

Pool Swap to be transferred to an entity with ratings required by the relevant Rating Agency, procuring another entity with the ratings required by the relevant Rating Agency to become guarantor (or, if applicable, co-obligor)) in respect of its obligations under the Cover Pool Swap, or, if applicable, taking such other action (as confirmed by the relevant Rating Agency) as will result in the rating of the Covered Bonds then outstanding following the taking of such action being maintained at, or restored to, the level it was immediately prior to such ratings downgrade. In accordance with the terms of the Cover Pool Swap confirmation relating to the Variable Rate Loans, if the Issuer, being otherwise required to procure a guarantee of its obligations or transfer its rights and obligations under such transaction to a replacement counterparty cannot do so having used commercially reasonable efforts to do so), the Cover Pool Swap Provider may reduce the notional amount of such Cover Pool Swap to zero, provided that the Rating Agency has confirmed that the ratings of the Covered Bonds would not be adversely affected or withdrawn as a consequence. A failure to take such steps will allow the LLP to terminate the Cover Pool Swap Agreement.

The Cover Pool Swap Agreement may also be terminated in certain other circumstances, including (without limitation) pursuant to any other events of default and termination events set out in the Cover Pool Swap Agreement (each referred to as a **Cover Pool Swap Early Termination Event**), including, without limitation:

- at the option of any party to the Cover Pool Swap Agreement, if there is a failure by the other party to make timely payments of any amounts due under the Cover Pool Swap Agreement; and
- upon the occurrence of the insolvency of the Cover Pool Swap Provider or any guarantor of the Cover Pool Swap Provider's obligations, or the merger of the Cover Pool Swap Provider without an assumption of its obligations under the Cover Pool Swap Agreement.

Upon the termination of the Cover Pool Swap pursuant to a Cover Pool Swap Early Termination Event, the LLP or the Cover Pool Swap Provider may be liable to make a termination payment to the other in accordance with the provisions of the Cover Pool Swap Agreement.

The amount of this termination payment will be calculated and made in Sterling. Any termination payment made by the Cover Pool Swap Provider to the LLP in respect of the Cover Pool Swap will first be used (prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security) to pay a replacement Cover Pool Swap Provider to enter into a replacement Cover Pool Swap with the LLP, unless a replacement Cover Pool Swap has already been entered into on behalf of the LLP. Any premium received by the LLP from a replacement Cover Pool Swap Provider in respect of a replacement Cover Pool Swap will first be used to make any termination payment due and payable by the LLP with respect to the previous Cover Pool Swap, unless such termination payment has already been made on behalf of the LLP. If the LLP or a Member of the LLP receives any Tax Credits in respect of a Cover Pool Swap prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice, payments in respect of such Tax Credits will be used, to the extent provided for in the Cover Pool Swap Agreement, to reimburse the Cover Pool Swap Provider for any gross up in respect of any withholding or deduction made under the Cover Pool Swap Agreement.

Any Swap Collateral Excluded Amounts in respect of the Cover Pool Swap Agreement will be paid directly to the Cover Pool Swap Provider subject to the terms of the Cover Pool Swap Agreement.

If a withholding or deduction for or on account of taxes (other than certain taxes that are unconnected to the jurisdiction of the government or taxation authority imposing such tax on the LLP) is imposed on payments made by the Cover Pool Swap Provider to the LLP under the Cover Pool Swap Agreement, the Cover Pool Swap Provider shall always be obliged to gross up those payments so that the amount received by the LLP is equal to the amount which would have been received in the absence of such withholding or deduction. If a withholding or deduction for or on account of taxes is imposed on payments made by the LLP to the Cover Pool Swap Provider under the Cover Pool Swap Agreement, the LLP shall not be obliged to gross up those payments.

The Cover Pool Swap Provider may transfer all its interest and obligations in and under the Cover Pool Swap Agreement to a transferee with the minimum ratings required by the Rating Agency, without any prior written consent of the Security Trustee, subject to certain conditions.

If the LLP is required to sell Selected Loans in the Portfolio in order to remedy a breach of the Asset Coverage Test following service of an Asset Coverage Test Breach Notice or in order to provide liquidity in respect of any Series of the Covered Bonds (other than any Series which is fully collateralised by amounts standing to the credit of each Transaction Account) that are Hard Bullet Covered Bonds or 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 service of an LLP Acceleration Notice) following breach of the Pre-Maturity Liquidity Test and service of a Notice to Pay, then the LLP may either:

(a) require, by written notice given not more than 20 and not less than 5 local Business Days in advance of the date of the relevant sale, that the Cover Pool Swap in connection with such Selected Loans will partially terminate and any breakage costs payable by or to the LLP in connection with such termination will be taken into account in calculating the Adjusted Required Redemption Amount for the sale of the Selected Loans; or

(b) request that the Cover Pool Swap be partially novated to the Purchaser of such Selected Loans, such that each Purchaser of Selected Loans will thereby become party to a separate interest rate swap transaction with the Cover Pool Swap Provider.

Under the Cover Pool Swap Agreement, recourse in respect of the LLP's obligations is limited to the Charged Property.

The Cover Pool Swap Agreement (and the Cover Pool Swap) is governed by English law.

Covered Bond Swap Agreements

Where Covered Bonds are issued in a currency and/or on an interest rate basis different from the Cover Pool Swap, the LLP will enter into one or more Covered Bond Swaps with one or more Covered Bond Swap Providers and the Security Trustee under the relevant Covered Bond Swap Agreement. Each Covered Bond Swap will be governed by a **Covered Bond Swap Agreement** with each such Covered Bond Swap Provider that only governs Covered Bond Swaps related to the relevant Series of Covered Bonds.

Each Covered Bond Swap will provide a hedge against certain interest rate and/or currency risks in respect of amounts received by the LLP under the Loans and the Cover Pool Swaps and amounts payable by the LLP under the Intercompany Loan Agreement (prior to service of a Notice to Pay on the LLP or service of an LLP Acceleration Notice) and under the Covered Bond Guarantee in respect of the Covered Bonds (after service of a Notice to Pay on the LLP or service of an LLP Acceleration Notice).

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

Under the Covered Bond Swaps on the relevant Issue Date, the LLP will (where the relevant Series or Tranche is denominated in a currency other than Sterling) pay to the Covered Bond Swap Provider an amount equal to the relevant portion of the amount received by the LLP under the applicable Term Advance (being the aggregate nominal amount of such Series or Tranche, as applicable, of Covered Bonds) and in return the Covered Bond Swap Provider will pay to the LLP the Sterling Equivalent of that amount. Thereafter, the Covered Bond Swap Provider will pay to the LLP on each Interest Payment Date an amount equal to the relevant portion of the amounts that would be payable by the LLP under either the applicable Term Advance in accordance with the terms of the Intercompany Loan Agreement or the Covered Bond Guarantee in respect of interest and principal payable under the relevant Series or Tranche of Covered Bonds. In return, the LLP will periodically pay to the Covered Bond Swap Provider an amount in Sterling calculated by reference to SONIA plus a spread and, where relevant, the Sterling Equivalent of the relevant portion of any principal due to be repaid in respect of the relevant Term Advance in accordance with the Intercompany Loan Agreement or the Covered Bond Guarantee.

However, under the terms of each Covered Bond Swap Agreement, in the event that the Issuer fails to pay the principal amount payable to the Covered Bondholders in respect of a Series of Covered Bonds on the Final Maturity Date of such Series and the Series has a period of extension (whereby the principal amount due on such series of Covered Bonds is deferred for up to one year), then the LLP will pay an amount to the Covered Bond Swap Provider by reference to SONIA plus a spread payable on the monthly Interest Payment Date and the Covered Bond Swap Provider will pay to the LLP on each monthly Interest Payment Date an amount equal to the relevant portion of the amounts that would be payable by the LLP under either the applicable Term Advance in accordance with the terms of the Intercompany Loan Agreement or the Covered Bond Guarantee in respect of interest and principal payable under the relevant Series of Covered Bonds.

Under the terms of each Covered Bond Swap Agreement, in the event that the relevant rating of the Covered Bond Swap Provider or any guarantor of the Covered Bond Swap Provider's obligations is downgraded by the Rating Agency below the rating specified in the relevant Covered Bond Swap Agreement (in accordance with the requirements of the Rating Agency) for the Covered Bond Swap Provider or any guarantor of the Covered Bond Swap Provider's obligations, the Covered Bond Swap Provider will, in accordance with the relevant Covered Bond Swap Agreement, be required to take certain remedial measures which may include providing collateral for its obligations under the Covered Bond Swap, arranging for its obligations under the Covered Bond Swap to be transferred to an entity with the ratings required by the relevant Rating Agency, procuring another entity with the ratings required by the relevant Rating Agency to become guarantor (or, if applicable, co-obligor) in respect of its obligations under the Cover Pool Swap, or, if applicable, taking such other action (as confirmed by the relevant Rating Agency) as will result in the rating of the Covered Bonds then outstanding following the taking of such action being maintained at, or restored to, the level it was at immediately prior to such ratings downgrade. A failure to take such steps will, subject to certain conditions, allow the LLP to terminate the Covered Bond Swap(s).

A Covered Bond Swap Agreement may also be terminated in certain other circumstances, including (without limitation) pursuant to any other events of default and termination events set out in the relevant Covered Bond Swap Agreement (each referred to as a **Covered Bond Swap Early Termination Event**), including without limitation:

- at the option of any party to the Covered Bond Swap Agreement, if there is a failure by the other party to make timely payments of any amounts due under such Covered Bond Swap Agreement; and
- upon the occurrence of an insolvency of the Covered Bond Swap Provider or any guarantor of the Covered Bond Swap Provider's obligations, or the merger of the Covered Bond Swap Provider without an assumption of its obligations under the relevant Covered Bond Swap Agreement.

Upon the termination of a Covered Bond Swap Agreement, the LLP or the Covered Bond Swap Provider may be liable to make a termination payment to the other in accordance with the provisions of the relevant Covered Bond Swap Agreement. The amount of this termination payment will be calculated and made in the termination currency specified in the relevant Covered Bond Swap Agreement. Any termination payment made by the Covered Bond Swap Provider to the LLP in respect of a Covered Bond Swap will first be used (prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security) to pay a replacement Covered Bond Swap Provider to enter into a replacement Covered Bond Swap with the LLP, unless a replacement Covered Bond Swap has already been entered into on behalf of the LLP. Any premium received by the LLP from a replacement Covered Bond Swap Provider in respect of a replacement Covered Bond Swap will first be used to make any termination payment due and payable by the LLP with respect to the previous Covered Bond Swap, unless such termination payment has already been made on behalf of the LLP. If the LLP or a Member of the LLP receives any Tax Credits in respect of a Covered Bond Swap, payments in respect of such Tax Credits will be used, to the extent provided for in the relevant Covered Bond Swap

Agreement, to reimburse the relevant Covered Bond Swap Provider for any gross up in respect of any withholding or deduction made under the relevant Covered Bond Swap Agreement.

Any Swap Collateral Excluded Amounts in respect of a Covered Bond Swap Agreement will be paid to the Covered Bond Swap Provider directly subject to the terms of the relevant Covered Bond Swap Agreement.

If a withholding or deduction for or on account of taxes (other than certain taxes that are unconnected to the jurisdiction of the government or taxation authority imposing such tax on the LLP) is imposed on payments made by the Covered Bond Swap Provider to the LLP under a Covered Bond Swap Agreement, the Covered Bond Swap Provider shall always be obliged to gross up those payments so that the amount received by the LLP is equal to the amount which would have been received in the absence of such withholding or deduction. If a withholding or deduction for or on account of taxes is imposed on payments made by the LLP to the Covered Bond Swap Provider under a Covered Bond Swap Agreement, the LLP shall not be obliged to gross up those payments.

The Covered Bond Swap Provider may transfer all its interest and obligations in and under the relevant Covered Bond Swap Agreement to a transferee with the minimum ratings required by each of the Rating Agency, without any prior written consent of the Security Trustee, subject to certain conditions.

In the event that the Covered Bonds of any Series are wholly redeemed in accordance with Conditions 6.2 (*Redemption for taxation reasons*) and 6.5 (*Redemption due to illegality or invalidity*), the Covered Bond Swaps will terminate. In the event that the Covered Bonds of any Series are wholly or partially purchased and surrendered in accordance with the Terms and Conditions, the Covered Bond Swap(s) in respect of such Series will terminate or partially terminate, as the case may be. Any breakage costs payable by or to the LLP in connection with such termination will be taken into account in calculating:

(a) the Adjusted Required Redemption Amount for the sale of Selected Loans; and

(b) the purchase price to be paid for any Covered Bonds purchased by the LLP in accordance with Condition 6.9 (*Purchases*).

Under any Covered Bond Swap Agreement, recourse in respect of the LLP's obligations will be limited to the Charged Property.

The Covered Bond Swap Agreements are (and each Covered Bond Swap thereunder, will be) governed by English law.

Bank Account Agreement

Pursuant to the terms of the HSBC Bank Account Agreement entered into on the Programme Date between the LLP, the HSBC Account Bank, the Cash Manager and the Security Trustee, the LLP will maintain the HSBC Transaction Account and/or any other bank account(s) with the HSBC Account Bank, which will be operated in accordance with the Cash Management Agreement, the LLP Deed, the Deed of Charge and the relevant Swap Agreements.

Pursuant to the terms of the Lloyds Bank Account Agreement entered into on or about 19 July 2023 between the LLP, the Lloyds Account Bank, the Cash Manager and the Security Trustee, the LLP will maintain the Lloyds Transaction Account and/or any other bank account(s) with the Lloyds Account Bank, which will be operated in accordance with the Cash Management Agreement, the LLP Deed, the Deed of Charge and the relevant Swap Agreements.

All amounts received from Borrowers in respect of Loans in the Portfolio (except for Deposit Non-Reserved Amounts, if applicable) will be paid into the Transaction Accounts and credited to the Revenue Ledger or the Principal Ledger, as the case may be and as set out in the Cash Management Agreement. On each LLP Payment Date, as applicable, amounts required to meet the claims of the LLP's various creditors and amounts to be distributed to the Members under the LLP Deed will be transferred from the Revenue Ledger, the Principal Ledger, the Reserve Ledger or the Capital Account Ledger, as applicable, to the Transaction Accounts and applied by the Cash Manager pursuant to the Cash Management Agreement and in accordance with the Priorities of Payments described below under "*Cashflows*".

The Transaction Accounts (and any other Bank Account(s), if applicable) may be required to be transferred to an alternative bank in certain circumstances, including if an Account Bank fails to have any of the Account Bank Required Ratings.

The Bank Account Agreement entered into with HSBC Bank plc on the Programme Date includes the Swap Collateral Bank Account Agreement entered into with HSBC Bank plc on the Programme Date.

Each Bank Account Agreement is governed by English law.

Corporate Services Agreement

The LLP, the Liquidation Member and Holdings have entered into a Corporate Services Agreement with CSC Management Services (UK) Limited (formerly Intertrust Management Limited) (as **Corporate Services Provider**) on the Programme Date, pursuant to which the Corporate Services Provider has agreed to provide corporate services to the LLP, the Liquidation Member and Holdings respectively.

The Corporate Services Agreement is governed by English law.

Issuer-ICSDs Agreement

The Issuer has entered into an Issuer-ICSDs agreement with Euroclear Bank SA/NV and Clearstream Banking SA (the **ICSDs**) in respect of any Covered Bonds issued in NGCB form (the **Issuer-ICSDs Agreement**). The Issuer-ICSDs Agreement provides that the ICSDs will, in respect of any such NGCBs, maintain their respective portion of the issue outstanding amount through their records.

The Issuer-ICSDs Agreement 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 obligations of the LLP under or pursuant to the Transaction Documents to which it is a party are secured, *inter alia*, by the following security (the **Security**) over the following property, assets and rights (the **Charged Property**):

(a) a first ranking fixed charge (which may take effect as a floating charge) over the LLP's interest in the English Loans and their Related Security and other related rights comprised in the Portfolio;

(b) an assignation in security of the LLP's interest in the Scottish Loans and their Related Security (comprising the LLP's beneficial interest under the trusts declared by the Seller pursuant to the Scottish Declarations of Trust);

(c) an assignment by way of first fixed security over all of the LLP's interests, rights and entitlements under and in respect of the Transaction Documents (other than the Deed of Charge and any Scottish Declaration of Trust) to which it is a party;

(d) a first fixed charge (which may take effect as a floating charge) over the rights and benefits of the LLP in the LLP Accounts (including the Excess Proceeds) and any other account of the LLP and all amounts standing to the credit of the LLP Accounts and such other accounts;

(e) a first fixed charge (which may take effect as a floating charge) over the rights and benefits of the LLP in respect of all Authorised Investments and Substitution Assets purchased from time to time from amounts standing to the credit of the LLP Accounts; and

(f) a first floating charge over (i) all the assets and undertaking of the LLP governed by English law and not, from time to time, subject to any fixed charge in favour of the Security Trustee pursuant to the Deed of Charge and (ii) all the assets and undertaking of the LLP located in or governed by Scots law (whether or not subject to any fixed charge as aforesaid).

In respect of the property, rights and assets referred to in paragraph (b) above, fixed security will be created over such property, rights and assets sold to the LLP after the Programme Date by means of Scottish Supplemental Charges pursuant to the Deed of Charge. In the event of the delivery of Scottish transfers pursuant to the Mortgage Sale Agreement, the LLP will deliver Scottish Sub-Securities in

respect of the Scottish Loans and their related Scottish Mortgages then in the Portfolio to the Security Trustee.

Release of Security

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

(i) in the case of the sale of Selected Loans, the Security Trustee provides its prior written consent to the terms of such sale as described under "*LLP Deed – Method of Sale of Selected Loans*" above;

(ii) the LLP provides a certificate to the Security Trustee that such sale of Loans and their Related Security has been made in accordance with the terms of the Transaction Documents; and

(iii) in the case of the sale of Selected Loans, the LLP provides to the Security Trustee a certificate confirming that the Selected Loans being sold have been selected on a random basis.

In the event of the repurchase of a Loan and its Related Security by the Seller pursuant to and in accordance with the Transaction Documents, the Security Trustee will (subject to the written request of the Servicer, acting on behalf of the LLP and at the cost and expense of the Issuer) release that Loan and its Related Security from the Security created by and pursuant to the Deed of Charge on or prior to the date of the repurchase.

Enforcement

If an LLP Acceleration Notice is served on the LLP, the Security Trustee shall be entitled to, and shall if so directed by the Bond Trustee (for so long as any Covered Bonds are outstanding), appoint a Receiver, and/or enforce the Security constituted by the Deed of Charge (including selling the Portfolio), and/or take such steps as it shall deem necessary, subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction. All proceeds (other than any Tax Credit (including, for the avoidance of doubt, any amounts received by the LLP from a Member in respect of Tax Credits), Third Party Amount, Swap Provider Tax Payment or Swap Collateral Excluded Amounts) received by the Security Trustee or any Receiver from the enforcement or realisation of the Security will be applied in accordance with the Post-Enforcement Priority of Payments described under "*Cashflows*".

Fees and expenses

The Issuer and, after the service of a Notice to Pay on the LLP, the LLP, will pay certain fees to the Security Trustee and will reimburse it for all its costs and expenses properly incurred in acting as Security Trustee and in addition shall indemnify it in respect of all claims, actions, proceedings, demands, liabilities, losses, damages, costs and expenses suffered as a result of the Issuer (or, following service of a Notice to Pay on the LLP, the LLP) failing to perform any of its obligations under the Transaction Documents.

Any remuneration, costs and expenses paid by the LLP to the Security Trustee shall be paid subject to and in accordance with the relevant Priorities of Payments, as applicable.

The Security Trustee may, in certain circumstances undertake duties of an exceptional nature or otherwise outside the scope of its normal duties as set out in the Deed of Charge, in which case the Issuer or the LLP shall pay to the Security Trustee such additional remuneration as shall be agreed between the Security Trustee and the LLP.

Neither the Issuer nor the LLP will be responsible under the Deed of Charge for any liabilities, losses, damages, costs or expenses resulting from the fraud, gross negligence or wilful default on the part of the Security Trustee or any of its officers, employees and advisers.

Retirement and removal

The Security Trustee may retire at any time upon giving not less than three calendar months' prior notice to the LLP, provided, however, that the retirement or removal of any Security Trustee shall not become effective unless there remains at least one Security Trustee in office upon such retirement or removal. The power of appointing a new Security Trustee and removing the Security Trustee or any new Security Trustee shall be vested in the LLP, provided that such appointment or removal must be approved by (i) an Extraordinary Resolution of the Covered Bondholders of all Series taken together as a single Series and (ii) each Secured Creditor. Any appointment of a new Security Trustee and any retirement or removal of an existing Security Trustee under the Deed of Charge shall as soon as practicable thereafter be notified by the LLP to the Secured Creditors.

Governing Law

The Deed of Charge is governed by English law (other than the assignation in security referred to in paragraph (b) above and any Scottish Supplemental Charge granted after the Programme Date pursuant and supplemental to the Deed of Charge and any Scottish Sub-Security which will, in each case, be governed by Scots law).

CREDIT STRUCTURE

The Covered Bonds will be direct, unsecured, unconditional obligations of the Issuer. The LLP has no obligation to pay the Guaranteed Amounts under the Covered Bond Guarantee until service of a Notice to Pay on the LLP following service by the Bond Trustee of an Issuer Acceleration Notice or, if earlier, following the occurrence of an LLP Event of Default and service by the Bond Trustee of an LLP Acceleration Notice. The Issuer will not be relying on payments by the LLP in respect of the Term Advances or receipt of Revenue Receipts or Principal Receipts from the Portfolio in order to pay interest or repay principal under the Covered Bonds.

There are a number of features of the Programme which enhance the likelihood of timely and, as applicable, ultimate payments to Covered Bondholders, as follows:

- the Covered Bond Guarantee provides credit support to the Issuer;
- the Pre-Maturity Liquidity Test and the Supplemental Liquidity Reserve Amount are intended to provide liquidity to the LLP in respect of principal due on the Final Maturity Date of Hard Bullet Covered Bonds;
- following the service of a Notice to Pay, but prior to the service of an LLP Acceleration Notice or the commencement of winding-up proceedings against the LLP, the Supplemental Liquidity Reserve Amount is available to provide liquidity to the LLP in respect of principal due on the Extended Due for Payment Date of any Series of Covered Bonds to which an Extended Due for Payment Date applies;
- the Asset Coverage Test is intended to test the asset coverage of the LLP's assets in respect of the Covered Bonds outstanding at all times;
- the Amortisation Test is intended to test the asset coverage of the LLP's assets in respect of the Covered Bonds following service of a Notice to Pay on the LLP; and
- if the Issuer's Counterparty Risk Assessment falls below "P-1(cr)" by Moody's, Available Revenue Receipts (up to an amount equal to the Reserve Fund Required Amount) will be trapped in the Reserve Fund.

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

In addition, the Issuer is required to comply with certain statutory tests pursuant to the RCB Regulations, as to which see further "*Description of the UK Regulated Covered Bond Regime*".

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 payment obligation of the Issuer being accelerated pursuant to Condition 9 (*Events of Default, Acceleration and Enforcement*) following the service of a Notice to Pay. In this circumstance (and until an LLP Event of Default occurs and an LLP Acceleration Notice is served), the LLP's obligations will only be to pay the Guaranteed Amounts as they fall Due for Payment. However, should any payments made by the LLP under the Covered Bond Guarantee be subject to any withholding or deduction on account of taxes, duties, or other charges of whatever nature imposed or levied by or on behalf of the UK or by any authority therein or thereof having the power to tax, the LLP will not be obliged to pay any additional amount as a consequence.

See further "*Summary of the Principal Documents – Trust Deed*" as regards the terms of the Covered Bond Guarantee. See further "*Cashflows – Guarantee Priority of Payments*" as regards the payment of amounts payable by the LLP to Covered Bondholders and other Secured Creditors following service of a Notice to Pay.

Pre-Maturity Liquidity Test

Certain Series of Covered Bonds are scheduled to be redeemed in full on the Final Maturity Date therefor without any provision for scheduled redemption other than on the Final Maturity Date (the **Hard Bullet Covered Bonds**). The applicable Final Terms will identify whether any Series of Covered Bonds is a Series of Hard Bullet Covered Bonds. The Pre-Maturity Liquidity Test is intended to provide liquidity for the Hard Bullet Covered Bonds when the Issuer's credit ratings fall to a certain level. On each Pre-Maturity Liquidity 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 whether the Issuer is in compliance with the Pre-Maturity Liquidity Test in respect of any Series of Hard Bullet Covered Bonds, and if it is not, it shall immediately notify the Members, the Seller and the Security Trustee thereof and if the Cash Manager makes such determination on the LLP's behalf, the Cash Manager shall immediately notify the LLP.

The Issuer will fail and be in breach of the **Pre-Maturity Liquidity Test** on a Pre-Maturity Liquidity Test Date if the Issuer's (i) long term Counterparty Risk Assessment is lower than "A1(cr)"and the Final Maturity Date of any Series of Hard Bullet Covered Bonds occurs within six (6) months from the relevant Pre-Maturity Liquidity Test Date or (ii) short-term Counterparty Risk Assessment by Moody's is lower than "P-1(cr)" and the Final Maturity Date of any Series of Hard Bullet Covered Bonds occurs within twelve (12) months from the relevant Pre-Maturity Liquidity Test Date.

Following a breach of the Pre-Maturity Liquidity Test in respect of a Series of Covered Bonds, the LLP shall offer to sell Selected Loans and their Related Security to Purchasers, 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 in favour of the Seller pursuant to the terms of the Mortgage Sale Agreement,

provided that an Issuer Event of Default shall occur if the Pre-Maturity Liquidity Test in respect of any Series of Hard Bullet Covered Bonds is breached during the Pre-Maturity Liquidity Test Breach Period, and the relevant parties have not taken the required actions (as described above) following that breach within the earlier to occur of (i) ten (10) Business Days from the date that the Seller, the LLP and the Bond Trustee are notified of the breach of the Pre-Maturity Liquidity 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 Sterling Equivalent of 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 Sterling Equivalent of 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 method for selling Selected Loans and their Related Security is described in "*Summary of the Principal Documents – LLP Deed – Sale of Selected Loans and their Related Security if the Pre-Maturity Liquidity Test is breached*" above. The proceeds of sale of Selected Loans and their Related Security and/or the proceeds of any Cash Capital Contribution as described above, will be recorded to the Pre-Maturity Liquidity Ledger or the relevant Capital Account Ledger(s), respectively, on the relevant Transaction Account.

In certain circumstances, Available Revenue Receipts will also be available to repay a Hard Bullet Covered Bond, as described in "*Cashflows – Pre-Acceleration Revenue Priority of Payments*" below.

Failure by the Issuer and/or the LLP to pay the full amount due in respect of a Series of Hard Bullet Covered Bonds on the Final Maturity Date thereof will constitute an Issuer Event of Default. Following service of a Notice to Pay on the LLP, the LLP shall apply funds standing to the Pre-Maturity Liquidity Ledger to repay the relevant Series of Hard Bullet Covered Bonds. If the Issuer fully repays the relevant Series of Hard Bullet Covered Bonds on the Final Maturity Date thereof, cash standing to the credit of the Pre-Maturity Liquidity Ledger on each Transaction 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 Liquidity Test in respect of any other Series of Hard Bullet Covered Bonds, in which case the 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 Liquidity Test, but the LLP Management Board 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 Board has elected or is required to retain such amounts on the Pre-Maturity Liquidity Ledger, also be used to repay the corresponding Term Advance and distribute any excess Available Principal Receipts back to the Members on dates other than LLP Payment Dates, subject to the LLP making provision for higher ranking items in the Pre-Acceleration Principal Priority of Payments.

Asset Coverage Test

The Asset Coverage Test is intended to ensure that the LLP can meet its obligations under the Covered Bond Guarantee and senior ranking expenses which will include costs relating to the maintenance, administration and winding-up of the Asset Pool whilst the Covered Bonds are outstanding. Under the LLP Deed, the LLP and its Members (other than the Liquidation Member) must ensure that on each Calculation Date the Adjusted Aggregate Loan Amount will be in an amount equal to or in excess of the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date. If on any Calculation Date the Adjusted Aggregate Loan Amount is less than the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds each Member of the LLP (other than the Liquidation Member) will use all reasonable endeavours to sell sufficient further Loans and their Related Security to the LLP in accordance with the Mortgage Sale Agreement (see "*Summary of the Principal Documents – Mortgage Sale Agreement – Sale by the Seller of the Loans and Related Security*"), transfer in Substitution Assets or provide Cash Capital Contributions in an aggregate amount sufficient to ensure that the Asset Coverage Test is met on the next following Calculation Date. If the Adjusted Aggregate Loan Amount is not equal to, or greater than, the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds on the next following Calculation Date, the Asset Coverage Test will be breached and the Bond Trustee will serve an Asset Coverage Test Breach Notice on the LLP. The Asset Coverage Test is a formula which adjusts the Current Balance of each Loan in the Portfolio and has further adjustments to take account of (i) other assets owned by the LLP, (ii) set-off on a Borrower's current or deposit accounts held with the Seller, (iii) set-off associated with drawings made by Borrowers under Flexible Loans, (iv) the potential carry cost if the Loans and their Related Security were sold and cash proceeds thereof were invested in each of the Transaction Accounts until the maturity of the relevant Covered Bonds and (v) failure by the Seller, in accordance with the Mortgage Sale Agreement, to repurchase Defaulted Loans or Loans that do not materially comply with the Representations and Warranties on the relevant Sale Date. See further "*Summary of the Principal Documents – LLP Deed – Asset Coverage Test*", above.

An Asset Coverage Test Breach Notice will be revoked if, on any Calculation Date falling on or prior to the third Calculation Date following the service of the Asset Coverage Test Breach Notice, the Asset Coverage Test is satisfied and neither a Notice to Pay nor an LLP Acceleration Notice has been served.

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

The Issuer is additionally required to ensure that the principal amount of the eligible property in the Asset Pool is greater than 108 per cent. of the Principal Amount Outstanding of the Covered Bonds in accordance with the terms of the RCB Regulations. The Issuer must also ensure that over a twelve

month period the interest received on the eligible property must be equal to or greater than interest due on the Covered Bonds. See further "*Description of the UK Regulated Covered Bond Regime*".

Amortisation Test

The Amortisation Test is intended to ensure that if, following service of a Notice to Pay on the LLP (but prior to service on the LLP of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security), the assets of the LLP available to meet its obligations under the Covered Bond Guarantee fall to a level where Covered Bondholders may not be repaid, an LLP Event of Default will occur and all amounts owing under the Covered Bonds may be accelerated. Under the LLP Deed, the LLP and its Members (other than the Liquidation Member) must ensure that, on each Calculation Date following service of a Notice to Pay on the LLP, the Amortisation Test Aggregate Loan Amount will be 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. The Amortisation Test is a formula which adjusts the Current Balance of each Loan in the Portfolio and has further adjustments to take account of Loans in arrears, other assets held by the LLP and the potential carry cost if the Loans and their Related Security were sold and cash proceeds thereof were invested in each of the Transaction Accounts until the maturity of the relevant Covered Bonds. See further "*Summary of the Principal Documents – LLP Deed – Amortisation Test*" above.

Reserve Fund

If at any time prior to the occurrence of an Issuer Event of Default, the short term Counterparty Risk Assessment of the Issuer by Moody's ceases to be "P-1(cr)", the LLP will be required to credit Available Revenue Receipts to the Reserve Fund up to an amount equal to the Reserve Fund Required Amount. The LLP will not be required to maintain the Reserve Fund following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice.

The Reserve Fund Required Amount will be funded from Available Revenue Receipts after the LLP has paid all of its obligations in respect of items ranking higher than the Reserve Ledger in the Pre-Acceleration Revenue Priority of Payments on each LLP Payment Date.

A Reserve Ledger will be maintained by the Cash Manager to record the balance from time to time of the Reserve Fund. Following the occurrence of an Issuer Event of Default, service of an Issuer Acceleration Notice and service of a Notice to Pay on the LLP, amounts standing to the credit of the Reserve Fund will be added to certain other income of the LLP in calculating Available Revenue Receipts.

The Seller may also direct the LLP to credit any Cash Capital Contributions it makes to the LLP to the Reserve Ledger. The balance on the Reserve Ledger in excess of the Reserve Fund Required Amount will form part of Available Revenue Receipts and be applied accordingly.

Supplemental Liquidity Reserve

The amounts standing to the credit of the Supplemental Liquidity Reserve Ledger will only be available for application as follows:

(a) prior to the service of a Notice to Pay, if and to the extent the relevant sale or refinancing of Selected Loans relates to a Supplemental Liquidity Event which is continuing, for credit to the Pre-Maturity Liquidity Ledger up to an amount equal to the Required Redemption Amount of each Series of Hard Bullet Covered Bonds in respect of which the Pre-Maturity Liquidity Ledger is being maintained or, if the Supplemental Liquidity Event is not continuing, for credit to the Principal Ledger;

(b) following the service of a Notice to Pay, but prior to service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or the realisation of the Security, on the Final Maturity Date of the Earliest Maturing Covered Bonds of any Series of Hard Bullet Covered Bonds or on the Extended Due for Payment Date of the Earliest Maturing Covered Bonds of any Series of Covered Bonds to which an Extended Due for

Payment Date applies, as the case may be, for payment of principal then due and payable on the relevant Series of Covered Bonds or, as applicable, the amount then due and payable in respect of principal under a Swap Agreement (if applicable) in respect of the relevant Series of Covered Bonds (in either case after taking account of any payment made by the Issuer in respect thereof or expected to be made by the Seller in respect thereof in accordance with the relevant Priority of Payments or from the Pre-Maturity Liquidity Ledger) or, if no Series of Covered Bonds is outstanding, for transfer to the Principal Ledger; and

(c) following the service of a Notice to Pay and of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or the realisation of the Security, to be credited to the Principal Ledger.

Except to the extent permitted by the Cash Management Agreement, amounts so credited to the Supplemental Liquidity Reserve Ledger shall not constitute Available Principal Receipts.

For these purposes, a **Supplemental Liquidity Event** will occur if there is a breach of the Pre-Maturity Liquidity Test.

CASHFLOWS

As described above under "*Credit Structure*", until a Notice to Pay or an 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 (whether under a corresponding Term Advance or otherwise) 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 (other than any Swap Collateral Account) and their order of priority:

(a) prior to service on the LLP of an Asset Coverage Test Breach Notice, a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security;

(b) for so long as an Asset Coverage Test Breach Notice remains outstanding, but prior to service of a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security;

(c) following service of a Notice to Pay, but prior to service of an LLP Acceleration Notice and/or the realisation of the Security and/or the commencement of winding-up proceedings in respect of the LLP; and

(d) following service of an LLP Acceleration Notice, the realisation of the Security and/or the commencement of winding-up proceedings against the LLP.

Allocation and distribution of Available Revenue Receipts whilst no Asset Coverage Test Breach Notice is outstanding and prior to the service on the LLP of a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security

Provided no Asset Coverage Test Breach Notice is outstanding, prior to the service on the LLP of a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security and whilst amounts are outstanding in respect of the Covered Bonds, Available Revenue Receipts shall be applied 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;

(b) the Reserve Fund Required Amount; and

(c) where the Pre-Maturity Liquidity Test has been breached in respect of a Series of Hard Bullet Covered Bonds, on each Calculation Date falling in the Pre-Maturity Liquidity Test Breach Period, whether or not the amount standing to the credit of the Pre-Maturity Liquidity Ledger at such date is less than the Sterling Equivalent of the Required Redemption Amount for the relevant Series of Hard Bullet Covered Bonds at such date (after deducting from the balance standing to the credit of the Pre-Maturity Liquidity Ledger such amounts as are then required to repay 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).

Pre-Acceleration Revenue Priority of Payments

Provided no Asset Coverage Test Breach Notice is outstanding, prior to the service on the LLP of a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security and whilst amounts are outstanding in respect of Covered Bonds, Available Revenue Receipts as calculated on the immediately preceding Calculation Date shall be applied by the LLP (or the Cash Manager on its behalf) on each LLP Payment Date (except for amounts due to the Bond Trustee and the Security Trustee or to other third parties by the LLP or the Issuer under paragraphs (a) and (b) below or Third Party Amounts, which shall be paid when due) in

making the following payments and provisions (the **Pre-Acceleration Revenue Priority of Payments**) (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

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

(i) all amounts then due and payable or to become due and payable to the Bond Trustee in the immediately succeeding LLP Payment Period (including remuneration, interests, costs, charges, liabilities and expenses payable to it) under the provisions of the Trust Deed together with interest and applicable VAT (or other similar taxes) thereto to the extent provided therein; and

(ii) all amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Security Trustee (including remuneration, interests, costs, charges, liabilities and expenses payable to it) under the provisions of the Deed of Charge together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein;

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

(i) any amounts then due and payable by the LLP to third parties and incurred without breach by the LLP of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere in the relevant Priorities of Payments) and to provide for any such amounts expected to become due and payable by the LLP in the immediately succeeding LLP Payment Period and to pay or discharge any liability of the LLP for Taxes and stamp duties; and

(ii) any remuneration and other amounts (including costs, charges, liabilities and expenses) due and payable in the immediately succeeding LLP Payment Period to the Agents pursuant to the terms of the Agency Agreement, together with applicable VAT (or other similar taxes) thereof to the extent provided therein;

(c) *third*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due and payable or to become due and payable to the Servicer under the provisions of the Servicing Agreement in the immediately succeeding LLP Payment Period, together with applicable amounts in respect of VAT (or other similar Taxes) thereon as provided therein;

(ii) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due and payable 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 as provided therein;

(iii) amounts (if any) on a *pro rata* and *pari passu* basis then due and payable in the immediately succeeding LLP Payment Period to each Account Bank and the Swap Collateral Account Bank (including costs) pursuant to the terms of each Bank Account Agreement and the Swap Collateral Bank Account Agreement, respectively, together with applicable VAT (or other similar Taxes) thereon to the extent provided therein;

(iv) any remuneration then due and payable to the Collateralised GIC Provider, and any costs, charges, liabilities and expenses then due and payable or to become due and payable to the Collateralised GIC Provider under the provisions of the Collateralised GIC Account Agreement in the immediately succeeding LLP Payment Period, together with applicable VAT (or other similar Taxes) thereon to the extent provided therein;

(v) amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Corporate Services Provider pursuant to the terms of the Corporate Services Agreement together with applicable VAT (or other similar Taxes) thereon to the extent provided therein;

(vi) amounts (if any) due and payable to the Authorities under the RCB Regulations (other than the initial registration fees); and

(vii) amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Asset Monitor pursuant to the terms of the Asset Monitor Agreement (other than the amounts referred to in paragraph (e)(i) below), together with applicable amounts in respect of VAT (or other similar Taxes) thereon to the extent provided therein;

(viii) amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Back-Up Servicer Facilitator pursuant to the terms of the Servicing Agreement together with applicable VAT (or other similar Taxes) thereon to the extent provided therein;

(ix) any remuneration then due and payable to the Back-Up Servicer, if applicable, and any costs, charges, liabilities and expenses then due and payable or to become due and payable to the Back-Up Servicer under the provisions of the Servicing Agreement in the immediately succeeding LLP Payment Period, together with applicable VAT (or other similar Taxes) thereon to the extent provided therein;

(x) amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Back-Up Cash Manager Facilitator pursuant to the terms of the Cash Management Agreement together with applicable VAT (or other similar Taxes) thereon to the extent provided therein;

(xi) any remuneration then due and payable to the Back-Up Cash Manager, if applicable, and any costs, charges, liabilities and expenses then due and payable or to become due and payable to the Back-Up 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;

(d) *fourth*, in or towards payment on the LLP Payment Date or to provide for payment on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine, of any amount due or to become due and payable to the Cover Pool Swap Provider (including any termination payment due and payable by the LLP under the Cover Pool Swap Agreement, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premium received from the relevant replacement Cover Pool Swap Provider) pursuant to the terms of the Cover Pool Swap Agreement;

(e) *fifth,* in or towards payment *pro rata* and *pari passu* on the LLP Payment Date or to provide for payment on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine (and in the case of any such payment or provision, after taking into account any provisions previously made and any amounts received or receivable from the Cover Pool Swap Provider under the Cover Pool Swap Agreement and, if applicable, any amounts (other than principal) received or receivable from a Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement on the LLP Payment Date or such date in the future as the Cash Manager may reasonably determine), of:

(i) any amounts then due or to become due and payable to the relevant Covered Bond Swap Providers (other than in respect of principal) *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment due and payable by the LLP under the relevant Covered Bond Swap Agreement, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have

been paid out of any premiums received from the relevant replacement Covered Bond Swap Providers) pursuant to the terms of the relevant Covered Bond Swap Agreement; and

(ii) any amounts due or to become due and payable in the next LLP Payment Period (excluding principal amounts), *pro rata* and *pari passu* in respect of each relevant Term Advance, to the Issuer pursuant to the terms of the Intercompany Loan Agreement;

(f) *sixth,* if the LLP is required to make a deposit to the Pre-Maturity Liquidity Ledger in accordance with the LLP Deed, towards a credit to the relevant Transaction Account with a corresponding credit to that Ledger of an amount up to but not exceeding the difference between:

(i) the Sterling Equivalent of the Required Redemption Amount as calculated on the immediately preceding Calculation Date for the relevant Series of Hard Bullet Covered Bonds; and

(ii) any amounts standing to the credit of the Pre-Maturity Liquidity Ledger on the immediately preceding Calculation Date after deducting from that Ledger the Sterling Equivalent of the Required Redemption Amounts of all other Series of Hard Bullet Covered Bonds as calculated on that Calculation Date which mature prior to or on the same date as the relevant Series of Hard Bullet Covered Bonds;

(g) *seventh,* if a Servicer Termination Event has occurred, all remaining Available Revenue Receipts to be credited to the relevant Transaction Account (with a corresponding credit to the Revenue Ledger) until such Servicer Termination Event is either remedied or waived by the Security Trustee or a new servicer is appointed to service the Portfolio (or the relevant part thereof);

(h) *eighth*, in or towards a credit to the Reserve Ledger on the relevant Transaction 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;

(i) *ninth*, in or towards payment *pro rata* and *pari passu* in accordance with the respective amounts thereof of any Excluded Swap Termination Amounts due and payable by the LLP to each Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement and to the Cover Pool Swap Provider under the Cover Pool Swap Agreement;

(j) *tenth*, in or towards payment *pro rata* and *pari passu* in accordance with the respective amounts thereof of any indemnity amount due to the Members pursuant to the LLP Deed and certain costs, expenses and indemnity amounts due to the Asset Monitor pursuant to the Asset Monitor Agreement;

(k) *eleventh*, to pay all remaining Available Revenue Receipts except for an amount equal to the profit to be paid to the Members in accordance with paragraph (l) below to the Seller in or towards payment of Deferred Consideration due to the Seller for the transfer of the Loans and their Related Security to the LLP; and

(l) *twelfth*, towards payment *pro rata* and *pari passu* to the Members of a certain sum (specified in the LLP Deed) by way of fees and as their profit for their respective interests as Members in the LLP.

Any amounts (other than Swap Collateral Excluded Amounts) received by the LLP under the Cover Pool Swap Agreement on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payments made on any preceding LLP Payment Date, to make payments (other than in respect of principal) due and payable *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap to each relevant Covered Bond Swap Provider under each relevant Covered Bond Swap Agreement or, as the case may be, to the Issuer in respect of each relevant Term Advance under the Intercompany Loan Agreement or otherwise to make provision

for such payments on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine unless an Asset Coverage Test Breach Notice has been served and remains outstanding in which case the provisions under "*Allocation and distribution of Available Revenue Receipts whilst no Asset Coverage Test Breach Notice is outstanding and prior to the service on the LLP of a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security*" shall apply.

Any amounts (other than in respect of principal and other than Swap Collateral Excluded Amounts) received by the LLP under a Covered Bond Swap on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payments made on any preceding LLP Payment Date, to make payments (other than principal) due and payable to the Issuer in respect of each relevant Term Advance under the Intercompany Loan Agreement or otherwise to make provision for such payments on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine unless an Asset Coverage Test Breach Notice has been served and remains outstanding.

Any amounts (other than Swap Collateral Excluded Amounts) received by the LLP under the Cover Pool Swap Agreement and any amounts (other than in respect of principal and other than Swap Collateral Excluded Amounts) received by the LLP under the Covered Bond Swap Agreements on or after the LLP Payment Date but prior to the next following LLP Payment Date which are not put towards a payment or provision in accordance with paragraph (e)(ii) above or the preceding two paragraphs will be credited to the Revenue Ledger on the relevant Transaction Account and applied as Available Revenue Receipts on the next succeeding LLP Payment Date.

If any Swap Collateral Available Amounts are received by the LLP on an LLP Payment Date, such amounts shall be applied by the LLP or by the Cash Manager on its behalf on that LLP Payment Date in the same manner as it would have applied the receipts which such Swap Collateral Available Amounts replace.

For the avoidance of doubt, an Asset Coverage Test Breach Notice will be "outstanding" from the time it is served on the LLP until the time it is revoked.

Allocation and distribution of Available Principal Receipts whilst no Asset Coverage Test Breach Notice is outstanding and prior to the service of a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security

Provided no Asset Coverage Test Breach Notice is outstanding, prior to the service on the LLP of a Notice to Pay, an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, Available Principal Receipts will be applied as described below.

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

If an LLP Payment Date is an Interest Payment Date, then distribution of Available Principal Receipts under the Pre-Acceleration Principal Priority of Payments will be delayed until the Issuer has made Scheduled Interest and/or principal payments under the Covered Bonds on that Interest Payment Date save as provided in the LLP Deed.

Pre-Acceleration Principal Priority of Payments

Provided no Asset Coverage Test Breach Notice is outstanding, prior to the service on the LLP of a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, all Available Principal Receipts (other than those Cash Capital Contributions made from time to time by the Seller in its capacity as Member which are to be applied as Revenue Receipts) as calculated on the immediately preceding Calculation Date will be applied by or on behalf of the LLP on each LLP Payment Date in making the following payments or

provisions or credits in the following order of priority (the **Pre-Acceleration Principal Priority of Payments**) (in each case only if and to the extent that payments or provisions of a higher priority have been paid in full):

(a) *first,* if the Pre-Maturity Liquidity Test is breached in respect of a Series of Hard Bullet Covered Bonds, to credit all Principal Receipts to the Pre-Maturity Liquidity Ledger in an amount up to but not exceeding the difference between:

(i) the Sterling Equivalent of the Required Redemption Amount calculated on the immediately preceding Calculation Date for the relevant Series of Hard Bullet Covered Bonds; and

(ii) any amounts standing to the credit of the Pre-Maturity Liquidity Ledger on the immediately preceding Calculation Date after deducting from that Ledger the Sterling Equivalent of the Required Redemption Amounts of all other Series of Hard Bullet Covered Bonds as calculated on that Calculation Date which mature prior to or on the same date as the relevant Series of Hard Bullet Covered Bonds;

(b) *second,* to acquire New Loans and their Related Security offered to the LLP by the Seller in accordance with the terms of the Mortgage Sale Agreement and/or to acquire Substitution Assets in an amount sufficient to ensure that, taking into account the other resources available to the LLP, the LLP will be in compliance with the Asset Coverage Test on the next Calculation Date;

(c) *third,* to deposit the remaining Available Principal Receipts in the relevant Transaction Account (with a corresponding credit to the Principal Ledger or that Transaction Account) in an amount sufficient to ensure that, taking into account the other resources available to the LLP, the LLP will be in compliance with the Asset Coverage Test on the next Calculation Date;

(d) *fourth,* in or towards repayment *pro rata* and *pari passu* on the LLP Payment Date or to provide for repayment on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine (and in the case of any such payment or provision, after taking into account any provisions previously made and, if applicable, any principal amounts received or receivable from a Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement on the LLP Payment Date or such date in the future as the Cash Manager may reasonably determine):

(i) the amounts (in respect of principal) due or to become due and payable to the relevant Covered Bond Swap Providers *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (but, for the avoidance of doubt, excluding any Excluded Swap Termination Amount) pursuant to the terms of the relevant Covered Bond Swap Agreement; and

(ii) any amounts (in respect of principal) due or to become due and payable, *pro rata* and *pari passu* in respect of each relevant Term Advance, to the Issuer pursuant to the terms of the Intercompany Loan Agreement;

(e) *fifth*, to acquire (or to provide for the acquisition of) New Loans and their Related Security offered to the LLP by the Seller in accordance with the terms of the Mortgage Sale Agreement and/or to acquire Substitution Assets and/or credit the relevant Transaction Account as the Cash Manager may determine; and

(f) *sixth,* subject to complying with the Asset Coverage Test, to make a Capital Distribution *pro rata* and *pari passu* to each Member (other than the Liquidation Member) in proportion to each such Member's Capital Contribution as calculated on the immediately preceding Calculation Date (or, if TSB Bank plc is not then a Member, towards repayment of the Issuer Subordinated Loan) in accordance with the LLP Deed.

Any amounts in respect of principal received by the LLP under a Covered Bond Swap on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any

provision for such payments made on any preceding LLP Payment Date (provided that all principal amounts outstanding under the related Series of Covered Bonds which have fallen due for repayment on such date have been repaid in full by the Issuer), to make payments in respect of principal due and payable to the Issuer in respect of the corresponding Term Advance under the Intercompany Loan Agreement or otherwise to make provision for such payments on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine, unless an Asset Coverage Test Breach Notice has been served on the LLP and remains outstanding. Any amounts of principal (other than Swap Collateral Excluded Amounts) received by the LLP under the Covered Bond Swap Agreements on the LLP Payment Date or any date prior to the next succeeding LLP Payment Date which are not put towards a payment or provision in accordance with paragraph (c) above or the preceding sentence will be credited to the Principal Ledger on the relevant LLP Account and applied as Available Principal Receipts on the next succeeding LLP Payment Date.

Any Cash Capital Contributions made by TSB Bank plc (in its capacity as Member) other than those deemed to be Revenue Receipts or Principal Receipts from time to time shall, unless an Asset Coverage Test Breach Notice has been served and remains outstanding, be distributed to TSB Bank plc as a Capital Distribution.

Allocation and Distribution of Available Revenue Receipts and Available Principal Receipts whilst an Asset Coverage Test Breach Notice is outstanding and prior to service on the LLP of a Notice to Pay, an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security

For so long as an Asset Coverage Test Breach Notice is outstanding, but prior to the service on the LLP of a Notice to Pay, an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, all Available Revenue Receipts and Available Principal Receipts will continue to be applied in accordance with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments, respectively, save that, whilst any Covered Bonds remain outstanding, no moneys will be applied under paragraph (e)(ii)) (to the extent only that such amounts are payable to the Members), (j), (k) or (l) of the Pre-Acceleration Revenue Priority of Payments or paragraphs (b), (d)(ii), (e) or (f) of the Pre-Acceleration Principal Priority of Payments.

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

At any time after service of a Notice to Pay, but prior to service on the LLP of an LLP Acceleration Notice and/or the commencement of winding-up proceedings in respect of the LLP, and/or realisation of the Security, and whilst amounts are outstanding in respect of Covered Bonds, all Available Revenue Receipts and Available Principal Receipts standing to the credit of the LLP Accounts will be applied as described below under "*Guarantee Priority of Payments*".

The LLP (or the Cash Manager on its behalf) shall create and maintain ledgers for each Series of Covered Bonds and record amounts allocated to such Series of Covered Bonds in accordance with paragraph (e) and (f) of the "*Guarantee Priority of Payments*" below, and such amounts, once allocated, will only be available to pay amounts due under the Covered Bond Guarantee and amounts due under the Covered Bond Swap in respect of the relevant Series of Covered Bonds on the scheduled payment dates thereof.

Guarantee Priority of Payments

As set out in the Cash Management Agreement, if a Notice to Pay is served on the LLP in connection with the Pre-Maturity Liquidity Test (as set out in the LLP Deed), the LLP shall on the relevant Final Maturity Date apply all moneys 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 Test*"). Subject thereto, on each LLP Payment Date after the service on the LLP of a Notice to Pay but prior to service on the LLP of an LLP Acceleration Notice and/or the commencement of winding-up proceedings in respect of the LLP and/or realisation of the Security, the

LLP (or the Cash Manager on its behalf) will apply Available Revenue Receipts and Available Principal Receipts as calculated on the immediately preceding Calculation Date to make the following payments and provisions in the following order of priority (the **Guarantee Priority of Payments**) (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

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

(i) all amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Bond Trustee (including remuneration, interests, costs, charges, liabilities and expenses payable to it) under the provisions of the Trust Deed together with interest and applicable amounts in respect of VAT (or other similar Taxes) thereon to the extent provided therein; and

(ii) all amounts due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Security Trustee (including remuneration, interests, costs, charges, liabilities and expenses payable to it) under the provisions of the Deed of Charge together with interest and applicable amounts in respect of VAT (or other similar Taxes) thereon to the extent provided therein;

(b) *second,* in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any remuneration and other amounts (including costs, charges, liabilities and expenses) then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Agents pursuant to the Agency Agreement together with applicable VAT (or other similar Taxes) thereon to the extent provided therein; and

(ii) any amounts then due and payable by the LLP to third parties and incurred without breach by the LLP of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere in the relevant Priorities of Payments) and to provide for any such amounts expected to become due and payable by the LLP in the immediately succeeding LLP Payment Period and to pay or discharge any liability of the LLP for taxes;

(c) *third,* in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due and payable or to become due and payable to the Servicer pursuant to the terms of the Servicing Agreement in the immediately succeeding LLP Payment Period together with applicable amounts in respect of VAT (or other similar Taxes) thereon to the extent provided therein;

(ii) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due and payable or to become due and payable to the Cash Manager pursuant to the terms of the Cash Management Agreement in the immediately succeeding LLP Payment Period together with applicable VAT (or other similar Taxes) thereon to the extent provided therein;

(iii) amounts (if any) on a *pro rata* and *pari passu* basis due and payable or to become due and payable in the immediately succeeding LLP Payment Period to each Account Bank and the Swap Collateral Account Bank (including any costs) pursuant to the terms of each Bank Account Agreement and the Swap Collateral Bank Account Agreement, respectively, together with applicable VAT (or other similar Taxes) thereon to the extent provided therein;

(iv) any remuneration then due and payable to the Collateralised GIC Provider, and any costs, charges, liabilities and expenses then due and payable or to become due and payable to the Collateralised GIC Provider under the provisions of the Collateralised

GIC Account Agreement in the immediately succeeding LLP Payment Period, together with applicable VAT (or other similar Taxes) thereon to the extent provided therein;

(v) amounts due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Corporate Services Provider pursuant to the Corporate Services Agreement together with applicable VAT (or other similar Taxes) thereon to the extent provided therein;

(vi) amounts (if any) due and payable to the Authorities in respect of fees owed to the Authorities under the RCB Regulations (other than the initial registration fees) together with applicable VAT (or other similar taxes) thereon;

(vii) amounts due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Asset Monitor pursuant to the terms of the Asset Monitor Agreement (other than the amounts referred to in paragraph (k) below), together with applicable VAT (or other similar Taxes) thereon to the extent provided therein;

(viii) amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Back-Up Servicer Facilitator pursuant to the terms of the Servicing Agreement together with applicable VAT (or other similar Taxes) thereon to the extent provided therein; and

(ix) any remuneration then due and payable to the Back-Up Servicer, if applicable, and any costs, charges, liabilities and expenses then due and payable or to become due and payable to the Back-Up Servicer under the provisions of the Servicing Agreement in the immediately succeeding LLP Payment Period, together with applicable VAT (or other similar Taxes) thereon to the extent provided therein;

(x) amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Back-Up Cash Manager Facilitator pursuant to the terms of the Cash Management Agreement together with applicable VAT (or other similar Taxes) thereon to the extent provided therein;

(xi) any remuneration then due and payable to the Back-Up Cash Manager, if applicable, and any costs, charges, liabilities and expenses then due and payable or to become due and payable to the Back-Up 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;

(d) *fourth,* in or towards payment of any amount due to the Cover Pool Swap Provider (including any termination payment due or to become due and payable by the LLP under the Cover Pool Swap Agreement, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Cover Pool Swap Provider) pursuant to the terms of the Cover Pool Swap Agreement;

(e) *fifth,* to pay *pro rata* and *pari passu* according to the respective amounts thereof, of:

(i) the amounts due or to become due and payable in the immediately succeeding LLP Payment Period to the relevant Covered Bond Swap Provider (other than in respect of principal) *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment due and payable by the LLP under the relevant Covered Bond Swap Agreements, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Covered Bond Swap Provider) pursuant to the terms of the relevant Covered Bond Swap Agreement; and

(ii) to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the Covered Bondholders *pro rata* and *pari passu* Scheduled 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,

but, in the case of any such payment or provision, after taking into account any amounts received or receivable from the Cover Pool Swap Provider in respect of the Cover Pool Swap Agreement and, if applicable, any amounts (other than principal) received or receivable from a Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement on the LLP Payment Date or in the immediately succeeding LLP Payment Period provided that if the amount available for distribution under this paragraph (e) (excluding any amounts received or to be received from the relevant Covered Bond Swap Providers) would be insufficient to pay the Sterling Equivalent of the Scheduled Interest that is or will be Due for Payment in respect of each Series of Covered Bonds under sub-paragraph (ii) above, the shortfall shall be divided amongst all such Series of Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider in respect of each relevant Covered Bond Swap under sub-paragraph (i) above shall be reduced by the amount of the shortfall applicable to the Series of Covered Bonds in respect of which such payment is to be made;

(f) *sixth,* to pay or provide for *pro rata* and *pari passu* according to the respective amounts thereof, of:

(i) the amounts (in respect of principal) due or to become due and payable to the relevant Covered Bond Swap Provider (or to become due and payable in the immediately succeeding LLP Payment Period) *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (but for the avoidance of doubt excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Swap Providers) pursuant to the terms of the relevant Covered Bond Swap Agreement; and

(ii) to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the Covered Bondholders *pro rata* and *pari passu* Scheduled Principal that is Due for Payment (or will become Due for Payment in the immediately succeeding LLP Payment Period) under the Covered Bond Guarantee in respect of each Series of Covered Bonds,

but, in the case of any payment or provision, after taking into account any principal amounts received or receivable from a Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement on the LLP Payment Date or in the immediately succeeding LLP Payment Period, provided that if the amount available for distribution under this paragraph (f) (excluding any amounts received or to be received from the relevant Covered Bond Swap Provider) would be insufficient to pay the Sterling Equivalent of the Scheduled Principal that is or will be Due for Payment in respect of each Series of Covered Bonds under sub-paragraph (ii) above, the shortfall shall be divided amongst all such Series of Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement in respect of each relevant Series of Covered Bonds under sub-paragraph (i) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

(g) *seventh*, in respect of any Series of Covered Bonds to which an Extended Due for Payment Date applies and whose Final Redemption Amount was not paid in full by the Extension Determination Date (the **Extended Covered Bonds**) and any relevant Covered Bond Swap in respect thereof, on a *pro rata* and *pari passu* basis according to the respective amounts thereof:

(i) the amounts (in respect of principal) due and payable (or to become due and payable in the immediately succeeding LLP Payment Period) to each relevant Covered Bond Swap Provider *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (but for the avoidance of doubt excluding any Excluded Swap Termination Amount) pursuant to the terms of the relevant Covered Bond Swap Agreement; and

(ii) to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the Covered Bondholders *pro rata* and *pari passu* the Final Redemption Amount or the relevant proportion thereof under the relevant Covered Bond Guarantee in respect of each relevant Series of Extended Covered Bonds,

but, in the case of any such payment, after taking into account any amounts (in respect of principal) received or receivable from the relevant Covered Bond Swap Provider in respect of the relevant Covered Bond Swap corresponding to the Extended Covered Bonds on the LLP Payment Date or in the immediately succeeding LLP Payment Period, provided that if the amount available for distribution under this paragraph (g) (excluding any amounts received or to be received from the relevant Covered Bond Swap Provider) would be insufficient to pay the Sterling Equivalent of the Final Redemption Amount in respect of each relevant Series of Extended Covered Bonds under sub-paragraph (ii) above, the shortfall shall be divided amongst all such Series of Extended Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider under each relevant Covered Bond Swap Agreement in respect of each relevant Series of Extended Covered Bonds under sub-paragraph (i) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

(h) *eighth,* to deposit the remaining moneys in the relevant Transaction Account for application on the next following LLP Payment Date in accordance with the priority of payments described in paragraphs (a) to (g) (inclusive) above, until the Covered Bonds have been fully repaid or provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds);

(i) *ninth*, in or towards payment *pro rata* and *pari passu* in accordance with the respective amounts thereof of any Excluded Swap Termination Amounts due and payable by the LLP to each Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement and to the Cover Pool Swap Provider under the Cover Pool Swap Agreement;

(j) *tenth*, after the Covered Bonds have been fully repaid or provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds) any remaining moneys will be applied in and towards repayment in full of amounts outstanding under the Intercompany Loan Agreement;

(k) *eleventh*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of any indemnity amount due to the Members pursuant to the LLP Deed (and, if TSB Bank plc is not then a Member of the LLP, towards repayment of the Issuer Subordinated Loan) and certain costs, expenses and indemnity amounts due by the LLP to the Asset Monitor pursuant to the Asset Monitor Agreement; and

(l) *twelfth*, thereafter any remaining moneys will be applied in accordance with Clause 21 of the LLP Deed.

Any amounts (other than Swap Collateral Excluded Amounts) received by the LLP under the Cover Pool Swap Agreement on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payment made on any preceding LLP Payment Date, to make payments (other than in respect of principal) due and payable *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap to the relevant Covered Bond Swap Provider under the relevant Covered Bond Swap Agreements or, as the case may be, to the Issuer in respect of Scheduled Interest that is Due for Payment (or will become Due for Payment) under the Covered Bond Guarantee in respect of each relevant Series of Covered Bonds.

Any amounts (other than Swap Collateral Excluded Amounts) received by the LLP under a Covered Bond Swap Agreement (whether or not in respect of principal) on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payment made on any preceding LLP Payment Date, to make payments of interest or principal, as the case may be, in respect of the relevant Series of Covered Bonds under the Covered Bond Guarantee.

Any amounts (other than Swap Collateral Excluded Amounts) received under the Cover Pool Swap Agreement or any Covered Bond Swap Agreement on or after the LLP Payment Date but prior to the next following LLP Payment Date which are not put towards a payment or provision in accordance with paragraph (e), (f) or (g) above or the preceding two paragraphs will be credited to the Revenue Ledger or the Principal Ledger (as appropriate) on the relevant Transaction Account (as appropriate) and applied as Available Revenue Receipts or Available Principal Receipts, as the case may be, on the next succeeding LLP Payment Date.

If any Swap Collateral Available Amounts are received by the LLP on an LLP Payment Date, such moneys shall be applied by the LLP or by the Cash Manager on its behalf on that LLP Payment Date in the same manner as it would have applied the receipts which such Swap Collateral Available Amounts replace.

Termination payments received in respect of Swaps, premiums received in respect of replacement Swaps

If the LLP receives any termination payment from a Swap Provider in respect of a Swap, such termination payment will first be used (prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security) to pay a replacement Swap Provider to enter into a replacement Swap with the LLP, unless a replacement Swap has already been entered into on behalf of the LLP. If the LLP receives any premium from a replacement Swap Provider in respect of a replacement Swap, such premium will first be used to make any termination payment due and payable by the LLP with respect to the previous Swap, unless such termination payment has already been made on behalf of the LLP.

Application of moneys received by the Security Trustee following service of an LLP Acceleration Notice and enforcement or realisation of the Security and/or the commencement of winding-up proceedings against the LLP

Under the terms of the Deed of Charge, all moneys received or recovered by the Security Trustee or any Receiver (other than any Tax Credit, Third Party Amount, Swap Provider Tax Payment or Swap Collateral Excluded Amount) following the enforcement or realisation of the Security and/or the commencement of winding-up proceedings against the LLP, shall be held on trust to be applied (save to the extent required otherwise by law), in the following order of priority (the **Post-Enforcement Priority of Payments**) (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

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

  (i) all amounts due and payable or to become due and payable to:

    (A) the Bond Trustee under the provisions of the Trust Deed together with interest and applicable amounts in respect of VAT (or other similar Taxes) chargeable on the supply in respect of which the payment is made to the extent provided therein; and

    (B) the Security Trustee and any Receiver appointed by the Security Trustee under the provisions of the Deed of Charge together with interest and applicable amounts in respect of VAT (or other similar Taxes) chargeable on the supply in respect of which the payment is made to the extent provided therein;

  (ii) any remuneration then due and payable to the Agents and any costs, charges, liabilities and expenses under or pursuant to the Agency Agreement together with applicable VAT (or other similar Taxes) thereon to the extent provided therein;

  (iii) amounts in respect of:

    (A) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicer in the immediately succeeding LLP Payment Period under the provisions of

the Servicing Agreement, together with applicable amounts in respect of VAT (or other similar Taxes) chargeable on the supply in respect of which the payment is made 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 amounts in respect of VAT (or other similar Taxes) chargeable on the supply in respect of which the payment is made to the extent provided therein;

(C) amounts (on a *pro rata* and *pari passu* basis) due to each Account Bank and the Swap Collateral Account Bank (including any costs, charges, liabilities and expenses) pursuant to the terms of each Bank Account Agreement and the Swap Collateral Bank Account Agreement, respectively, together with applicable amounts in respect of VAT (or other similar Taxes) chargeable on the supply in respect of which the payment is made to the extent provided therein; and

(D) amounts (if any) due to the Collateralised GIC Provider (including any costs, charges, liabilities and expenses) pursuant to the terms of the Collateralised GIC Account Agreement, together with applicable amounts in respect of VAT (or other similar Taxes) chargeable on the supply in respect of which the payment is made to the extent provided therein;

(E) amounts (including costs and expenses) due to the Corporate Services Provider pursuant to the terms of the Corporate Services Agreement together with applicable amounts in respect of VAT (or other similar Taxes) chargeable on the supply in respect of which the payment is made to the extent provided therein;

(F) amounts (including costs and expenses) due to the Back-Up Servicer Facilitator pursuant to the terms of the Servicing Agreement together with applicable amounts in respect of VAT (or other similar Taxes) chargeable on the supply in respect of which the payment is made to the extent provided therein;

(G) amounts (including costs and expenses) due to the Back-Up Servicer, if applicable, pursuant to the terms of the Servicing Agreement together with applicable amounts in respect of VAT (or other similar Taxes) chargeable on the supply in respect of which the payment is made to the extent provided therein;

(H) amounts (including costs and expenses) due to the Back-Up Cash Manager Facilitator pursuant to the terms of the Cash Management Agreement together with applicable amounts in respect of VAT (or other similar Taxes) chargeable on the supply in respect of which the payment is made to the extent provided therein;

(I) amounts (including costs and expenses) due to the Back-Up Cash Manager, if applicable, pursuant to the terms of the Cash Management Agreement together with applicable amounts in respect of VAT (or other similar Taxes) chargeable on the supply in respect of which the payment is made to the extent provided therein;

(iv) any amounts due and payable to the Cover Pool Swap Provider (including any termination payment, but excluding any Excluded Swap Termination Amount) pursuant to the terms of the Cover Pool Swap Agreement;

(v) all amounts due and payable:

(A) to the relevant Covered Bond Swap Provider *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment due and payable by the LLP under the relevant Covered Bond Swap Agreement, but excluding any Excluded Swap Termination Amount) in accordance with the terms of the relevant Covered Bond Swap Agreement; and

(B) the amounts due and payable under the Covered Bond Guarantee, to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the Covered Bondholders *pro rata* and *pari passu* in respect of interest and principal due and payable on each Series of Covered Bonds,

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

(b) *second,* in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof, of any Excluded Swap Termination Amounts due and payable by the LLP under the Covered Bond Swap Agreements and the Cover Pool Swap Agreement;

(c) *third,* in or towards payment of all amounts outstanding under the Intercompany Loan Agreement *pro rata* and *pari passu* in respect of each relevant Term Advance;

(d) *fourth,* in or towards payment of any indemnity amount due to the Members pursuant to the LLP Deed; and

(e) *fifth,* in or towards payment to the Members (and, if TSB Bank plc is not then a Member of the LLP, towards repayment of the Issuer Subordinated Loan) pursuant to the LLP Deed.

If the LLP receives any Tax Credits in respect of a Swap Agreement following the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice, such Tax Credits will be used to reimburse the relevant Swap Provider for any gross-up in respect of any withholding or deduction made under the relevant Swap Agreement. Following the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice, any Swap Collateral Excluded Amounts in respect of a Swap Agreement will be returned to the relevant Swap Provider subject to the terms of the relevant Swap Agreement, and any Third Party Amounts will be returned to the Seller.

The above Post-Enforcement Priority of Payments is subject to the provisions of Regulations 28 and 29 of the RCB Regulations. In particular, costs properly incurred by a receiver, liquidator, provisional liquidator or manager of the LLP in relation to:

(i) persons providing services for the benefit of Covered Bondholders (which is likely to include the persons listed in paragraph (a) above (excluding the Swap Providers));

(ii) the Swap Providers in respect of amounts due to them under paragraph (a) above; and

(iii) any other persons providing a loan to the LLP to enable it to meet the claims of Covered Bondholders or the costs of the people described in paragraphs (i) and (ii) above (e.g. liquidity loans),

shall be expenses which shall be payable out of the proceeds of realisation of the Security (in the case of a receivership) or the assets of the LLP (in the case of an administration, winding-up or provisional liquidation) and shall rank equally among themselves in priority to all other expenses (including the claims of Covered Bondholders). See further "*Risk Factors – Legal and regulatory risk factors – Expenses of insolvency officeholders*".

THE PORTFOLIO

The Initial Portfolio and each New Portfolio acquired by the LLP (the **Portfolio**) consist of Loans and their Related Security sold by the Seller to the LLP from time to time, in accordance with the terms of the Mortgage Sale Agreement, as more fully described under "*Summary of the Principal Documents – Mortgage Sale Agreement*".

For the purposes hereof:

Initial Portfolio means the portfolio of Loans and their Related Security, particulars of which are set out in the Mortgage Sale Agreement (other than any Loan and its Related Security redeemed in full on or before the First Sale Date), and all rights, title, interest and benefit of the Seller in and to:

(a) all payments of principal and interest and other sums due or to become due in respect of such Loans and Related Security including, without limitation, the right to demand, sue for, recover and give receipts for all principal moneys, interest and costs and the right to sue on all covenants and undertakings made or expressed to be made in favour of the Seller under the applicable Mortgage Conditions;

(b) subject where applicable to the subsisting rights of redemption of Borrowers, all deeds of consent, deeds of postponement, MH/CP Documentation, guarantees or any collateral security for the repayment of the relevant Loans;

(c) the right to exercise all the powers of the Seller in relation thereto subject to and in accordance with the applicable Mortgage Conditions;

(d) all the estate and interest in the relevant Properties vested in the Seller;

(e) to the extent they are assignable, each Certificate of Title and Valuation Report (in each case where available) and any right of action of the Seller against any solicitor, licensed conveyancer, qualified conveyancer, valuer or other person in connection with any report, valuation, opinion, certificate or other statement of fact or opinion given in connection with such Loans and Related Security, or any part thereof or affecting the decision of the relevant originator to make or offer to make any such Loan or part thereof; and

(f) the proceeds of all claims made by or on behalf of the Seller or to which the Seller is entitled under the Properties in Possession Cover in relation to any such Loan.

New Portfolio means each portfolio of Loans and their Related Security (other than any Loans and their Related Security which have been redeemed in full prior to the relevant Sale Date or which do not otherwise comply with the terms of the Mortgage Sale Agreement as at the relevant Sale Date), particulars of which are set out in the relevant New Portfolio Notice or in a document stored upon electronic media (including, but not limited to, a CD-ROM), and all right, title, interest and benefit of the Seller in and to the rights and assets set out in paragraphs (a) to (f) above.

See also the following risk factors under "*Risk Factors – Risks Relating to the Portfolio – Limited description of the Portfolio", "Maintenance of Portfolio*" and *"Changes to the Lending Criteria of the Seller"*.

Introduction

The following is a description of some of the characteristics of the loans currently or previously originated or acquired by the Seller including details of loan types, the underwriting process, Lending Criteria and selected statistical information.

Unless otherwise indicated, the description that follows relates to types of Loans that have been or could be sold to the LLP and form part of the Portfolio from time to time. It should be noted that the Seller retains the right to repurchase any of the Loans from time to time in accordance with the terms of the Mortgage Sale Agreement and, in certain circumstances, is required to repurchase specific Loans.

The Seller reserves the right to amend its Lending Criteria and the Seller reserves the right to sell New Loans which are based upon Mortgage Conditions different from those upon which Loans forming the Portfolio as at any date are based. Those New Loans may include loans which are currently being

offered to borrowers which may or may not have some of the characteristics described here, but may also include loans with other characteristics that are not currently being offered to borrowers or that have not yet been developed. All New Loans will be required to comply with the representations and warranties set out in the Mortgage Sale Agreement from time to time and all the material representations and warranties in the Mortgage Sale Agreement are described in this Prospectus. See "*Summary of the Principal Documents – Mortgage Sale Agreement*".

References in this section to the Seller performing any obligations or taking any steps in relation to the administration of loans will include circumstances in which a member of the Group performs such obligations or takes such steps, on behalf of the Seller.

Characteristics of the Loans

Repayment terms

Loans may combine one or more of the features listed in this section. Other customer incentives may be offered with the product including free valuations and payment of legal fees. Additional features such as payment holidays (temporary suspension of Monthly Payments) and the ability to make overpayments or underpayments are also available to most borrowers under certain circumstances. See "*Overpayments and Underpayments*" and "*Payment Holidays*" below.

Loans are typically repayable on one of the following bases:

- **Repayment Loan**: the Borrower makes Monthly Payments of both interest and principal so that, when the Loan matures, the full amount of the principal of the Loan will have been repaid;
- **Interest-Only Loan**: the Borrower makes Monthly Payments of interest but not of principal; when the Loan matures, the entire principal amount of the Loan is still outstanding and is payable in one lump sum; and
- a combination of both these options.

In the case of either Repayment Loans or Interest-only Loans, the required Monthly Payment may alter from month to month for various reasons, including changes in interest rates.

For Interest-Only Loans, because the principal is repaid in a lump sum at the maturity of the loan, the borrower is required to have some repayment mechanism (such as an investment plan) which is intended to provide sufficient funds to repay the principal at the end of the term.

Principal prepayments may be made in whole or in part at any time during the term of a Loan, subject to the payment of any early repayment charges (as described in "*Early Repayment Charges*" below). A prepayment of the entire outstanding balance of a loan discharges the mortgage. Any prepayment in full must be made together with all Accrued Interest, arrears of interest, any unpaid expenses and any applicable repayment fee(s).

Various methods are available to Borrowers for making payments on the Loans, including:

- direct debit instruction from a bank or building society account,
- standing order from a bank or building society account, and
- payments made at TSB Bank branches.

Interest payments and interest rate setting

The Seller has responded to the competitive mortgage market by developing a range of products with special features that are used to attract new borrowers and retain existing customers. Interest on the Loans is charged on one of the following bases and the Seller is able to combine these to suit the requirements of the Borrower:

- **Discretionary Rate Loans** are loans subject to one of the Seller's Discretionary Rates, including the Homeowner Variable Rate, which is the Seller's current reversionary rate and the Standard Variable Rate (which is the previous reversionary rate no longer available to new

customers). The Seller may introduce other Discretionary Rates in the future. Discretionary Rates are currently only available to customers at the end of a fixed or tracker mortgage product.

- **Fixed Rate Loans** are loans which are subject to a fixed rate of interest for a specified period of time, usually for 2, 3, 5, 7 or 10 years.
- **Tracker Rate Loans** are loans which are subject to a variable interest rate linked to the Bank of England Base Rate plus or minus a margin, either for an initial fixed period, at the end of an initial fixed rate period, or for the life of the loan. The percentage margin may be fixed for the entire tracker rate period or it may vary.

The Discretionary Rate and some tracker rates may apply for the life of the Loan. Otherwise, each of the above rates is offered for a predetermined period, usually between 2 and 10 years, at the commencement of the Loan (the **Product Period**). At the end of the Product Period the rate of interest charged will either (a) move to some other interest rate type for a predetermined period or (b) revert to a Discretionary Rate or, in certain cases, a Tracker Rate. Discretionary Rates are administered, at the discretion of the Seller, by reference to changes to the cost of our lending to residential mortgage customers or changes to laws and regulations. The Standard Variable Rate is capped at 2.0 per cent. above the Bank of England Base Rate. In certain instances, early repayment charges are payable by the Borrower if the Loan is redeemed within the Product Period. See "*Early Repayment Charges*" below.

All new lending features interest calculated on a daily basis, whereby any payment by the Borrower will immediately reduce the Borrower's balance on which interest will be calculated. Historically, mortgage products had carried interest calculated on an annual basis. Borrowers with existing loans on which interest is calculated on an annual basis are able to change and have their interest calculated on a daily basis, subject to the terms and conditions of their existing loan and to the borrower entering into an agreement. If a Borrower with a loan on which annual interest is calculated wishes to take a further advance, the interest on the existing loan must be switched to a daily interest basis. TSB Bank does not normally permit a mix of daily and annual interest calculation on loans.

Except in limited circumstances as set out in "*Summary of the Principal Documents – Servicing Agreement – Undertakings of the Servicer*", the Servicer is responsible for setting the applicable Discretionary Rate on the Loans in the Portfolio as well as on any new Loans that are sold to the LLP. Under the general loan conditions applicable to the Loans (the **Loan Conditions**), the Seller may change the interest rate at any time at its discretion subject to the provisions of the relevant Loan Conditions. If the Seller wishes to increase the interest rate it must first give notice to the Borrower of the increase. The Borrower may then repay the Loan without paying interest at the increased rate if the Borrower provides at least seven days' notice of the intention to repay and no later than three months after the Seller gives the notice of the increase the Borrower repays the Loan (or the part of it which is affected by the increase) together with any early repayment charge and any unpaid interest and expenses.

During the course of its mortgage origination business, the Seller has originated mortgage loans under a number of standard conditions which have been sequentially superseded by the 2013 Loan Conditions and the 2021 Loan Conditions, respectively. The 2021 Loan Conditions represent the current origination policy of the Seller and dictate the specified reasons to change the interest rate. The 2021 Loan Conditions set out the current policy of the Seller in this regard, such policy applying equally to the treatment of all mortgage loans of the Seller, regardless of the date of origination.

Early Repayment Charges

The Borrower may be required to pay an early repayment charge (the **Early Repayment Charge**), if certain events occur during the predetermined Product Period and the loan agreement states that the Borrower is liable for Early Repayment Charges and the Seller has not waived or revised its policy with regard to the payment of Early Repayment Charges. These events include a full or partial unscheduled repayment of principal, or an agreement between the Seller and the Borrower to switch to a different mortgage product. If all or part of the principal owed by the Borrower, other than the scheduled Monthly Payments, is repaid before the end of the Product Period, the Borrower will be liable to pay to the Seller a repayment fee based on a percentage of the amount repaid or switched to another product.

If the Borrower has more than one product attached to the mortgage, the Borrower may choose under which product the principal should be allocated.

The Seller currently permits Borrowers to repay up to 10 per cent. of the loan balance each year (based on the loan balance as at a specified date of the year) without having to pay an Early Repayment Charge. If the mortgage is made up of more than one loan or part, each is treated separately so that if one or more of them has an early repayment, the Borrower can repay up to 10 per cent. on each. For example, if the total mortgage is £60,000 made up of two loans of £30,000 and one of them carried an Early Repayment Charge, then the Borrower can repay up to £3,000 of that loan (i.e. 10 per cent.) without charge. If the Borrower repays £7,000 of it (more than 10 per cent.) then the Early Repayment Charge will apply but only to the amount the Borrower repays above 10 per cent. The Seller currently has a policy not to charge the Early Repayment Charge in certain circumstances, for example if the repayment is due to the death of the Borrower.

If the Borrower repays its mortgage during an Early Repayment Charge period to move house, the Borrower may not have to pay the charge if the Borrower takes out a new loan for the new home with the Seller, subject to certain qualifying criteria.

The Early Repayment Charge provisions may vary between products and may change from time to time. The Borrower may be given the right to repay early and may be given a larger repayment allowance in relation to some mortgage products.

Some mortgage products do not include any provisions for the payment of an Early Repayment Charge by the Borrower.

Overpayments and Underpayments

All loans are subject to a range of options, selected by the Borrower, that give the Borrower greater flexibility in the timing and amount of payments under each loan. The Loans may offer one or more of the features described below, subject to certain conditions and financial limits:

Overpayments – Borrowers may either increase their regular Monthly Payments above the normal Monthly Payment then applicable or make lump sum payments at any time.

Borrowers with interest calculated annually who make an Overpayment may choose whether such Overpayment is to be treated as a repayment of principal or as a credit to be carried forward against future scheduled instalments. If the Borrower elects for such Overpayment to be applied as a principal repayment then interest on the remaining principal outstanding balance of the loan is recalculated as from the date of receipt of such repayment. If the customer elects to apply such Overpayment towards scheduled instalments, interest is recalculated. In cases where a customer does not specify how any repayment they may make is to be applied, Overpayments of an amount of less than £1,000 are generally treated as credits towards scheduled instalments.

If Borrowers with daily calculations of interest pay more than the scheduled Monthly Payment, the balance on their mortgage loan will be reduced. The Seller will charge interest on the reduced balance, which reduces the amount of interest the Borrower must pay.

Any Overpayments may be applied by the Borrowers either towards repayment of principal or towards the repayment of their monthly repayment, as they may decide in line with the policies of the Seller described above.

Underpayments – where Borrowers have previously made an overpayment towards the repayment of their monthly repayment, they may reduce their Monthly Payments below the amount of the applicable Monthly Payment or make an irregular underpayment. Borrowers are not permitted to make Underpayments that exceed the total of previous Overpayments less the total of previous Underpayments.

Payment Holidays

Provided they meet the qualifying conditions, Borrowers may apply for a break from making Monthly Payments of up to 3 months in any 2 year period, with no limit over the life of the Loan; approval of

such application and the determination of such period are at the discretion of the Seller who makes such a decision or approval based on the qualifying conditions.

The qualifying conditions include the following (among others):

- The Loan must have been open for at least 12 months with no further borrowing in the last 6 months; and
- The account must not be in arrears at the time of the application or have had any historic arrears on the account (in the last 12 months).

Restructurings

The Seller offers a range of forbearance options to support customers in or facing financial difficulty based on their individual circumstances, including: term extension, reduced payment plan, temporary suspension of principal repayments or a temporary suspension of instalments. Payment plans are reviewed regularly with Borrowers, and the Seller does not alter an agreed plan until such plan is reviewed with the Borrower, unless the Borrower requests a change or there is a significant change in circumstances.

Further Advances

If a Borrower wishes to take out a further loan secured by the same mortgage or standard security, the Borrower will need to make a Further Advance application and the Seller will use the lending criteria applicable to Further Advances at that time in determining whether to approve the application. The original mortgage deed or standard security is expressed to cover all amounts due under the relevant loan which would cover any Further Advance. All Further Advances require the postponement of any second charge or standard security.

Some Loans in the Initial Portfolio may have Further Advances made on them prior to their being sold to the LLP on the Programme Date and new Loans added to the Portfolio in the future may have had Further Advances made on them prior to their being sold to the LLP on the applicable Sale Date.

Product Switches

From time to time, Borrowers may request or the Servicer may send an offer of a variation in the financial terms and conditions applicable to the Borrower's loan. If a Loan is subject to a Product Switch as a result of a variation, then the Seller may be required to repurchase the Loan or Loans and their Related Security from the LLP.

In certain circumstances, if the Seller is notified that a Borrower, following the making of the Loan, intends to let or sub-let their property, the Seller would note the fact on its records as a Product Switch.

Origination Channels

The Seller currently derives its mortgage-lending business from the following sources: branches, intermediaries, telephony and internet.

Once an application for a mortgage loan is received from a prospective new customer (through whichever origination channel) it is processed by the channel staff and the servicer's New Business Department. The details of the application are entered into the Servicer's relevant computer system, and arrangements are made to obtain such references and/or other proof of income, valuation, survey or other evidence of value (if any and as appropriate) that may be required by the Seller under its lending policy. A mortgage offer may then be issued to the prospective new customer and instructions are despatched to the relevant solicitor or licensed conveyancer to investigate title and issue a report on the same to the Seller. Once a satisfactory report on title has been received (if appropriate) and no other matters in relation to the application are outstanding, mortgage funds can be released to the solicitor or licensed conveyancer.

The Seller is subject to the FSMA, MCOB (and other FCA rules) and the Financial Ombudsman Service, which is a statutory scheme under the FSMA.

Underwriting

The Seller's underwriting approach has changed over time. Loans in the Portfolio may have been originated in accordance with different underwriting criteria from those set out here, depending on their date of origination. The Seller adopts a system based approach to lending assessments. This assessment is made with reference to three independent components:

(a) Credit score: calculation of propensity to default based on a combination of customer supplied, internal performance and credit bureau data;

(b) Affordability: calculation of an individualised lending amount that reflects the applicant's income net of tax, credit commitments and assumed living expenses, which vary according to income, number of applicants and dependants; and

(c) Policy rules: a range of automated rules to decline applications outside lending criteria.

The lending system returns a decision categorised into "accept", "refer" and "decline". Where the decision is “refer” a manual assessment is undertaken. Mortgage underwriting decisions are subject to internal monitoring by the Seller, to ensure the Seller's procedures and policies regarding underwriting are being followed by staff.

Lending Criteria

On the Programme Date and on each Sale Date, the Seller has represented, or shall represent, that each Loan being sold to the LLP was originated according to the lending criteria of the Seller at the time the Loan was offered (the **Lending Criteria**), which included some or all of the criteria set out in this section, in all material respects, subject only to exceptions made on a case-by-case basis as would be acceptable to a Reasonable, Prudent Mortgage Lender. New Loans may only be included in the Portfolio and sold to the LLP if they are originated in accordance with the lending criteria applicable at the time the loan is offered and if the conditions set out in "Summary of the Principal Documents – Mortgage Sale Agreement – Eligibility Criteria” and "Summary of the Principal Documents– Mortgage Sale Agreement – New Sellers" have been satisfied. However, the Seller retains the right to revise its lending criteria from time to time, so the criteria applicable to New Loans may not be the same as those currently used. Some of the factors currently used in making a lending decision are as follows:

1. Type of property

Properties may be either freehold or the Scottish equivalent or leasehold or commonhold. In the case of leasehold properties, there must be at least 70 years left on the lease (123 years for all new build properties) at the inception of the mortgage. This can be overridden with relevant underwriting approval. The property must be used as a single residential dwelling, although second homes and holiday homes are considered. Properties must be of good quality, in sound structural condition and in a reasonable state of repair. House boats, mobile homes, and any property on which buildings insurance cannot be arranged are not acceptable. All persons who are to be legal owners of the property on completion must be named as borrowers under the mortgage.

All Properties have either been valued by a valuer approved by the Seller or assessed using automated valuation models or other evidence, including the relevant Borrower's estimate of value, to the standards of a Reasonable, Prudent Mortgage Lender (as referred to under "*Summary of the Principal Documents – Servicing Agreement – Undertakings of the Servicer*"). The valuations are made at the date of origination of the relevant Loan.

2. Term of loan

The maximum term on home purchase loans is generally 40 years (although longer terms have been granted on a case by case basis in exceptional cases only). A repayment period for a Further Advance that would extend beyond the term of the original advance may also be accepted at the Seller's discretion.

If the customer requests to increase the term of the existing loan, the maximum term for repayment is generally 40 years from the date of the term change (or less if the borrower will be 75 before the end of the extended term).

3. Age of applicant

All Borrowers must be aged 18 or over. The mortgage term must normally end before the Borrower reaches the age of 75 (80 for Buy-to-Let Mortgage Loan applications). For mainstream mortgages, where the customer is less than or equal to 10 years from retirement, based on the lower of their anticipated retirement age or 70, affordability will be calculated using the lower of their current income or anticipated retirement income. If the Seller determines the Borrower will not be able to afford the mortgage into retirement, the application will be declined.

4. Loan-to-value (or LTV) ratio

The maximum LTV offered for residential owner-occupied lending is 95 per cent, although higher LTV lending has historically been offered. Where fees are added to the loan, they may have taken the total lending over the specified LTV limit.

When the Seller makes a loan on a property which requires repairs, the loan will only be granted if the property is acceptable security in its existing condition.

5. Status of applicant(s)

Lending assessment is made using an automated decisioning system supported by a team of underwriters.

Employed applicant(s)

Mainstream lending is assessed on current basic annual income, other income and future retirement income (where applicable). Basic annual income consists of gross basic pay, car allowance, large town allowance, London weighting/cost of living supplement, private pension and flexible benefits. 100 per cent. of these items are used within the affordability calculation.

Other income includes overtime, bonus, commission payments, disability living allowance, maintenance payments and child benefit. As a general rule, less than 100 per cent. of these items may be used in the affordability calculation.

Underwriters have discretion to accept other income.

Self Employed Applicant(s)

Sole applicants who have 25 percent or more shareholding or joint applicants with a combined 25 percent or more shareholding will be treated as if self-employed.

Normally such applicants must have been self-employed for at least two years. Underwriters may accept less within their discretion.

Underwriters have discretion to accept other income.

6. Credit history

Credit search

A credit search is carried out in respect of all new applicants including further lending. Applications may be declined where an adverse credit history (for example, county court judgment, Scottish court decree for payment, default, or bankruptcy notice) is revealed or the score does not meet the required risk/reward trade-off.

7. Proof of income

Income verification can be obtained via various means, including payslips, bank statements, employers reference, accountants reference or Inland Revenue Self-Assessment forms for self-

employed customers. The use of internal bank account data may also be used to verify income, subject to meeting criteria requirements.

Prior to the implementation of the Mortgage Market Review in 2014, the Seller waived income verification for certain customers, under the "fast track" process based upon the applicant's credit score among other factors.

8. Scorecard

The Seller uses some of the criteria described here and various other criteria to produce an overall score for the application that reflects a statistical analysis of the risk of advancing the loan. The lending policies and processes are determined centrally to ensure consistency in the management and monitoring of credit risk exposure. The process for credit scoring is fully automated, however if certain issues are raised by the process, the Seller may review these results and manually underwrite the loan. Credit scoring applies statistical analysis to relevant data to assess the likelihood of an account going into arrears.

The Seller reserves the right to decline an application that has received a passing score. The Seller does have an appeal process if a potential borrower believes their application has been unfairly denied. It is the Seller's policy to allow only authorised individuals to exercise discretion in granting variances from the scorecard.

Changes to the Underwriting Policies and the Lending Criteria

The Seller's underwriting policies and Lending Criteria are subject to change within the Seller's sole discretion. New Loans and Further Advances that are originated under Lending Criteria that are different from the criteria set out here may be sold to the LLP.

Insurance Policies

Insurance on the Property

Each mortgaged property is required to be insured with buildings insurance. The insurance may be purchased by the Borrower or landlord or property management company (in the case of a leasehold property). If the Seller becomes aware that no adequate insurance is in place, it has the power to arrange insurance on the property and charge the premiums for this to the Borrower's mortgage account.

Subject as set out above, the Seller only insures a property once it has repossessed the property from a defaulting Borrower. See "*Properties in Possession Cover*" below.

Borrower-arranged Buildings Insurance

The Seller currently sells home insurance policies of a third party provider. A Borrower may elect not to take up such an insurance policy, or a Borrower who originally had such a policy may elect to insure the property with an independent insurer. The Seller requires that the Borrower maintains buildings insurance for the duration of the mortgage, with the sum insured to be not less than the full reinstatement value of the property. The Seller also requires that the Borrower inform the Seller of any damage to the property that occurs and that the Borrower must make a claim under the insurance for any damages covered by it unless the Borrower makes good the damage.

Properties in Possession Cover

When a mortgaged property is taken into possession by the Seller, the Seller takes the necessary actions to ensure that the property is placed on to its block properties in possession insurance policy so that appropriate insurance cover is provided on the property. The Seller may claim under this policy for any damage occurring to the property while in the Seller's possession, subject to policy terms and conditions.

The Seller has procured the agreement of Zurich to the inclusion of the LLP as insured under the properties in possession cover from the Programme Date. To the extent that any insurance proceeds are received by the Servicer, it will agree to pay these into the relevant Transaction Account.

In the Mortgage Sale Agreement, the Seller agrees to make and enforce claims under the relevant policies and to hold the proceeds of claims on trust for the LLP or as the LLP may direct.

Title Insurance

With the exception of some remortgage cases where title insurance is used to cover particular risks around leasehold property, the Seller currently only accepts title insurance in respect of certain limited title defects (e.g. restrictive covenants) and not *in lieu* of an investigation of title. This policy may change from time to time. There will be no Loans in the Portfolio in respect of which no investigation of title has been undertaken (other than where Loans were originated pursuant to certain remortgage practices within the Seller's lending policies, whether or not title insurance has been obtained).

Arrears Policy

The Seller identifies a Loan as being in arrears where an amount equal to or greater than £50 is past its due date and has not been paid by the Borrower. Once this amount has not been paid the customer will receive an initial arrears letter from the Seller. If the Borrower has not made at least one full contractual payment, the status of the account is reported to Credit Reporting Agencies.

The Seller will notify the relevant Borrower if such payments remain unpaid with a view to establishing the Borrower's circumstances and agreeing an arrangement to return the account to order, where possible. Arrears counselling may also be offered. Where a satisfactory arrangement cannot be reached or maintained, possession proceedings may be instigated to enable the Seller to enforce its security.

DESCRIPTION OF THE UK REGULATED COVERED BOND REGIME

The Regulated Covered Bonds Regulations 2008 (SI 2008/346), as amended from time to time (the **RCB Regulations**) and the corresponding implementation provisions, set out in the RCB Sourcebook to the FSA's Handbook (the **RCB Sourcebook**), came into force in the UK on 6 March 2008. In summary, the RCB Regulations implement a legislative framework for UK covered bonds. The framework is intended to meet the requirements set out in Article 52(4) of EU Directive (2009/65/EC) on undertakings for collective investment in transferable securities (the **UCITS Directive**). In general, covered bonds which are UCITS Directive-compliant benefit from higher prudential investment limits and may be ascribed a preferential risk weighting.

Supervision and registration

The FCA performs certain supervision and enforcement related tasks in respect of the new regime, including admitting issuers and covered bonds to the relevant registers and monitoring compliance with ongoing requirements. To assist it with these tasks, the FCA has certain powers under the RCB Regulations. In particular, in certain circumstances it may direct the winding-up of an owner, remove an issuer from the register of issuers and/or impose a financial penalty of such amount as it considers appropriate in respect of an issuer or owner. Moreover, as the body which regulates the financial services industry in the UK, the FCA may take certain actions in respect of issuers using its general powers under the UK regulatory regime (including restricting an issuer's ability to transfer further assets to the asset pool).

On 24 February 2017, the Issuer was admitted to the register of issuers and the Programme was admitted to the register of regulated covered bonds pursuant to Regulation 14 of the RCB Regulations. Under the RCB Regulations, an issuer may be removed from the register of issuers in certain limited circumstances with the result that such issuer may not make further issues under the Programme but the FCA is restricted from removing a regulated covered bond from the register of regulated covered bonds before the expiry of the whole period of validity of the relevant covered bond.

The Issuer has designated its Programme to be a single asset programme listed as class two (thereby consisting of restricted mortgage loans and various liquid assets).

Requirements under the legislative framework

The RCB Regulations and the RCB Sourcebook include various requirements related to registered issuers, asset pool owners, pool assets and the contractual arrangements made in respect of such assets. In this regard, issuers and owners have various initial and ongoing obligations under the RCB Regulations and the RCB Sourcebook and are responsible for ensuring they comply with them. In particular, issuers are required to (amongst other things) enter into arrangements with the owner for the maintenance and administration of the asset pool such that certain asset record-keeping obligations and asset capability and quality related requirements are met and notify the FCA of various matters (including any regulated covered bonds it issues, the assets in the asset pool, matters related to its compliance with certain regulations and any proposed material changes). Owners are required to (amongst other things) notify the FCA of various matters (including any proposed transfer of ownership of the asset pool) and, on insolvency of the issuer, make arrangements for the maintenance and administration of the asset pool (similar to the issuer obligations described above).

The relevant authorities undertook a review of the UK legislative framework in 2011 and certain changes were made to the regime with the intention of enhancing the attractiveness of UK regulated covered bonds to investors. These changes took effect from 1 January 2013 and include the following:

- *Single asset pool designation* – issuers are required to designate their programme as being a single asset pool (consisting of either class one assets – public sector debt, class two – residential mortgage loans or class three assets – commercial loans and, in each case, certain liquid assets) or a mixed asset pool (consisting of all eligible property for the purposes of the RCB Regulations). The Issuer has provided the necessary certifications for the Programme to be registered as a single asset pool programme, falling in class two. As a result, the Asset Pool will consist solely of residential mortgage loans and certain liquid assets, being UK

Government securities and cash deposits. To be clear, and in keeping with the new requirements under the RCB Regulations, the Asset Pool will not include any asset-backed securities.

- *Fixed minimum over-collateralisation requirement for principal and fixed minimum coverage requirement for interest* –the total principal amount outstanding on the loans constituting eligible property in the asset pool is required to be more than the total principal amounts outstanding in relation to the regulated covered bonds by at least 8 per cent. and a minimum threshold applies in respect of interest amounts such that the total amount of interest payable in the period of twelve (12) months following any given date in respect of the eligible property in the asset pool is required to be not less than the interest which would be payable in relation to the regulated covered bonds in that period. For the purposes of calculating the overcollateralisation test, the issuer can take into account certain liquid assets up to a maximum of 8 per cent. of those covered bonds that have a maturity date of more than one year and 100 per cent. of those covered bonds that have a maturity date of one year or less.
- *Investor reporting, including loan-level data* – new investor reporting requirements apply. In particular, issuers are required to make available detailed loan-level information relating to the Asset Pool following an issuance of regulated covered bonds after 1 January 2013. The Issuer also required to publish certain transaction documents relating to the programme. The information to be published by the Issuer can be found at www.tsb.co.uk/investors/debt-investors. The website and the contents thereof do not form part of this Prospectus.
- *Asset pool monitor role* – new requirements have been introduced to formalise the role of the asset monitor. Under the new provisions, an asset pool monitor is required, on an annual basis, to inspect and assess the issuer's compliance with certain principles based requirements under the regime and to report on their findings (with additional reporting requirements in the case of issuer non-compliance). The Issuer has appointed an asset pool monitor for the purposes of the RCB Regulations.

See also "*Risk Factors – Risks relating to the Regulation of the Covered Bond Regime – UK regulated covered bond regime*".

DESCRIPTION OF LIMITED LIABILITY PARTNERSHIPS

Since 6 April 2001 it has been possible to incorporate a limited liability partnership in England, Wales and Scotland under the Limited Liability Partnerships Act 2000 (the **LLPA**). Limited liability partnerships are legal entities that provide limited liability to the members of a limited liability partnership combined with the benefits of the flexibility afforded to partnerships and the legal personality afforded to companies.

Corporate characteristics

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

The provisions of the Companies Act 2006 and the Insolvency Act 1986 have been modified by the Limited Liability Partnerships (Amendment) Regulations 2009 and the Limited Liability Partnerships Regulations 2001 (each as amended from time to time) so as to apply most of the insolvency and winding-up procedures for companies equally to a limited liability partnership and its members. As a distinct legal entity a limited liability partnership can grant fixed and floating security over its assets and a limited liability partnership will survive the insolvency of any of its members. An administrator or liquidator of an insolvent member would be subject to the terms of the members' agreement relating to the limited liability partnership but a liquidator of an insolvent member may not take part in the administration of the limited liability partnership or its business.

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

Partnership characteristics

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

Taxation

Limited liability partnerships are generally tax transparent except in the case of value added tax (in respect of which a limited liability partnership can register for VAT in its own name) and in certain winding-up proceedings. As such, the members of a limited liability partnership, and not the limited liability partnership itself, are taxed in relation to the business of the limited liability partnership in broadly the same way that the members of a partnership are taxed in relation to the business of that partnership.

BOOK-ENTRY CLEARANCE SYSTEMS

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

Book-entry Systems

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary 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 accountholder of either system.

Transfers of Covered Bonds Represented by Registered Global Covered Bonds

Transfers of any interests in Covered Bonds represented by a Registered Global Covered Bond within Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the U.S. may require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Covered Bonds represented by a Registered Global Covered Bond to such persons may depend upon the ability to exchange such Covered Bonds for Covered Bonds in definitive form.

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

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between Clearstream, Luxembourg and Euroclear, transfers of interests in the relevant Registered Global Covered Bonds will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Covered Bonds among participants

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

UK MORTGAGE REGULATION

Regulated Mortgage Contracts

In the United Kingdom, regulation of residential mortgage business under the FSMA came into force on 31 October 2004 (the **Mortgage Regulation Date**)). Subject to certain exemptions, entering into as a lender, arranging or advising in respect of or administering Regulated Mortgage Contracts (or agreeing to do any of these things) are regulated activities under the FSMA and the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) (as amended) (the **RAO**) requiring authorisation and permission from the FCA.

The original definition of a regulated mortgage contract was such that if a mortgage contract was entered into, or varied such that a new contract was entered into, on or after the Mortgage Regulation Date but before 21 March 2016 it will be a "Regulated Mortgage Contract" under the RAO if, at the time it is entered into (a) the lender provided credit to an individual or to trustees, (b) the contract provides for the obligation of the borrower to repay to be secured by a first legal mortgage on land (or, in Scotland, first ranking standard security) (other than timeshare accommodation) in the UK and (c) at least 40 per cent. of that land is used, or is intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust, or by a related person.

The current definition of a Regulated Mortgage Contract as defined under article 61 of the RAO is such that if a mortgage contract was entered into on or after 21 March 2016, the contract will be a Regulated Mortgage Contract if it meets the following conditions (when read in conjunction with and subject to certain relevant exclusions and qualifications): (a) the borrower is an individual or trustee; (b) the contract provides for the obligation of the borrower to repay to be secured by a mortgage on land (or, in Scotland, heritable security); (c) at least 40 per cent. of that land is used, or is intended to be used: (i) in the case of credit provided to an individual, as or in connection with a dwelling; or (ii) in the case of credit provided to a trustee which is not an individual as or in connection with a dwelling by an individual who is a beneficiary of the trust, or by a Related Person (a **Regulated Mortgage Contract**). In relation to a contract entered into before 23:00 on 31 December 2020, 'land' means land in the United Kingdom or, if the contract was entered into on or after 21 March 2016, land in the United Kingdom or within the territory of an EEA State at the time the contract was entered into; and in relation to a contract entered into on or after 23:00 on 31 December 2020, 'land' means land in the United Kingdom.

A related person (in relation to a borrower, or in the case of credit provided to trustees, a beneficiary of the trust) is (1) that person's spouse or civil partner; (2) a person (whether or not of the opposite sex) whose relationship with that person has the characteristics of the relationship between husband and wife; or (3) that person's parent, brother, sister, child, grandparent or grandchild (a **Related Person**).

Credit agreements which were originated before 21 March 2016, which were regulated by the CCA, which are not exempt agreements within the meaning of article 60B(3) of the RAO by virtue of article 60D of the RAO and that would have been Regulated Mortgage Contracts had they been entered into on or after 21 March 2016 are consumer credit back book mortgage contracts and are also therefore Regulated Mortgage Contracts (see "*Regulation of residential secured lending (other than Regulated Mortgage Contracts)*").

On and from the Mortgage Regulation Date, subject to any exemption, persons carrying on any specified regulated mortgage-related activities by way of business must be authorised under the FSMA. The specified activities currently are: (a) entering into a Regulated Mortgage Contract as lender; (b) administering a Regulated Mortgage Contract (administering in this context broadly means notifying borrowers of changes in mortgage payments and/or taking any necessary steps for the purposes of collecting payments due under the mortgage loan); (c) advising in respect of Regulated Mortgage Contracts; and (d) arranging Regulated Mortgage Contracts. Agreeing to carry on any of these activities is also a regulated activity. If requirements as to the authorisation of lenders and brokers are not complied with, a Regulated Mortgage Contract will be unenforceable against the borrower except with the approval of a court and the unauthorised person may commit a criminal offence. An unauthorised person who carries on the regulated mortgage activity of administering a Regulated Mortgage Contract

that has been validly entered into may commit an offence, although this will not render the contract unenforceable against the borrower.

The regime under the FSMA regulating financial promotions covers the content and manner of the promotion of agreements relating to qualifying credit and by whom such promotions can be issued or approved. In this respect, the FSMA regime not only covers financial promotions of Regulated Mortgage Contracts but also promotions of certain other types of secured credit agreements under which the lender is a person (such as an Originator) who carries on the regulated activity of entering into a Regulated Mortgage Contract. Failure to comply with the financial promotion regime (as regards who can issue or approve financial promotions) is a criminal offence and will render the Regulated Mortgage Contract or other secured credit agreement in question unenforceable against the borrower except with the approval of a court. There is a risk that failure by a relevant entity to comply with the financial promotion regime may adversely affect the LLP's ability to make payments on the Covered Bond Guarantee.

The Seller holds authorisation and permission to enter into and to administer and (where applicable) to advise in respect of Regulated Mortgage Contracts. Subject to certain exemptions, brokers will be required to hold authorisation and permission to arrange and, where applicable, to advise in respect of Regulated Mortgage Contracts. The Seller is also registered by the FCA as a consumer buy-to-let lender and consumer buy-to-let administrator. The LLP is not and does not propose to be an authorised person under the FSMA nor is it nor does it propose to be registered as a consumer buy-to-let lender. Under Article 62 of the RAO, the LLP does not require authorisation in order to acquire legal or beneficial title to a Regulated Mortgage Contract. As a result of having the Regulated Mortgage Contracts administered pursuant to a servicing agreement by an entity having the required FCA authorisation and permission, the LLP does not carry on the regulated activity of administering Regulated Mortgage Contracts. If (i) such a servicing agreement terminates, or (ii) legal title to a Regulated Mortgage Contract is transferred to the LLP upon the occurrence of an event set out in '*Summary of the Principal Documents – Transfer of title to the Loans to the LLP*' above however, the LLP will be required to arrange for mortgage administration to be carried out by a replacement servicer having the required FCA authorisation and permission, and will have a period of not more than one month (beginning with the day on which such agreement terminates) in which to do so.

The LLP will not itself be an authorised person under the FSMA. However, in the event that a mortgage is varied, such that a new contract is entered into and that contract constitutes a Regulated Mortgage Contract, then the arrangement of, advice on, administration of and entering into of such variation would need to be carried out by an appropriately authorised entity. In addition no variation has been or will be made to the Loans and no Further Advance or Product Switch has been or will be made in relation to a Mortgage Loan, where it would result in the LLP arranging or advising in respect of, administering or entering into a Regulated Mortgage Contract or agreeing to carry on any of these activities, if the LLP would be required to be authorised under the FSMA to do so.

The FCA's Mortgages and Home Finance: Conduct of Business Sourcebook (**MCOB**), which sets out the FCA's rules for regulated mortgage activities, came into force on 31 October 2004. These rules cover, inter alia, certain pre-origination matters such as financial promotion and pre-application illustrations, pre-contract and start-of-contract and post-contract disclosure, contract changes, charges and arrears and repossessions. Further rules for prudential and authorisation requirements for mortgage firms, and for extending the appointed representatives regime to mortgages, came into force on 31 October 2004.

A borrower who is a private person may be entitled to claim damages for loss suffered as a result of any contravention by an authorised person of an FCA rule, and may set off the amount of the claim against the amount owing by the borrower under the loan or any other loan that the borrower has taken (or exercise analogous rights in Scotland). Any such claim or set-off may reduce the amounts available to meet the payments due in respect of the Covered Bonds and may adversely affect the LLP's ability to make payments on the Covered Bond Guarantee.

Any regulated activities carried on by an entity which is not authorised under the FSMA would be in breach of the general prohibition on conducting unauthorised regulated activities in Section 19 FSMA

and would be a criminal offence. In addition to criminal offences the FCA may take civil action against a firm which breaches Section 19 FSMA with, potentially, the imposition of unlimited fines. Therefore, to the extent that the LLP or Servicer does not ensure that it acts with the necessary authorisation under the FSMA, there is a risk that such action will result in criminal or civil sanctions against the LLP or Servicer. However, this will not render the contract unenforceable against the borrower.

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

The UK government had a policy commitment to move second charge lending into the regulatory regime for mortgage lending rather than the regime for consumer credit under which second charge lending previously fell. The UK government concluded that there was a strong case for regulating lending secured on a borrower's home consistently, regardless of whether it is secured by a first or subsequent charge. The UK government also proposed to move the regulation of second (and subsequent) charge loans already in existence before 21 March 2016 to the Regulated Mortgage Contract regime rather than keeping them within the consumer credit regime. The policy of regulating lending secured on a borrower's home consistently also meant that the UK government decided to change the regulatory regime of pre-2004 first charge loans regulated by the CCA. Mortgage regulation under FSMA began on 31 October 2004. Mortgages entered into before that date were regulated by the CCA, provided they did not exceed the financial threshold in place when they were entered into and were not otherwise exempt. In November 2015, the UK government made legislation which meant that the administration of and other activities relating to those pre-October 2004 first charge mortgages which at that time were regulated by the CCA became regulated mortgage activities from 21 March 2017 although firms could have adopted the new rules from 21 March 2016 if they chose. The move of CCA regulated mortgages to the FSMA regime was implemented by the Mortgage Credit Directive Order 2015 on 21 March 2016 (the **MCD Order**). The government has put in place transitional provisions for existing loans so that some of the CCA protections in place when the loans were originally taken out are not removed retrospectively. Unregulated mortgages which were originated before 31 October 2004, remain unregulated and are not regulated by virtue of the implementation of the Mortgage Credit Directive Order.

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

The Seller will give warranties to the LLP in the Mortgage Sale Agreement that, among other things, each of the respective Mortgage Loans and their Related Security is enforceable (subject to exceptions). If a Loan or its Related Security does not comply with these warranties, and if the default cannot be or

is not cured within the time periods specified in the Mortgage Sale Agreement, then the Seller will, upon receipt of notice from the LLP, be solely liable to repurchase the relevant Mortgage Loan(s) and their Related Security from the LLP in accordance with the Mortgage Sale Agreement.

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

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

Regulation of buy-to-let mortgages

Buy-to-let mortgage loans can fall under several different regulatory regimes. They can be:

- unregulated;
- regulated as a consumer buy-to-let mortgage contract under the consumer buy-to-let regime as defined by the Mortgage Credit Directive Order 2015 (the **MCD Order**) (a **Consumer Buy-to-let Loan** or **CBTL**)
- regulated by the CCA as a regulated credit agreement as defined under article 60B of the RAO (a **Regulated Credit Agreement**); or
- regulated by FSMA as a Regulated Mortgage Contract.

As at the date of this Prospectus, there are no buy-to-let loans in the cover pool.

Unregulated buy to let mortgage loans

Many buy to let mortgage loans will be unregulated because they do not meet the criteria for a Regulated Credit Agreement, Regulated Mortgage Contract or Consumer Buy to Let Loan. There are, however, still a number of regulated activities that apply to some unregulated buy to let mortgage loans. These activities are debt administration and debt collection. The Servicer has debt collection and debt administration permissions. The LLP will not carry out the regulated activities of debt administration and debt collection in respect of any unregulated, CBTL loans or CCA regulated loans.

Consumer buy-to-let loans

The CBTL framework was implemented on 21 March 2016 and is only applicable to consumer borrowers, the majority of buy-to-let lending in the UK being to non-consumers.

The legislative framework is set out in the MCD Order. The MCD Order defines a CBTL mortgage contract as: "a buy-to-let mortgage contract which is not entered into by the borrower wholly or predominantly for the purposes of business carried on, or intended to be carried on, by the borrower". It provides that a firm that advises on, arranges, lends or administers CBTL mortgages must be registered to do so. The Servicer is a consumer buy-to-let mortgage firm registered as a consumer buy-to-let lender and consumer buy-to-let administrator.

The MCD Order sets out a number of conduct standards for firms carrying on CBTL business which cover, inter alia, requirements for pre-contractual illustrations, adequate explanations and arrears and repossessions. The FCA has amended the FCA Handbook to reflect its supervisory and enforcement powers in respect of such conduct standards. The exercise of supervisory and enforcement powers by the FCA may adversely affect the Issuer's ability to make payment in full on the Covered Bonds when due, particularly if the FCA orders remedial action in respect of past conduct.

Buy-to-let loans which are Regulated Credit Agreements

Certain buy-to-let mortgages are regulated by the CCA because buy-to-let loans only became exempt from CCA regulation on 31 October 2008. Buy-to-let loans originated prior to 31 October 2008 could be regulated by the CCA if the amount of credit was less than the relevant financial limit in place at the

time and no other relevant CCA exemption applied. The financial limit for CCA regulation was abolished on 6 April 2008 in respect of all loans except buy-to-let loans. The financial limit of £25,000 in place at the time for CCA regulated loans was not removed for buy-to-let loans until 31 October 2008. As described above (see "*Regulation of residential secured lending (other than Regulated Mortgage Contracts)*"), those buy-to-let mortgages are not caught by the definition of a "consumer credit back book mortgage contract" and so any buy-to-let loans regulated by the CCA will continue to be regulated by the CCA notwithstanding the implementation of the MCD Order. Non-compliance with certain provisions of the CCA may render a regulated credit agreement irredeemably unenforceable or unenforceable without a court order or an order of the appropriate regulator, or may render the borrower not liable to pay interest or charges in relation to the period of non-compliance.

The Servicer is authorised to exercise or has the right to exercise a lender's rights and duties under a regulated credit agreement which is a necessary permission in respect of a CCA regulated agreement. The LLP is exempt from the regulated activity of exercising or having the right to exercise a lender's rights and duties under a regulated credit agreement because it has arranged administration by an authorised person pursuant to article 60I of the RAO.

Under the Financial Services Act 2012: (a) the carrying on of servicing activities in certain circumstances by a person exercising the rights of the lender without FCA permission to do so renders the credit agreement unenforceable, except with FCA approval; and (b) the FCA has the power to make rules to render unenforceable contracts made in contravention of its rules on cost and duration of credit agreements or in contravention of its product intervention rules. The Issuer is authorised to enter into regulated credit agreements as lender and to exercise or have the right to exercise the lender's rights and duties under a regulated credit agreement (excluding high-cost short-term credit, bill of sale agreements and home collected credit agreements).

Buy-to-let loans which are Regulated Mortgage Contracts

A buy-to-let loan secured on property to be let may be a Regulated Mortgage Contract. A Regulated Mortgage Contract could arise if such buy-to-let loan is not excluded from being a Regulated Mortgage Contract. For example, a buy-to-let loan could be Regulated Mortgage Contract where the tenant is a Related Person. If requirements as to the authorisation of lenders and brokers involved in the origination of a Regulated Mortgage Contract are not complied with, a Regulated Mortgage Contract will be unenforceable against the borrower except with the approval of a court and the unauthorised person may commit a criminal offence. An unauthorised person who carries on the regulated mortgage activity of administering a Regulated Mortgage Contract that has been validly entered into may commit an offence, although this will not render the contract unenforceable against the borrower.

Unfair relationships

Under the CCA, the "extortionate credit" regime was replaced by an "unfair relationship" test. The "unfair relationship" test applies to all existing and new credit agreements, except Regulated Mortgage Contracts and also applies to (as described above) "consumer credit back book mortgage contracts". If the court makes a determination that the relationship between the lender and the borrower is unfair, then it may make an order, among other things, requiring the originator, or any assignee (such as the LLP) to repay amounts received from the borrower. In applying the "unfair relationship" test, the courts are able to consider a wider range of circumstances surrounding the transaction, including the creditor's conduct (or anyone acting on behalf of the creditor) before and after making the agreement or in relation to any related agreement. There is no statutory definition of the word "unfair" in the CCA as the intention is for the test to be flexible and subject to judicial discretion and it is therefore difficult to predict whether a court would find a relationship "unfair". However, the word "unfair" is not an unfamiliar term in UK legislation due to the UTCCR and the CRA (each as defined below). The courts may, but are not obliged to, look solely to the CCA 2006 for guidance. The principle of "treating customers fairly" under the FSMA, and guidance published by the PRA and the FCA (and, prior to 1 April 2013, the FSA) on that principle and former guidance by the OFT on the unfair relationship test, may also be relevant. Under the CCA, once the debtor alleges that an "unfair relationship" exists, the burden of proof is on the creditor to prove the contrary.

Plevin v Paragon Personal Finance Limited [2014] UKSC 61, a Supreme Court judgment, has clarified that compliance with the relevant regulatory rules by the creditor (or a person acting on behalf of the creditor) does not preclude a finding of unfairness, as a wider range of considerations may be relevant to the fairness of the relationship than those which would be relevant to the application of the rules. Where add on products such as insurance are sold and are subject to a significant commission payment, it is possible that the non-disclosure of commission by the lender is a factor that could form part of a finding of unfair relationship.

If a mortgage loan subject to the unfair relationship test is found to be unfair, the court has a wide range of powers and may require the lender (and any associate or former associate of the lender) to repay sums to the debtor, or to do, not do or cease doing anything in relation to the agreement or any related agreement, and may require the lender to reduce or discharge any sums payable by the debtor or surety, return to a surety any security provided by him, alter the terms of the agreement, direct accounts to be taken or otherwise set aside any duty imposed on the debtor or surety.

If a court determined that there was an unfair relationship between the Lender and the borrowers in respect of the Loans and ordered that financial redress was made in respect of such Loans, such redress may adversely affect the ultimate amount received by the LLP in respect of the relevant Loans, and the realisable value of the Portfolio and/or the ability of the LLP to make payments under the Covered Bond Guarantee.

Distance Marketing

In the UK, the Financial Services (Distance Marketing) Regulations 2004 (the **Distance Marketing Regulations**) apply to contracts for financial services, including credit agreements, entered into on or after 31 October 2004 by a "consumer" within the meaning of the Distance Marketing Regulations and by means of distance communication (i.e. without any substantive simultaneous physical presence of the originator and the borrower).

The Distance Marketing Regulations (and MCOB in respect of activities related to Regulated Mortgage Contracts) require suppliers of financial services by way of distance communication to provide certain information to consumers. This information generally has to be provided before the consumer is bound by a distance contract for the supply of financial services in question and includes, but is not limited to, general information in respect of the supplier and the financial service, the contractual terms and conditions, and whether or not there is a right of cancellation.

A Regulated Mortgage Contract under the FSMA, if originated by a UK lender (who is authorised by the FCA) from an establishment in the UK, will not be cancellable under the Distance Marketing Regulations but will be subject to related pre-contract disclosure requirements in MCOB. Failure to comply with MCOB pre-contract disclosure rules could result in, amongst other things, disciplinary action by the FCA and claims for damages under Section 138D of FSMA.

Certain other agreements for financial services (including Consumer Buy to Let Loans) will be cancellable under the Distance Marketing Regulations if the borrower does not receive prescribed information at the prescribed time. Where the credit agreement is cancellable under the Distance Marketing Regulations, the borrower may send notice of cancellation at any time before the expiry of the 14 days beginning with (i) the day after the day on which the contract is made (where all of the prescribed information has been provided prior to the contract being entered into); or (ii) the day after the day on which the last of the prescribed information is provided (where all of the prescribed information was not provided prior to the contract being entered into).

Compliance with the Distance Marketing Regulations may be secured by way of injunction (interdict in Scotland), obtained by an enforcement authority, granted on such terms as the court thinks fit to ensure such compliance, and certain breaches of the Distance Marketing Regulations may render the originator or intermediaries (and their respective relevant officers) liable to a fine.

If the borrower cancels the credit agreement under the Distance Marketing Regulations then:

- the borrower is liable to repay the principal, and any other sums paid by or on behalf of the originator to the borrower, under or in relation to the contract, within 30 days of cancellation;

- the borrower is liable to pay interest, early repayment charges and other charges for services actually provided in accordance with the contract only if: (i) the amount is in proportion to the extent of the service provided (in comparison with the full coverage of the contract) and is not such that it could be construed as a penalty; (ii) the borrower received certain prescribed information at the prescribed time about the amounts payable; and (iii) the originator did not commence performance of the contract before the expiry of the relevant cancellation period (unless requested to do so by the borrower); and
- any security provided in relation to the contract is to be treated as never having had effect.

If a significant portion of the Loans are characterised as being cancellable under the Distance Marketing Regulations, then there is a risk that there could be an adverse effect on the ability of the LLP to make payments under the Covered Bond Guarantee.

Unfair Terms in Consumer Contracts Regulations 1994 and 1999

In the United Kingdom, the Unfair Terms in Consumer Contracts Regulations 1999 as amended (the **1999 Regulations**) and together with (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994 (together with the 1999 Regulations, the **UTCCR**), applies to business to consumer agreements made on or after 1 July 1995 and before 1 October 2015 by a "consumer" within the meaning of the UTCCR, where the terms have not been individually negotiated. The Consumer Rights Act 2015 (the **Consumer Rights Act**) has revoked the UTCCR, and in respect of contracts that (a) were entered into on or after 1 October 2015; or (b) were, since 1 October 2015, subject to a material variation such that they are treated as new contracts falling within the scope of the Consumer Rights Act, the Consumer Rights Act applies. The Consumer Rights Act is also applicable on or after 1 October 2015, to notices of variation, such as variation of interest rate under contracts (see "*Consumer Rights Act 2015*" below).

The UTCCR and the CRA provide that a consumer (which would include a Borrower under all or almost all of the Loans) may challenge a term in an agreement on the basis that it is "unfair" within the UTCCR or the CRA (as applicable) and, therefore, not binding on the consumer (although the rest of the agreement will remain enforceable if it is capable of continuing in existence without the unfair term) and provide that a regulator may take action to stop the use of terms which are considered to be unfair. The FCA has stated that the finalised FCA guidance "Fairness of variation terms in financial services consumer contracts under the Consumer Rights Act 2015" applies equally to factors that firms should consider to achieve fairness under the UTCCR.

The UTCCR will not generally affect terms which define the main subject matter of the contract, such as the borrower's obligation to repay the principal under a loan, provided that these terms are written in plain and intelligible language and are drawn adequately to the consumer's attention). The UTCCR may affect terms that are not considered to be terms which define the main subject matter of the contract, such as the lender's power to vary the interest rate and certain terms imposing early repayment charges and mortgage exit administration fees.

For example, if a term permitting the lender to vary the interest rate (as the Seller is permitted to do) is found to be unfair, the borrower will not be liable to pay interest at the increased rate or, to the extent that the borrower has paid it, will be able, as against the lender, or any assignee (such as the LLP), to claim repayment of the extra interest amounts paid or to set off the amount of the claim against the amount owing by the borrower under the loan or any other loan that the borrower has taken with the lender (or exercise analogous rights in Scotland). Any such non-recovery, claim or set-off in respect of the Loans entered into between 1 July 1995 and 30 September 2015 may reduce the amounts available to meet the payments due in respect of the Covered Bonds.

Historically the OFT, FSA and FCA (as appropriate) have issued guidance on the UTCCR. This has included: (i) OFT guidance on fair terms for interest variation in mortgage contracts dated February 2000; (ii) an FSA statement of good practice on fairness of terms in consumer contracts dated May 2005; (iii) an FSA statement of good practice on mortgage exit administration fees dated January 2007; and (iv) FSA finalised guidance on unfair contract terms and improving standards in consumer contracts dated January 2012.

On 2 March 2015, the FCA updated its online unfair contract terms library by removing some of its material (including the abovementioned guidance) relating to unfair contract terms. The FCA stated that such material "no longer reflects the FCA's views on unfair contract terms" and that firms should no longer rely on the content of the documents that have been removed.

The broad and general wording of the UTCCR and the CRA makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any Mortgage Loans which have been made to Borrowers covered by the UTCCR and the CRA may contain unfair terms which may result in the possible unenforceability of the terms of the underlying loans. If any term of the Loans entered into between 1 July 1995 and 30 September 2015 is found to be unfair for the purpose of the UTCCR, this may reduce the amounts available to meet the payments due in respect of the Covered Bonds.

Consumer Rights Act 2015

The main provisions of the CRA came into force on 1 October 2015 and apply to agreements made on or after that date. The CRA significantly reforms and consolidates consumer law in the UK. The CRA involves the creation of a single regime out of the Unfair Contract Terms Act 1977 (which essentially deals with attempts to limit liability for breach of contract) and the UTCCR for contracts entered into on or after 1 October 2015. The CRA has revoked the UTCCR and introduced a new regime for dealing with unfair contractual terms as follows:

Under Part 2 of the CRA an unfair term of a consumer contract (a contract between a trader and a consumer) is not binding on a consumer (an individual acting for purposes that are wholly or mainly outside that individual's trade, business, craft or profession). Additionally, an unfair notice is not binding on a consumer, although a consumer may rely on the term or notice if the consumer chooses to do so. A term will be unfair where, contrary to the requirement of good faith, it causes significant imbalance in the parties' rights and obligations under the contract to the detriment of the consumer. In determining whether a term is fair it is necessary to: (i) take into account the nature of the subject matter of the contract; (ii) refer to all the circumstances existing when the term was agreed; and (iii) refer to all of the other terms of the contract or any other contract on which it depends.

Schedule 2 of the CRA contains an indicative and non-exhaustive "grey list" of terms of consumer contracts that may be regarded as unfair. Notably, paragraph 11 of Schedule 2 lists "a term which has the object or effect of enabling the trader to alter the terms of the contract unilaterally without a valid reason which is specified in the contract". Although paragraph 22 of Schedule 2 provides that this does not include a term by which a supplier of financial services reserves the right to alter the rate of interest payable by or due to the consumer, or the amount of other charges for financial services without notice where there is a valid reason if the supplier is required to inform the consumer of the alteration at the earliest opportunity and the consumer is free to dissolve the contract immediately.

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

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

On 19 December 2018, the FCA published new guidance: "Fairness of variation terms in financial services consumer contracts under the Consumer Rights Act 2015" (FG18/7), outlining factors the FCA consider firms should have regard to when drafting and reviewing variation terms in consumer contracts. This follows developments in case law, including at the Court of Justice of the EU (the **CJEU**). The finalised guidance relates to all financial services consumer contracts entered into since 1 July 1995. The FCA stated that firms should consider both this guidance and any other rules that apply when they draft and use variation terms in their consumer contracts. The FCA stated that the finalised guidance will apply to FCA authorised persons and their appointed representative in relation to any consumer contracts which contain variation terms. The FCA have stated that the finalised FCA guidance applies equally to factors that firms should consider to achieve fairness under the UTCCR.

The Unfair Contract Terms and Consumer Notices Regulatory Guide (UNFCOG in the FCA handbook) explains the FCA's policy on how it uses its formal powers under the Consumer Rights Act and the CMA published guidance on the unfair terms provisions in the CRA on 31 July 2015 (the **CMA Guidance**). The CMA indicated in the CMA Guidance that the fairness and transparency provisions of the CRA are regarded to be "effectively the same as those of the UTCCR" (save in applying the consumer notices and negotiated terms). The document further notes that "the extent of continuity in unfair terms legislation means that existing case law generally, and that of the Court of Justice of the European Union particularly, is for the most part as relevant to the Act as it was the UTCCRs". In general, the interpretation of the UTCCR and the CRA is open to some doubt, particularly in light of sometimes conflicting reported case law between the English courts and the CJEU. The broad and general wording of the CRA makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any Loans which have been made to Borrowers covered by the CRA may contain unfair terms which may result in the possible unenforceability of the terms of the underlying loans. If any term of the Loans entered into on or after 1 October 2015 is found to be unfair for the purpose of the CRA, this may reduce the amounts available to meet the payments due in respect of the Covered Bonds.

Consumer Protection from Unfair Trading Regulations 2008 and the Digital Markets, Competition and Consumers Act 2024

The CPUTR came into force on 26 May 2008 and prohibits certain practices which are deemed "unfair" within the terms of the CPUTR. Breach of the CPUTR does not (of itself) render an agreement void or unenforceable, but is a criminal offence punishable by a fine and/or imprisonment.

Under the terms of the CPUTR, the possible liabilities for misrepresentation or breach of contract in relation to the underlying credit agreement may result in irrecoverable losses on amounts to which such agreements apply. The Consumer Protection (Amendment) Regulations 2014 (SI No. 870/2014) came into force on 1 October 2014 and amended the CPUTR. In certain circumstances, these amendments to the CPUTR give consumers a right to redress for misleading or aggressive commercial practices (as defined in the CPUTR), including a right to unwind agreements.

From 6 April 2025, the CPUTR have been revoked and replaced by the Digital Market, Competition and Consumers Act 2024 (**DMCCA**). However, CPUTR will still apply to any conduct occurring prior to 6 April 2025.

In addition to some minor amendments to the CPUTR rules, the new regime introduces new rules on consumer reviews, drip pricing and consumer vulnerability. In addition, the DMCCA largely replicates the list of specified banned practices contained in the CPUTR and creates new powers to expand the list of automatically unfair practices. Under the DMCCA, the unfair commercial practices regime, along with all other consumer protection legislation, has become subject to a new enforcement regime under which the CMA has new direct enforcement powers, which will operate in parallel with a court-based enforcement regime.

It cannot be excluded that the new rules and enforcement regime under the DMCCA will have an adverse impact on the Mortgage Loans.

Repossessions

A protocol for mortgage possession cases in England and Wales came into force on 19 November 2008 and was replaced with an updated protocol for mortgage possession claims which came into force on 6 April 2015 (the **Pre-action Protocol**) which sets out the steps that judges will expect any lender to take before starting a claim. A number of mortgage lenders have confirmed that they will delay the initiation of repossession action for at least three months after a borrower, who is an owner-occupier, is in arrears. The application of such a moratorium is subject to the wishes of the relevant borrower and may not apply in cases of fraud. In addition, under the Pre-action Protocol the lender must consider whether to postpone the start of a possession claim where the borrower has made a genuine complaint to the Financial Ombudsman Service about the potential possession claim. The application of such a moratorium is subject to the wishes of the relevant borrower and may not apply in cases of fraud. The Pre-action Protocol expressly states that it does not apply to "Buy-to-Let mortgages" (although the Pre-

action Protocol has not been updated to expressly confirm that it does not apply to consumer buy-to-let mortgages).

In addition, MCOB rules for regulated mortgage contracts from 25 June 2010 prevent the lender from: (a) repossessing the property unless all other reasonable attempts to resolve the position have failed, which include considering whether it is appropriate to offer an extension of term, or a change in the product type; and (b) automatically capitalising a payment shortfall.

The Mortgage Repossession (Protection of Tenants etc.) Act 2010 (the **Repossession Act**) came into force in October 2010. The Repossession Act gives courts in England and Wales the same power to postpone and suspend repossession for up to two months on application by an unauthorised tenant (i.e. a tenant in possession without the lender's consent) as generally exists on application by an authorised tenant. The lender has to serve notice at the property before enforcing a possession order.

The Pre-Action Protocol and the Repossession Act may have adverse effects in markets experiencing above average levels of possession claims. Delays in the initiation of responsive action in respect of the Loans may result in lower recoveries and may adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee. The protocols expressly state that they do not apply to "buy to let mortgages" (although the protocols have not been updated to expressly confirm that they do not apply to CBTL mortgages).

Part I of the Home Owner and Debtor Protection (Scotland) Act 2010 came into force on 30 September 2010 and imposes additional requirements on heritable creditors (the Scottish equivalent of a mortgagee) in relation to the enforcement of standard securities over residential property in Scotland. Under Part I of the Act, the heritable creditor has to obtain a court order to exercise its power of sale (in addition to initiating the statutory enforcement process pursuant to the Conveyancing and Feudal Reform (Scotland) Act 1970 by the service of a two-month "calling up" notice), unless the borrower and any other occupiers have surrendered the property voluntarily. In applying for the court order, the heritable creditor also has to demonstrate that it has taken various preliminary steps to attempt to resolve the borrower's position and comply with further procedural requirements.

There can be no assurance that any delay in starting and/or completing repossession actions would not result in the amounts recovered being less than if the LLP did not allow any such delays (which may ultimately affect the ability of the LLP to make payments of interest and principal on the Covered Bonds when Due for Payment). The protocol, the Repossession Acts and MCOB requirements for mortgage possession cases may have adverse effects in markets experiencing above average levels of possession claims.

Breathing Space Regulations

The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020 (SI 2020/1311) (**Breathing Space Regulations**) (which came into force on 4 May 2021) gives eligible individuals in England and Wales the right to legal protection from their creditors, including almost all enforcement action, during a period of "breathing space". A standard breathing space will give an individual in England and Wales with problem debt legal protection from creditor action for up to 60 days; and a mental health crisis breathing space will give an individual in England and Wales protection from creditor action for the duration of their mental health crisis treatment (which is not limited in duration) plus an additional 30 days.

However, the Breathing Space Regulations do not apply to mortgages, except for arrears which are uncapitalised at the date of the application under the Breathing Space Regulations. Interest can still be charged on the principal secured debt during the breathing space period, but not on the arrears. Any mortgage arrears incurred during any breathing space period are not protected from creditor action. The Borrower must continue to make mortgage payments in respect of any mortgage secured against their primary residence (save in respect of arrears accrued prior to the moratorium) during the breathing space period, otherwise the relevant debt adviser may cancel the breathing space period.

In February 2021, the FCA issued a policy statement (PS21/1) on the application of the Breathing Space Regulations, in which they confirm that no changes are currently being made to the rules under MCOB,

in relation to how mortgage lenders should treat a "breathing space" as an indicator of payment difficulties. The FCA's view is that this is something that firms should take into account, but should not be treated more specifically than other potential indicators of payment difficulties.

In Scotland, eligible individuals are afforded similar legal protection under the Bankruptcy (Scotland) Act 2016 although the moratorium period of 42 days is shorter than in England and Wales (notwithstanding the extension to the moratorium period from six weeks to six months effected by the Coronavirus (Scotland) Act 2020, which expired on 31 March 2022) and does not make any accommodation for mental health crisis. However, in June 2024 the Scottish Government passed the Bankruptcy and Diligence (Scotland) Act 2024 which, allows regulations to be made for the introduction of a similar form of moratorium in Scotland as currently exists under the Breathing Space Regulations. It is anticipated that regulations on the proposed moratorium will likely follow later. In particular, such regulations include the draft Debt Recovery (Mental Health Moratorium) (Scotland) Regulations 2025, consultation on which closed in March 2025, but which currently does not have a timescale for introduction.

FCA Consumer Duty

The Consumer Duty came into effect from 31 July 2023 for products and services that remain open to sale or renewal and from 31 July 2024 for closed products and services.

The Consumer Duty applies to the regulated activities and ancillary activities of all firms authorised under the FSMA.

There are three main elements to the Consumer Duty, comprising a new consumer principle, that "a firm must act to deliver good outcomes for the retail consumers of its products", cross-cutting rules supporting the consumer principle, and four outcomes, relating to the quality of firms' products and services, price and value, consumer understanding and consumer support.

The Consumer Duty applies not only at origination of a product but throughout its subsistence (so in the case of a mortgage loan, throughout the period the mortgage loan is outstanding). The cross-cutting rules include an obligation to avoid causing foreseeable harm to the consumer and the outcomes include an obligation to ensure that the product (for example, a mortgage loan) provides fair value to the retail customer. These obligations (as with the remainder of the Consumer Duty) must be assessed on a regular basis throughout the life of the product.

The FCA's guidance states that the Consumer Duty does not apply to unregulated buy to let mortgage loans but there are some circumstances in which the Consumer Duty would apply to the servicing of buy to let loans.

The Consumer Duty applies in respect of Regulated Mortgage Contracts (as well as loans falling within the consumer credit regime). It applies to product manufacturers and distributors, which include purchasers of in scope mortgage loans, as well as firms administering or servicing those mortgage loans. Although the Consumer Duty will not apply retrospectively, the FCA will require firms to apply the Consumer Duty to existing products on a forward-looking basis. If (for example) the obligations relating to fair value or not causing harm are not met in relation to the Loans, it could adversely affect the amounts received or recoverable in relation to the Loans. This may adversely affect the ability of the Issuer to make payments in full on the Debt when due. The FCA has its usual enforcements powers, such as issuing fines and securing redress for consumers, in relation to breaches of the Consumer Duty.

Mortgage Charter

On 26 June 2023, the HM Treasury published the 'Mortgage Charter' in light of the current pressures on households following interest rate rises and the cost-of-living crisis. The Mortgage Charter states that the UK's largest mortgage lenders and the FCA have agreed with the Chancellor a set of standards that they will adopt when helping their regulated mortgage borrowers worried about high interest rates

(the **Mortgage Charter**). The Seller is a signatory to the Mortgage Charter and has agreed that, among other things, a borrower will not be forced to leave their home without their consent unless in exceptional circumstances, in less than a year from their first missed payment. In addition, lenders will permit borrowers who are up to date with their payments to: (i) switch to interest-only payments for six months (the **MC Interest-only Agreement**); or (ii) extend their mortgage term to reduce their monthly payments and give borrowers the option to revert to their original term within six months by contacting their lender (the **MC Extension Agreement**). These options can be taken by borrowers who are up to date with their payments without a new affordability check or affecting their credit score. The Mortgage Charter commitments do not apply to buy-to-let mortgages.

With the effect on and from 30 June 2023, the FCA has amended MCOB to allow (rather than require) lenders to give effect to the MC Interest-only Agreement and the MC Extension Agreement. The amendments made by the FCA do not apply to second ranking mortgages or bridging loans. The FCA announced that it intended to review the impact of the rule changes within 12 months, but no such review has yet been published.

The Mortgage Charter is voluntary and adhering to it will be a decision for lenders to make individually.

There can be no assurance that the FCA or other UK government or regulatory bodies, will not take further steps in response to the rising cost of living in the UK which may impact the performance of the Loans, including further amending and extending the scope of the Mortgage Charter or related rules.

Financial Ombudsman Service

Under the FSMA, the Financial Ombudsman Service (the **Ombudsman**) is required to make decisions on, among other things, complaints relating to the 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 law and guidance, rather than making determinations strictly on the basis of compliance with law.

Complaints properly 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 and either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman.

As the Ombudsman is required to make decisions on the basis of, among other things, the principles of fairness, and may order a money award to the borrower, it is not possible to predict how any future decision of the Ombudsman would affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee.

The Renting Homes (Wales) Act 2016

The Renting Homes (Wales) Act 2016 (the **Renting Homes Act**) received royal assent on 18 January 2016 and fully entered into force on 1 December 2022. The Renting Homes Act converts the majority of existing residential tenancies in Wales into an 'occupation contract' with retrospective effect. Subject to certain criteria being met, residential lettings and tenancies granted on or after 1 December 2022 will be ‘occupation contracts’.

Under the Renting Homes Act, a landlord must, within the requisite time period set out in the act, serve a written statement on the tenant of an occupation contract which sets out certain terms of the occupation contract which are specified in the Act.

Where a tenant has breached the occupation contract the minimum notice that must be given to the tenant by the landlord of termination of the contract is one month. The notice period can be shorter where it relates to acts of anti-social behaviour or serious rent arrears. Where a ‘no fault’ notice is issued, the minimum notice that must be given to a tenant is six months.

The Renting Homes Act (which only has effect in Wales) does not contain an equivalent mandatory ground for possession that a lender had under the Housing Act 1988 where a property was subject to a

mortgage granted before the beginning of the tenancy and the lender required possession in order to dispose of the property with vacant possession.

Private Housing (Tenancies) (Scotland) Act 2016

In 2016 the Scottish Parliament passed the Private Housing (Tenancies) (Scotland) Act 2016 which came into force in December 2017. One of the changes made by this legislation was to introduce a new form of tenancy in Scotland known as a "private residential tenancy" which will (except in a very limited number of exceptions) provide tenants with security of tenure by restricting a landlord's ability to regain possession of the property to a number of specific eviction grounds. Accordingly, a lender or security-holder may not be able to obtain vacant possession if it wishes to enforce its security unless one of the specific eviction grounds under the legislation applies. It should be noted though that one of the grounds on which an eviction order can be sought is that a lender or security-holder intends to sell the property and requires the tenant to leave the property in order to dispose of it with vacant possession.

The Private Housing (Tenancies) (Scotland) Act 2016 does not affect holiday lets, social, police or military housing or student accommodation that is either (i) purpose-built and the landlord is an institutional provider of student accommodation or (ii) provided by academic institutions.

These Acts may have adverse effects in markets experiencing above average levels of repossession claims. Delays in the initiation of responsive action in respect of the Loans may result in lower recoveries and may adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee.

Land Registration Reform in Scotland

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

Previously, title to a residential property that was recorded in the General Register of Sasines would usually only be required to be moved to the Land Register of Scotland (a process known as "first registration") when that property was sold or if the owner decided voluntarily to commence first registration. However, the 2012 Act sets out in provisions which are being brought into effect in stages, additional circumstances which will trigger first registration of properties recorded in the General Register of Sasines, including (i) the recording of a standard security (which would extend to any standard security granted by the Issuer in favour of the Security Trustee over Scottish Mortgages in the Portfolio recorded in the General Register of Sasines, pursuant to the terms of the Deed of Charge following a Perfection Event (a **Scottish Sasine Sub-Security**)) or (ii) the recording of an assignation of a standard security (which, in the latter case, would extend to any assignation granted by the Seller in favour of the Issuer or its nominee in respect of Scottish Mortgages in the Portfolio recorded in the General Register of Sasines, pursuant to the terms of the Mortgage Sale Agreement and/or the Servicing Agreement following a Perfection Event (a **Scottish Sasine Transfer**)).

The relevant provisions of the 2012 Act relating to the recording of standard securities came into force on 1 April 2016. As the transaction contemplated by the Transaction Documents involves the sale of a relatively static pool of mortgages and standard securities, these changes should not have any immediate effect in relation to the Scottish Mortgages contained in the Portfolio at the Closing Date. As of the date of this Prospectus, the General Register of Sasines is now closed to the recording of standard securities. Notwithstanding the provisions of the 2012 Act mentioned above, for the time being, other deeds such as assignations of standard securities (including Scottish Sasine Transfers) will continue to be accepted in the General Register of Sasines indefinitely (although the Registers of Scotland have reserved the right to consult further on this issue in the future).

If the General Register of Sasines becomes closed to assignations of standard securities at any time after the date of this Prospectus, then this would also have an impact on the registration of Scottish Sasine Transfers in addition to impacting on the registration of Scottish Sasine Sub-Security executed

following a Perfection Event, with the probability of higher legal costs and a longer period required to complete registration than would currently be the case.

As noted above, such events will only occur following a Perfection Event, and, given the proportion of residential properties in Scotland which remain recorded in the General Register of Sasines continues to decline, it is likely that only a minority of the Scottish Mortgages will be recorded in the General Register of Sasines.

Moveable Transactions in Scotland

The Moveable Transactions (Scotland) Act 2023 (the **2023 Act**) was passed by the Scottish Parliament on 4 May 2023 and came into effect on 13 June 2023, although its provisions have only applied since 1 April 2025.

The 2023 Act reforms the law relating to the creation of security interests over moveable assets which are created by way of assignation and fixed securities over moveable property in Scotland (a term that approximates to chattels under English law) and, inter alia, may simplify the process of taking security.

Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 (the Energy Efficiency Regulations)

From 1 April 2018, landlords of domestic private rented properties (as defined in the Energy Efficiency Regulations) in England and Wales may not grant a tenancy to new or existing tenants if the relevant property has an Energy Performance Certificate (as defined in the Energy Performance of Buildings (Certificates and Inspections) (England and Wales) Regulation 2007 (an **EPC**) rating of band F or G (as shown on a valid EPC for the property) and from 1 April 2020, landlords must not continue letting a relevant domestic property which is already let if that property has an EPC rating of band F or G (as shown on a valid EPC for the property). In both cases described above, this is referred to in the Energy Efficiency Regulations as the prohibition on letting substandard property. Where a landlord wishes to continue letting property which is currently substandard, landlords will need to ensure that energy efficiency improvements are made which raise the EPC rating to a minimum of E. In certain circumstances landlords may be able to claim an exemption from this prohibition on letting sub-standard property; this includes situations where the landlord is unable to obtain funding to cover the cost of making improvements, or where all improvements which can be made have been made, and the property remains below an EPC rating of band E. Local authorities will enforce compliance with the domestic minimum level of energy efficiency. Local authorities may check whether a property meets the minimum level of energy efficiency, and may issue a compliance notice requesting information where it appears to the local authorities that a property has been let in breach of the Energy Efficiency Regulations (or an invalid exemption has been registered in respect of it). Where a local authority is satisfied that a property has been let in breach of the Energy Efficiency Regulations it may serve a notice on the landlord imposing financial penalties. On 4 December 2024, the government launched a consultation with respect to reforming the energy performance of building framework.

On 7 February 2025, the government launched a consultation on improving the energy performance of privately rented home. This consultation sought views on government's proposal to amend the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 (from now on referred to as 'the **PRS Regulations'**) . It also sought views on changes to the Energy Act 2011, the primary legislation which gives government the powers to amend the PRS Regulations.

Minimum energy efficiency standards (MEES) in the private rented sector (**PRS**) have been required since 2018. These standards require properties to be at an Energy Performance Certificate E or above in order to be let out, unless a valid exemption applies. The government are considering options to raise energy efficiency standards in the domestic PRS to make homes easier to heat, tackling fuel poverty and lowering carbon emissions. The government have stated that the recently published consultation on the future of Energy Performance Certificates provides an opportunity to ensure that new standards in the PRS incentivise the right measures for each home. In this 2025 PRS consultation, the government sought stakeholder views on the approach to new PRS standards.

There is currently no minimum EPC rating required for domestic rented properties in Scotland, however the Scottish Government has introduced proposals for new legislation which will require all private rented sector properties to reach a minimum energy efficiency standard by the end of 2028. A more detailed consultation on the proposed minimum energy efficiency standard is expected, however initial proposals indicate that it will be achieved by installing certain energy efficiency measures within a property (including appropriate insulation and heating controls) or where a good level of energy efficiency can be shown based on an EPC assessment. The proposed legislation also introduces an overarching Heat in Buildings Standard which, in addition to the requirement to meet a minimum energy efficiency standard, will require all building owners in Scotland to have moved to clean heating systems by the end of 2045, with earlier implementation periods for those purchasing properties and where a heat network zone applies. Separately, the Scottish Government have also consulted on proposals to reform EPCs more generally, which includes the addition of a new 'fabric rating' to indicate how well a building retains heat. Implementing regulations in relation to this EPC reform are currently awaited.

Similar requirements apply to landlords of domestic properties in Scotland from 1 April 2025 under the Energy Efficiency (Domestic Private Rented Property) (Scotland) Regulations 2020.

Assured Shorthold Tenancy

Depending on the level of ground rent payable at any one time it is possible that a long leasehold in England and Wales may also be an Assured Tenancy (**AT**) or Assured Shorthold Tenancy (**AST**) under the Housing Act 1988 (**HA 1988**). If it is, this could have the consequences set out below.

A tenancy or lease in England and Wales will be an AT if granted after 15 January 1989 and:

(a) the tenant or, as the case may be, each of the joint tenants is an individual;

(b) the tenant or, as the case may be, at least one of the joint tenants occupies the dwelling-house as their only or principal home; and

(c) if granted before 1 April 1990:

  (i) the property had a rateable value at 31 March 1990 lower than £1,500 in Greater London or £750 elsewhere; and

  (ii) the rent payable for the time being is greater than two thirds of the rateable value at 31 March 1990;

(d) if granted on or after 1 April 1990 the rent payable for the time being is between £251 and £100,000 inclusive (or between £1,001 and £100,000 inclusive in Greater London).

There is no maximum term for an AT and therefore any lease can constitute an AT if it satisfies the relevant criteria.

Since 28 February 1997 all ATs will automatically be ASTs (unless the landlord serves notice to the contrary) which gives landlords the right to recover the property at the end of the term of the tenancy. The HA 1988 also entitles a landlord to obtain an order for possession and terminate an AT/AST during its fixed term on proving one of the grounds for possession specified in section 7(6) of the HA 1988. The ground for possession of most concern in relation to long leaseholds is Ground 8 – namely that if the rent is payable yearly (as most ground rents are), at least three months' rent is more than three months in arrears both at the date of service of the landlord's notice and the date of the hearing.

Most leases in England and Wales give the landlord a right to forfeit the lease if rent is unpaid for a certain period of time but the courts normally have power to grant relief, cancelling the forfeiture as long as the arrears are paid off. There are also statutory protections in place to protect long leaseholders from unjustified forfeiture action. However, an action for possession under Ground 8 is not the same as a forfeiture action and the court's power to grant relief does not apply to Ground 8. In order to obtain possession, the landlord will have to follow the notice procedure in section 8 of the HA 1988 and, if the tenant does not leave on expiry of the notice, apply for a court order. However, as ground 8 is a mandatory ground, the court will have no discretion and will be obliged to grant the order if the relevant conditions are satisfied. This issue is addressed and resolved (bringing to an end the so-called "AST

trap") in the Renters' Rights Bill which is expected to come into effect towards the end of 2025 or the beginning of 2026.

Currently, however, there is a risk that where:

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

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

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

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

the long lease will come to an end and the landlord will be able to re-enter the relevant property.

In Scotland, the corresponding provisions of the Housing (Scotland) Act 1988 that govern assured tenancies and short assured tenancies (being broadly the Scottish equivalent of an AT and an AST in England and Wales) do not apply to long leases in respect of residential property in Scotland that are capable of being registered in the Registers of Scotland and secured by a standard security.

Renters' Rights Bill

On 11 September 2024 the Government introduced the Renters' Rights Bill to the House of Commons. The Bill has completed its passage through the House of Commons is currently in its final stages with consideration of amendments before Royal Assent. The Bill builds on and strengthens various proposals set out in the Renters Reform Bill introduced under the previous Government.

As the law currently stands, a landlord can evict a tenant who has an AST using a "Section 21 Notice". Section 21 Notices can be served to evict tenants either on expiry of the fixed term of the tenancy, where there is provision for a break during the tenancy, or at the end of a period of the tenancy where the tenancy has become "periodic". When issuing a Section 21 Notice, there is no requirement for the tenant to be in breach of the lease, or for a landlord to specify valid reasons for wanting to bring the tenancy to an end.

The Renters' Rights Bill proposes to remove the whole of Chapter 2 of Part 1 of the HA 1988, which contains the provisions that establish ASTs. The removal of this Chapter entails the removal of section 21 of the HA 1988. This will remove the ability for landlords to seek to recover possession of a tenanted property by serving notice under section 21 of the HA 1988 on a so-called "no fault" basis. Instead, landlords will only be able to evict a tenant on one of the grounds set out in Schedule 2 to the HA 1988. The grounds set out in Schedule 2 will include the landlord or certain close family members intending to move into the property; and the landlord intending to sell the property, provided in each case that certain conditions are met. Schedule 2 to the HA also allows for a tenant to be evicted if the landlord is to sell the property, and includes various fault-based grounds for eviction and particular rules for properties let to students. Under the Renters' Rights Bill proposals, it will no longer be possible to grant new ASTs after a specified commencement date, any new tenancies which would have previously been classified as an AST will take effect as periodic ATs and existing ASTs (other than certain long leases) will convert to ATs. These ATs would be periodic ATs, with no fixed term. The period will be for the same duration as the period for which rent is paid, with a maximum period of one month. In addition, the AT can be terminated by the tenant on two months' notice.

The Renters' Rights Bill contains provisions limiting landlords' ability to increase rent: under the proposals, landlords may only increase rent annually to a rate not exceeding the open market rate. Tenants who believe that a proposed rent increase exceeds market rate can then challenge this at the First-tier Tribunal, who will determine the market rent.

In addition, the Renters' Rights Bill will give the Secretary of State the power to issue regulations requiring residential landlords to join a landlord redress scheme, under which complaints by or on behalf of tenants or prospective tenants would be independently investigated and determined. The regulations may require prospective residential landlords to join the redress scheme before marketing a dwelling, and to remain members for a specified period after ceasing to be residential landlords. The Government has stated its intention to establish the Private Rented Sector Landlord Ombudsman scheme as the

landlord redress scheme and it is expected that residential landlords will be required to pay a small annual fee to fund the scheme, but detailed information about this scheme is not available at the date of this Prospectus.

The Renters' Rights Bill will also:

(a) grant the Secretary of State the power to make regulations that would extend the Decent Homes Standard set out in the Housing Act 2004 to most properties in the residential private rented sector;

(b) limit landlords' ability to request rent in advance to one month's rent;

(c) for students, reduce the period of time between the date a tenancy agreement is entered into and the date the tenant is entitled to occupy the property to six months or less; and

(d) relieve guarantors (who are guaranteeing the rent) of any liability for rent when a family member they are standing guarantor for dies.

As at the date of this Prospectus, the impact of the proposed legislation is uncertain but may adversely affect the private residential rental market in England and Wales and the ability of individual Borrowers of buy-to-let loans to meet their obligations under those loans.

TAXATION

United Kingdom Taxation

The following applies only to persons who are the beneficial owners of Covered Bonds and is a summary of the Issuer's understanding of current United Kingdom law and published HMRC practice relating only to United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) by the Issuer in respect of the Covered Bonds and payments by the LLP in respect of Covered Bonds. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Covered Bonds. The United Kingdom tax treatment of prospective Covered Bondholders depends on their individual circumstances and may be subject to change in the future. Prospective Covered Bondholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Payment of Interest by the Issuer on the Covered Bonds

The Issuer will be entitled to make payments of interest on the Covered Bonds without withholding or deduction for or on account of United Kingdom income tax, provided that:

(a) the Issuer is and continues to be a "bank" within the meaning of section 991 of the Income Tax Act 2007 (the **Act**); and

(b) the interest on the Covered Bonds is and continues to be paid in the "ordinary course of the Issuer's business" within the meaning of section 878 of the Act.

Payments of interest on the Covered Bonds by the Issuer may also be made without withholding or deduction for or on account of United Kingdom income tax provided that the Covered Bonds are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Act. The London Stock Exchange is a recognised stock exchange for this purpose. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the UK regulated market of the London Stock Exchange. Provided, therefore, that the Covered Bonds are and remain so listed, interest on the Covered Bonds will be payable without withholding or deduction for or on account of United Kingdom income tax, whether or not the Issuer is a "bank" and whether or not the interest is paid in the ordinary course of its business.

Interest on the Covered Bonds may also be paid without withholding or deduction on account of United Kingdom tax where the maturity of the Covered Bonds is less than 365 days and those Covered Bonds do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, an amount must generally be withheld from payments of interest on the Covered Bonds that has a United Kingdom source for or on account of United Kingdom income tax at the basic rate (currently 20%), subject to any available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Covered Bondholder, HMRC may issue a notice to the Issuer to pay interest to the Covered Bondholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Payments by the LLP

The United Kingdom withholding tax treatment of payments by the LLP under the terms of the Covered Bond Guarantee which have a United Kingdom source is uncertain. In particular, such payments by the LLP may not be eligible for the exemptions described above in relation to payments of interest. Accordingly, if the LLP makes any such payments, these may be subject to United Kingdom withholding tax at the basic rate. If payments by the LLP are subject to any withholding or deduction for or on account of tax, the LLP will not be required to pay any additional amounts.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as **FATCA**, a foreign financial institution (as defined by FATCA, and including an intermediary through which Covered Bonds are held) may be required to withhold at a rate of 30 per cent. on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. The Issuer is a foreign financial institution for these purposes. The term "foreign passthru payment" is not yet defined. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Covered Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Covered Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Covered Bonds, proposed Treasury regulations have been issued that provide that such withholding would not apply prior to the date that is two years from the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. In the preamble to the proposed Treasury regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally, Covered Bonds characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal income tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding, in either case unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional Covered Bonds (as described under "*Terms and Conditions of the Covered Bonds – Further Issues*") that are not distinguishable from previously issued Covered Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Covered Bonds, including the Covered Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Covered Bonds.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

Each Dealer has, pursuant to a programme agreement (as the same may be amended and/or supplemented and/or restated from time to time, the **Programme Agreement**) originally dated 24 February 2017, agreed with the Issuer and the LLP a basis upon which such Dealer may from time to time agree to purchase Covered Bonds. Any such agreement for any particular purchase by the Dealer will extend to those matters stated under "*Form of the Covered Bonds*" and "*Terms and Conditions of the Covered Bonds*" above. As at the date of this Prospectus, the Dealers are Banco de Sabadell, S.A. and Lloyds Bank Corporate Markets plc, but the Issuer may appoint other dealers from time to time in accordance with the Programme Agreement, which appointment may be for a specific issue or on an ongoing basis.

The Issuer may pay each relevant Dealer commissions as agreed in connection with the sale of any Covered Bonds. In the Programme Agreement, the Issuer has agreed to reimburse and indemnify the relevant Dealer for certain of its expenses and liabilities in connection with the establishment and any future updates of the Programme and the issue of Covered Bonds under the Programme. The relevant Dealer is entitled to be released and discharged from its obligations in relation to any agreement to purchase Covered Bonds under the Programme Agreement in certain circumstances prior to payment to the Issuer.

In order to facilitate the offering of any Tranche of the Covered Bonds, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Covered Bonds during and after the offering of the Tranche. Specifically, such persons may over-allot or create a short position in the Covered Bonds for their own account by selling more Covered Bonds than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Covered Bonds in the open market. In addition, such persons may stabilise or maintain the price of the Covered Bonds by bidding for or purchasing Covered Bonds in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Covered Bonds are reclaimed if Covered Bonds previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Covered Bonds at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Covered Bonds to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Under UK laws and regulations stabilising activities may only be carried on by the stabilising manager named in the applicable Final Terms and only for a period ending on the earlier of 30 days following the Issue Date of the relevant Tranche of Covered Bonds and 60 days after the allotment of the relevant Tranche of Covered Bonds.

Transfer Restrictions

As a result of the following restrictions, purchasers of Covered Bonds in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Covered Bonds.

Each purchaser of Registered Covered Bonds (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 Registered Global Covered Bond) or person wishing to transfer an interest from one Registered Global Covered Bond to another will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

(a) During the Distribution Compliance Period, that it is outside the U.S. and is not a U.S. person;

(b) that the Covered Bonds are being offered and sold in a transaction not involving a public offering in the U.S. within the meaning of the Securities Act, that the Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States or other relevant jurisdiction and that the Covered Bonds may not be offered or sold within the United States or

to, or for the account or benefit of, U.S. persons except pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act as set forth below;

(c) it agrees that neither the Issuer nor the LLP has any obligation to register the Covered Bonds or the Covered Bond Guarantee under the Securities Act;

(d) that, the Covered Bonds may not be transferred within the United States or to a U.S. person except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;

(e) it will, and will require each subsequent holder to, notify any purchaser of the Covered Bonds from it of the resale restrictions referred to in paragraph (d) above, if then applicable;

(f) 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, it will do so only (a) outside the United States in compliance with Rule 903 or 904 under the Securities Act and (b) in accordance with all applicable U.S. state or local securities laws; and it acknowledges that the Covered Bonds represented by a Registered Global Covered Bond and Registered Definitive Covered Bonds will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY AND ANY GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER TERRITORY OR JURISDICTION OF THE UNITED STATES OR OTHER RELEVANT JURISDICTION AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY (THE **AGENCY AGREEMENT**) AND PURSUANT TO AN EXEMPTION FROM OR IN A TRANSACTION NOT SUBJECT TO REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING AND THE ISSUE DATE"; and

(g) 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.

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Covered Bonds outside the U.S. The Issuer and the Lead Managers reserve the right to reject any offer to purchase the Covered Bonds, in whole or in part, for any reason. This prospectus does not constitute an offer to any person in the U.S. or to any U.S. person. Distribution of this Prospectus by any non-U.S. person outside the U.S. is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the U.S. is prohibited.

Selling Restrictions

United States

The Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act or the securities laws of any state or other territory or jurisdiction of the United States or other relevant jurisdiction, and Covered Bonds may not be offered, sold or, in the case of Bearer Covered Bonds, delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from or in a transaction not subject to, the registration requirements of

the Securities Act and any applicable state or local securities laws. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Covered Bonds in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the U.S. or its possessions or to a U.S. 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 promulgated thereunder.

In connection with any Covered Bond which are offered, sold or delivered outside the United States in reliance on Regulation S (**Regulation S Covered Bonds**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Regulation S Covered Bonds (i) as part of its distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Tranche of Covered Bonds of which such Covered Bonds are a part, as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue, and except in either case in accordance with Regulation S under the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Covered Bond during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Covered Bond within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of a Tranche of Covered Bonds, an offer or sale of 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.

Prohibition of sales to EEA retail investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds to any retail investor in the European Economic Area (the **EEA**). For the purposes of this provision,

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended or superseded, **MiFID II**);

  (ii) a customer within the meaning of Directive 2016/07/EC (as amended or superseded, the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds.

Prohibition of sales to UK Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds to any retail investor in the United Kingdom (the **UK**). For the purposes of this provision,

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the **EUWA**); or

  (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the **FSMA**) and any rules or regulations made under the FSMA to implement

Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the LLP; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any such Covered Bonds in, from or otherwise involving the United Kingdom.

Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended, the **FIEA**) and the Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Covered Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law No. 228 of 1949, as amended)) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

The Netherlands

Each Dealer has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell Covered Bonds in the Netherlands other than to qualified investors as defined in article 1:1 of the Act on Financial Supervision (*Wet op het financieel toezicht*).

Republic of Italy

The offering of the Covered Bonds has not been registered pursuant to Italian securities legislation and, accordingly, no Covered Bonds may be offered, sold or delivered, nor may copies of the Prospectus or of any other document relating to the Covered Bonds be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of Regulation (EU) No. 1129 of 14 June 2017 (the **Prospectus Regulation**) and any application provision of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and Italian CONSOB regulations; or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws.

Furthermore, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer, sale or delivery of the Covered Bonds or distribution of copies of the Prospectus or any other document relating to the Covered Bonds in the Republic of Italy under paragraphs (a) or (b) above must:

(i) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Italian Banking Act**); and

(ii) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Italian Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

Germany

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it shall only offer or sell Covered Bonds in the Federal Republic of Germany in compliance with the provisions of the German Securities Prospectus Act (*Wertpapier- prospektgesetz*) of 22 June 2005, or any other laws applicable in the Federal Republic of Germany governing the offer and sale of securities.

France

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) it has only made and will only make an offer of Covered Bonds to the public in France in the period beginning (i) when a prospectus in relation to the Covered Bonds has been approved by the *Autorité des marchés financiers* (**AMF**), on the date of publication of such prospectus or, (ii) when a prospectus has been approved by the competent authority of another Member State of the European Economic Area on the date of notification of such approval to the AMF, and ending at the latest on the date which is 12 months after the date of approval of the Prospectus, all in accordance with Articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF; or

(ii) 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, the Prospectus, the relevant Final Terms or any other offering material relating to the Covered Bonds, and that such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*) acting for their own account, other than individuals, all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French Code *monétaire et financier*.

Switzerland

The Covered Bonds may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (**FinSA**) and no application has or will be made to admit the Covered Bonds to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither the Prospectus nor any other offering or marketing material relating to the Covered Bonds constitutes a prospectus pursuant to the FinSA, and neither the Prospectus nor any other offering or marketing material relating to the Covered Bonds may be publicly distributed or otherwise made publicly available in Switzerland. No key information document according to FinSA or any equivalent document under the FinSA has been prepared in relation to the Covered Bonds, and, therefore, the Covered Bonds may not be offered or recommended to private clients within the meaning of the FinSA in Switzerland.

General

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree that it will, comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or possesses or distributes this Prospectus

and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Covered Bonds under the laws and regulations or directives 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, prospectus, advertisement or other offering material except under circumstances that will, to the best of their knowledge and belief, result in compliance with any applicable laws and regulations, and all offers, sales and deliveries of Covered Bonds by them will be made on the same terms.

None of the Issuer, the LLP, the Bond Trustee, the Security Trustee or any of the Dealers represents that Covered Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer(s) will be required to comply with such other additional or modified restrictions (if any) as the Issuer and the relevant Dealer(s) shall agree as a term of issue and purchase as indicated in the applicable Final Terms.

Each Dealer will, unless prohibited by applicable law, furnish to each person to whom they offer or sell Covered Bonds a copy of the Prospectus as then amended or supplemented or, unless delivery of the Prospectus is required by applicable law, inform each such person that a copy will be made available upon request. The Dealers are not authorised to give any information or to make any representation not contained in the Prospectus in connection with the offer and sale of Covered Bonds to which the Prospectus relates.

This Prospectus may be used by the Dealers for offers and sales related to market-making transactions in the Covered Bonds. Any or each of the Dealers may act as principal or agent in these transactions. These sales will be made at prices relating to prevailing market prices at the time of sale. None of the Dealers has any obligation to make a market in the Covered Bonds, and any market-making may be discontinued at any time without notice. The Dealers are participating in the initial distribution of the Covered Bonds.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Dealers or such affiliate on behalf of the Issuer in such jurisdiction.

GENERAL INFORMATION

Authorisation

The Issuer has obtained all necessary consents, approvals and authorisations in the UK in connection with the establishment, implementation and operation of the Programme and the issue of Covered Bonds. The establishment, implementation and operation of the Programme and the issue of Covered Bonds were authorised by resolutions of the board of directors of the Issuer dated 22 February 2017. The establishment, implementation and operation of the Programme and the giving of the Covered Bond Guarantee was duly confirmed and authorised by a resolution of the LLP Management Board dated 22 February 2017. The current update of the Programme has been duly authorised by a resolution of the Board of Directors of the Issuer dated 22 February 2017 and by a resolution of the LLP Management Board dated 8 October 2025.

Listing of Covered Bonds

The listing of the Covered Bonds on 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 UK regulated market of the London Stock Exchange will be admitted separately as and when issued or on such later date as the Issuer may agree with the relevant Dealer, subject only (in the case of a listing upon issue) to the issue of a Temporary Global Covered Bond, a Permanent Global Covered Bond or a Registered Global Covered Bond, as the case may be, initially representing the Covered Bonds of such Tranche.

Documents Available

For so long as Covered Bonds may be issued pursuant to this Prospectus, the following documents will be available online at www.tsb.co.uk/investors/debt-investors and during usual business hours on any day (Saturdays, Sundays and public holidays excepted) for inspection at the office of TSB Bank plc, Henry Duncan House, 120 George Street, Edinburgh EH2 4LH:

(i) the Memorandum and Articles of Association of the Issuer and the constitutive documents of the LLP;

(ii) the Agency Agreement, the Trust Deed (which includes the Covered Bond Guarantee and the forms of the Global Covered Bonds, the definitive Covered Bonds, the Coupons, the Receipts and the Talons);

(iii) the most recent publicly available reviewed or audited financial statements for the Issuer, together with the independent auditor's report beginning with such financial statements for the years ended 31 December 2023 and 31 December 2024;

(iv) the most recent publicly available reviewed or audited financial statements, together with the independent auditor's report for the LLP beginning with such financial statements for the years ended 31 December 2023 and 31 December 2024;

(v) each Final Terms (save that Final Terms relating to a Covered Bond, which is neither admitted to trading on the main market of the London Stock Exchange or a regulated market within the EEA nor offered in the UK or the EEA in circumstances where a prospectus is required to be published under the FSMA or the Prospectus Regulation, will only be available for inspection by a holder of such Covered Bond and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Covered Bonds and identity); and

(vi) a copy of this Prospectus together with any supplemental Prospectus or further Prospectus and any documents incorporated by reference.

The Prospectus and the Final Terms for Covered Bonds that are listed on the Official List and admitted to trading on the Market will be published via the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html and will be available online at www.tsb.co.uk/investors/debt-investors.

Clearing Systems

The Covered Bonds issued pursuant to this Prospectus have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The Common Code and the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Covered Bonds will be set out in the applicable Final Terms. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg, Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms. The applicable Final Terms will also indicate whether the relevant Covered Bonds will not be cleared through any clearing system.

Significant or Material Change

There has been no significant change in the financial performance and financial position of the Group since 31 December 2024, the date to which the Issuer's last published audited financial information (as set out in the Issuer's 2024 Annual Report and Accounts) was prepared. There has been no material adverse change in the prospects of the Group since 31 December 2024, the date to which the Issuer's last published audited financial information (as set out in the Issuer's 2024 Annual Report and Accounts) was prepared.

There has been no significant change in the financial performance and financial position of the LLP since 31 December 2024, the date to which the LLP's last published audited financial information (as set out in the LLP's 2024 Annual Financial Statements) was prepared. There has been no material adverse change in the prospects of the LLP since 31 December 2024, the date to which the LLP's last published audited financial information (as set out in the LLP's 2024 Annual Financial Statements) was prepared.

Litigation

Save as disclosed in the risk factor entitled "*The Group faces risks associated with its operations' compliance with a wide range of laws and regulations*" on pages 32 to 34 of this Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings pending or threatened of which the Group is aware) during the 12 months preceding the date of this Prospectus, which may have or have had in the recent past, significant effects on the financial position or profitability of the Group.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the LLP is aware) during the 12 months preceding the date of this Prospectus, which may have or have had in the recent past a significant effect on the financial position or profitability of the LLP.

Independent Auditors

The financial statements of the Issuer for the financial periods ended 31 December 2023 and 31 December 2024 have been audited in accordance with International Standards on Auditing (UK) and applicable law and have been reported on without qualification by KPMG LLP.

KPMG LLP is a member of the Institute of Chartered Accountants in England and Wales and is the auditor appointed by the Issuer for the purposes of auditing its financial statements.

Reports

The Trust Deed provides that the Bond Trustee may rely on reports or other information from professional advisers or other experts in accordance with the provisions of the Trust Deed, whether or not any such report or other information, or engagement letter or other document entered into by the Bond Trustee and the relevant person in connection therewith, contains any monetary or other limit on the liability of the relevant person.

Legal Entity Identifier

The Legal Entity Identifier of the Issuer (LEI) is 549300XP222MV7P3CC54.

Post-issuance information

The Issuer will provide a monthly Asset Coverage and Investor Report which will be made available to Covered Bondholders at www.tsb.co.uk/investors/debt-investors detailing, among other things, compliance with the Asset Coverage Test. The website and the contents thereof do not form part of this Prospectus.

In addition, the Issuer is required, pursuant to the terms of the RCB Regulations, to provide loan level information relating to the Loans in the Asset Pool and to display the Transaction Documents related to the Programme.

GLOSSARY

30/360, **360/360** or **Bond Basis**	The meaning given in Condition 4.5(c)(vi) (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*) on page 125 of Programme Conditions
30E/360 or **Eurobond Basis**	The meaning given in Condition 4.5(c)(vii) (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*) on page 126 of the Programme Conditions
30E/360(ISDA)	The meaning given in Condition 4.5(c)(viii) (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*) on page 126 of the Programme Conditions
1999 Regulations	Unfair Terms in Consumer Contracts Regulations 1999 (SI 1999/2083), as amended
€, **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 introduced at the start of the third stage of European Economic Monetary Union pursuant to the Treaty of Rome of 25 March, 1957, as amended by, *inter alia*, the Single European Act of 1986 and the Treaty of European Union of 7th February, 1992 and the Treaty of Amsterdam of 2nd October, 1997 establishing the European Community
£ or **Sterling**	The lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland
$**, **U.S.$ or **U.S. Dollars** or **US Dollars**	The lawful currency for the time being of the United States of America
¥, **Yen**, **JPY**, **Japanese ¥** or **Japanese yen**	The lawful currency for the time being of Japan
Account Banks	(i) The HSBC Account Bank; (ii) The Lloyds Account Bank; and (iii) any other financial institution which accedes to a Bank Account Agreement as an account bank
Account Bank Required Ratings	At least (i) a long-term deposit rating of "A2" or (ii) a short-term deposit rating of "P-1" by Moody's (or such other ratings that may be agreed between the parties to the relevant Bank Account Agreement, provided that a Rating Agency Confirmation has been obtained)
Accrual Period	The meaning given on page 125 of this Prospectus
Accrual Yield	In relation to a Zero Coupon Covered Bond, the meaning given in the applicable Final Terms
Accrued Interest	In relation to a Loan as at any date, the aggregate of all interest accrued but not yet due and payable on such Loan from (and including) the Monthly Payment Day in respect of such Loan immediately preceding the relevant date to (but excluding) the relevant date
Actual/360	The meaning given in Condition 4.5(c)(v) (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*) on page 125 of this Prospectus

Actual/365 (Fixed)	The meaning given in Condition 4.5(c)(iii) (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*) on page 125 of this Prospectus
Actual/365 (Sterling)	The meaning given on page 125 of this Prospectus
Actual/Actual or **Actual/Actual (ISDA)**	The meaning given on page 125 of this Prospectus
Actual/Actual (ICMA)	The meaning given in Condition 4.5(c)(i) (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*) on page 125 of this Prospectus
Additional Business Centre	The meaning (if any) given in the applicable Final Terms
Adjusted Aggregate Loan Amount	The meaning given on page 200 of this Prospectus
Adjusted Current Balance	The meaning given on page 200 of this Prospectus
Adjusted Required Redemption Amount	The meaning given on page 207 of this Prospectus
Administration Fee	The meaning given on page 196 of this Prospectus
Admission	The admission to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities of ordinary shares of TSB Banking Group on 25 June 2014
Advance Date	The date on which a relevant Further Advance or Flexible Loan Drawing is advanced to the relevant Borrower by the Seller
Agency Agreement	The agency agreement dated the Programme Date and made between the Issuer, the LLP, the Bond Trustee, the Security Trustee, the Principal Paying Agent and the other Paying Agents, the Registrar and the Transfer Agent (as the same may be amended, restated, supplemented, replaced or novated from time to time)
Agents	The Paying Agents, the Registrar, the Transfer Agents and any Calculation Agent
Alternative Base Rate	The meaning given on page 150 of this Prospectus
AMF	The meaning given on page 276 of this Prospectus
Amortisation Test	The meaning given on page 204 of this Prospectus
Amortisation Test Aggregate Loan Amount	The meaning given on page 205 of this Prospectus
Amortisation Test Current Balance	The meaning given on page 205 of this Prospectus
Amortised Face Amount	The meaning given on page 135 of this Prospectus
applicable Final Terms	The meaning given on page 102 of this Prospectus
Arranger	Lloyds Bank Corporate Markets plc and references to "Arranger" include any additional Dealer(s) appointed as Arranger and exclude any Arranger whose appointment has been terminated
Arrears Adjusted Current Balance	The meaning given on page 201 of this Prospectus

in Arrears	In respect of a Mortgage Account, that one or more Monthly Payments in respect of such Mortgage Account have become due and remain unpaid by a Borrower
Asset Coverage and Investor Report	The report substantially in the form set out in Schedule 3 to the Cash Management Agreement, to be prepared by the Cash Manager each month
Asset Coverage Test	The meaning given on page 199 of this Prospectus
Asset Coverage Test Breach Notice	The notice required to be served by the Bond Trustee if the Asset Coverage Test is not satisfied on two consecutive Calculation Dates
Asset Monitor	PricewaterhouseCoopers LLP appointed as such under the Asset Monitor Agreement (and any successor asset monitor appointed in accordance with the Asset Monitor Agreement)
Asset Monitor Agreement	The asset monitor agreement entered into on the Programme Date between the Asset Monitor, the LLP, the Cash Manager, the Issuer, the Bond Trustee and the Security Trustee (as the same may be amended, restated, supplemented, replaced or novated from time to time)
Asset Monitor Report	A report substantially in the form contained in Schedule 2 to the Asset Monitor Agreement and prepared by the Asset Monitor on the basis of and in accordance with the calculations and procedures set out in Schedule 3 of the Asset Monitor Agreement
Asset Percentage	94.0 per cent. or such lower percentage figure as determined from time to time pursuant to Clause 11.3 of the LLP Deed
Asset Pool	All assets of the LLP from time to time including but not limited to the Portfolio, any Substitution Assets, any Authorised Investments, the rights of the LLP in the Transaction Documents, the LLP Accounts (other than any Swap Collateral Account) and all amounts standing to the credit thereto and any other assets referred to in Regulation 3(1) (*Asset Pool*) of the RCB Regulations, provided that all such assets are recorded as comprising the asset pool under the RCB Regulations
Asset Segregation	The meaning given on page 0 of this Prospectus
Authorised Investments	Each of: (a) Sterling gilt-edged securities having a remaining maturity of 30 days or less and maturing on or before the next following LLP Payment Date; and (b) Sterling demand or time deposits, provided that in all cases such investments have a remaining period to maturity of 30 days or less and mature on or before the next following LLP Payment Date and the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) are rated at least (i) "P-1" by Moody's or (ii) its equivalent by three other internationally recognised rating agencies,

provided that such Authorised Investments comply with the requirements of Regulation 2(1)(a) of the RCB Regulations

Authorities

The FCA in its capacity as competent authority under the FSMA and references to the Authorities shall, in relation to any Covered Bonds, be references to the competent authority relating to the stock exchange on which the Covered Bonds are from time to time, or will be, listed or admitted to trading

Available Principal Receipts

On a relevant Calculation Date, an amount equal to the aggregate of (without double counting):

(a) the amount of Principal Receipts received during the immediately preceding Calculation Period and credited to the Principal Ledger on each Transaction Account;

(b) any other amount standing to the credit of the Principal Ledger including (i) the proceeds of any Term Advance (where such proceeds have not been applied to acquire New Portfolios or invest in Substitution Assets), (ii) any Cash Capital Contributions received from a Member (other than those Cash Capital Contributions credited to the Reserve Ledger or the Revenue Ledger on each Transaction Account) and (iii) the proceeds from any sale of Loans (including, but not limited to, Selected Loans) pursuant to the terms of the LLP Deed or the Mortgage Sale Agreement to the extent that such proceeds represent principal, but excluding any amount of principal received under the Covered Bond Swap Agreements, which is otherwise applied by the LLP in accordance with the provisions of the LLP Deed;

(c) following repayment of any Hard Bullet Covered Bonds by the Issuer and the LLP on the Final Maturity Date thereof, any amounts standing to the credit of the Pre-Maturity Liquidity Ledger in respect of such Series of Hard Bullet Covered Bonds (except where the LLP has elected to or is required to retain such amounts on the Pre-Maturity Liquidity Ledger);

(d) the amount of any termination payment received from a Swap Provider which is not applied to acquire a replacement for the relevant terminated Swap; and

(e) any Excess Proceeds,

Excluding

(f) any Swap Collateral Excluded Amounts (to the extent otherwise constituting Available Principal Receipts);

(g) Tax Credits and any amount received by the LLP in respect of Tax Credits (to the extent otherwise constituting Available Principal Receipts); and

(h) Swap Provider Tax Payments received from Swap Providers (to the extent otherwise constituting Available Principal Receipts)

Available Revenue Receipts

On a relevant Calculation Date, an amount equal to the aggregate of (without double counting):

(a) the amount of Revenue Receipts received during the immediately preceding Calculation Period and credited to the Revenue Ledger on each Transaction Account;

(b) other net income of the LLP including all amounts of interest received on the LLP Accounts (other than any Swap Collateral Account), the Substitution Assets and any Authorised Investments in the preceding Calculation Period and the proceeds from any sale of Loans (including, but not limited to, Selected Loans) pursuant to the terms of the LLP Deed or the Mortgage Sale Agreement to the extent that such proceeds comprise Accrued Interest, but excluding amounts received by the LLP under the Cover Pool Swap Agreement and amounts in respect of interest received by the LLP under each Covered Bond Swap Agreement, in each case which is otherwise applied by the LLP in accordance with the LLP Deed;

(c) amounts standing to the credit of the Reserve Fund in excess of the Reserve Fund Required Amount;

(d) any other Revenue Receipts not referred to in paragraphs (a) to (c) (inclusive) above received during the previous Calculation Period and standing to the credit of the Revenue Ledger on each Transaction Account;

(e) following service of a Notice to Pay or an Asset Coverage Test Breach Notice (which remains outstanding), amounts standing to the credit of the Reserve Fund;

(f) the amount of any premium received by the LLP from a new Swap Provider as consideration for the entry by the LLP into a new Swap Agreement, except to the extent applied to pay any termination payment under the relevant Swap being replaced; and

(g) amounts credited to the Revenue Ledger by way of Cash Capital Contributions pursuant to Clause 8.4(ii) of the LLP Deed, which have not otherwise been applied,

Excluding

(h) Third Party Amounts, which shall be paid on receipt in cleared funds to the Seller (to the extent otherwise constituting Available Revenue Receipts);

(i) Tax Credits and any amount received by the LLP in respect of Tax Credits (to the extent otherwise constituting Available Revenue Receipts);

(j) Swap Collateral Excluded Amounts (to the extent otherwise constituting Available Revenue Receipts); and

(k) Swap Provider Tax Payments received from the Swap Providers

Back-Up Cash Manager	Any back-up or successor cash manager appointed as such under the Cash Management Agreement together with any successor appointed from time to time thereunder
Back-Up Cash Manager Facilitator	CSC Management Services (UK) Limited (formerly Intertrust Management Limited) acting through its office at 5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU, in its capacity as back-up cash manager facilitator under the Cash Management Agreement
Back-Up Servicer	Any back-up or successor servicer appointed as such under the Servicing Agreement together with any successor appointed from time to time thereunder
Back-Up Servicer Facilitator	CSC Management Services (UK) Limited (formerly Intertrust Management Limited acting through its office at 5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU, in its capacity as back-up servicer facilitator under the Servicing Agreement
Bank Account Agreements	(i) The HSBC Bank Account Agreement; (ii) the Lloyds Bank Account Agreement; and (iii) any other bank account agreements entered into from time to time between the LLP, any additional account bank, the Cash Manager and the Security Trustee (in each case as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time)
Bank Rate	The meaning given on page 114 of this Prospectus
Banking Act	Banking Act 2009
Base Rate Modification	The meaning given on page 151 of this Prospectus
Base Rate Modification Certificate	The meaning given on page 151 of this Prospectus
Basel III	The meaning given on page 37 of this Prospectus
BCBS	The meaning given on page 37 of this Prospectus
Bearer Covered Bonds	Covered Bonds in bearer form
Bearer Definitive Covered Bond	A Bearer Covered Bond in definitive form issued or, as the case may require, to be issued by the Issuer in accordance with the provisions of the Programme Agreement or any other agreement between the Issuer and the relevant Dealer, the Agency Agreement and the Trust Deed in exchange for either a Temporary Global Covered Bond or part thereof or a Permanent Global Covered Bond (all as indicated in the applicable Final Terms), such Bearer Covered Bond in definitive form being in the form or substantially in the form set out in Part 3 of Schedule 2 to the Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer or Lead Manager (in the case of syndicated issues) and having the Programme Conditions endorsed thereon or, if permitted by the relevant stock exchange, incorporating the Programme Conditions by reference as indicated in the applicable Final Terms and having the relevant

	information supplementing, replacing or modifying the Programme Conditions appearing in the applicable Final Terms endorsed thereon or attached thereto and (except in the case of a Zero Coupon Covered Bond in bearer form) having Coupons and, where appropriate, Receipts and/or Talons attached thereto on issue
Bearer Definitive Covered Bonds	The meaning given on page 102 of this Prospectus
Bearer Global Covered Bonds	Global Covered Bonds in bearer form, comprising Temporary Global Covered Bonds and Permanent Global Covered Bonds substantially in the forms set out in Part 1 and Part 2, respectively, of Schedule 2 to the Trust Deed
Belmont decision	The meaning given on page 84 of this Prospectus
Bond Trustee	Citicorp Trustee Company Limited, in its capacity as bond trustee under the Trust Deed together with any successor or additional bond trustee appointed from time to time thereunder
Borrower	In relation to a Loan, each individual specified as such in the relevant Mortgage Conditions together with each individual (if any) from time to time assuming an obligation to repay such Loan or any part of it
Broken Amount	The meaning (if any) given in the applicable Final Terms
BRRD	Directive 2014/59/EU (as amended)
Business Day	The meaning given in Condition 4.5 (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*) on page 124 of this Prospectus
Business Day Convention	In respect of a Tranche of Covered Bonds and either the Specified Periods or the Interest Payment Dates, the business day convention specified in the applicable Final Terms and determined in accordance with Condition 4.5 (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*) on page 124 of this Prospectus
Calculation Agent	In relation to one or more Series of Floating Rate Covered Bonds, the person initially appointed as calculation agent in relation to such Covered Bonds by the Issuer and the LLP pursuant to the Agency Agreement or, if applicable, any successor calculation agent in relation to such Covered Bonds
Calculation Agent(s)	The meaning given on page 102 of this Prospectus
Calculation Amount	In relation to any Series of Covered Bonds has the meaning given to it in the applicable Final Terms
Calculation Date	The third London Business Day prior to each LLP Payment Date
Calculation Period	The period from, and including the first day of each calendar month to, and including, the last day of each calendar month except that the first Calculation Period shall be the period from, and including, the First Sale Date to, and including, the last day of March 2017
Capital Account Ledger	The ledger maintained by the Cash Manager on behalf of the LLP in respect of each Member to record the balance of each Member's Capital Contributions from time to time

Capital Contribution	In relation to each Member, the aggregate of the capital contributed by that Member to the LLP from time to time by way of Cash Capital Contributions and Capital Contributions in Kind as determined on each Calculation Date in accordance with the formula set out in the LLP Deed
Capital Contribution in Kind	A contribution by way of Loans and their Related Security to the LLP in an amount equal to (a) the Current Balance of those Loans as at the relevant Sale Date minus (b) any cash payment paid by the LLP to the Seller for the Loans and their Related Security on that Sale Date, plus (c) the principal amount of all Flexible Loan Drawings and Further Advances in respect of such Loans which are funded by the Seller as a Member of the LLP and, without double counting, any increases in the Current Balance of the relevant Loan
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)
Capital Requirements Directive	Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions (recast)
Capital Requirements Regulation	Regulation (EU) No 575/2013 as amended of the European Parliament and of the Council of 26 June 2013
Cash Capital Contribution	A capital contribution to the LLP made in cash whether by way of loan or otherwise
Cash Management Agreement	The cash management agreement entered into on the Programme Date between the LLP, the Cash Manager and the Security Trustee (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time)
Cash Manager	TSB Bank plc, in its capacity as cash manager or any successor cash manager appointed from time to time pursuant to the Cash Management Agreement
CBTL	The meaning given on page 256 of this Prospectus
CCA	Consumer Credit Act 1974, as amended
cent and **c**	The meaning given on page xii of this Prospectus
Certificate of Title	A solicitor's or licensed conveyancer's or (in Scotland) qualified conveyancer's report or certificate of title obtained by or on behalf of the Seller in respect of each Property substantially in the form of the pro-forma set out in the Standard Documentation
Charged Property	The meaning given on page 217 of this Prospectus
Clearing Systems	Euroclear and/or Clearstream, Luxembourg
Clearstream, Luxembourg	Clearstream Banking, *société anonyme* or its successors
CMA	Competition and Markets Authority
CML	Council of Mortgage Lenders
Collateralised GIC Account	Any collateralised guaranteed investment contract account in the name of the LLP held with the Collateralised GIC Provider and maintained subject to the terms of the Collateralised

	Guaranteed Investment Contract, the Deed of Charge and the LLP Deed or such additional or replacement account designated as such
Collateralised GIC or **Collateralised Guaranteed Investment Contract**	Any collateralised guaranteed investment contract between the LLP, the Cash Manager, the Collateralised GIC Provider and the Security Trustee (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time)
Collateralised GIC Provider	Any bank acting in its capacity as collateralised guaranteed investment contract provider or any successor collateralised guaranteed investment contract provider appointed from time to time
Collection Account	The Sterling account in the name of TSB Bank held with the Collection Account Bank or such additional or replacement bank account at such other Collection Account Bank
Collection Account Bank	Lloyds Bank plc (or its successors or assigns) acting in its capacity as the bank at which the Collection Account(s) in respect of the Loans are maintained
Common Depositary	The common depositary for Euroclear and Clearstream, Luxembourg
Common Safekeeper	The common safekeeper of Euroclear SA/NV and Clearstream, Luxembourg or any entity so determined pursuant to the Agency Agreement
Companies Act	The meaning given to the term "Companies Acts" in Section 2 of the Companies Act 2006, with the addition of the words "to the extent that they are in force" at the end of Section 2(1)(a) (as it applies to limited liability partnerships) and any regulations made pursuant to those Acts to the extent that they are in force
Compounded Daily SONIA	The meaning given in Condition 4.2 (*Interest on Floating Rate Covered Bonds)* of the Terms and Conditions
CONC	The FCA's consumer credit sourcebook
Conduct Indemnity	The meaning given on page 33 of this Prospectus
Consumer Credit Directive	Directive 2008/48/EC of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC
Corporate Services Agreement	The corporate services agreement dated the Programme Date entered into by the Liquidation Member and Holdings, with, *inter alios*, the Corporate Services Provider, the Share Trustee and the LLP (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time)
Corporate Services Provider	CSC Management Services (UK) Limited (formerly Intertrust Management Limited acting through its office at 5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU, in its capacity as corporate services provider together with any successor corporate services provider from time to time
Counterparty Risk Assessment	The counterparty risk assessment rating by Moody's
Coupon	An interest coupon appertaining to a Bearer Definitive Covered Bond (other than a Zero Coupon Covered Bond), such coupon being:

(a) if appertaining to a Fixed Rate Covered Bond, substantially in the form set out in Part 5A of Schedule 2 to the Trust Deed or in such other form, having regard to the terms of issue of the Covered Bonds of the relevant Series, as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer; or

(b) if appertaining to a Floating Rate Covered Bond, substantially in the form set out in Part 5B of Schedule 2 to the Trust Deed or in such other form, having regard to the terms of issue of the Covered Bonds of the relevant Series, as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer; or

(c) if appertaining to a Bearer Definitive Covered Bond which is neither a Fixed Rate Covered Bond nor a Floating Rate Covered Bond, in such form as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer

Couponholders The holders of the Coupons (which expression shall, unless the context otherwise requires, include the holders of the Talons)

Coupons The meaning given on page 103 of this Prospectus

Covered Bond Each covered bond (including N Covered Bonds provided that the relevant N Covered Bondholder, in the case of the initial N Covered Bondholder, has entered into the related N Covered Bond Confirmation or, in the case of an assignee, has agreed to be bound by the terms of such N Covered Bond Confirmation by way of an N Covered Bond Assignment Agreement) issued or to be issued pursuant (except in the case of N Covered Bonds) to the Programme Agreement and which is or is to be constituted under the Trust Deed, which covered bond may be represented by a Global Covered Bond or any Definitive Covered Bond or, in the case of any N Covered Bond, by a relevant certificate and includes any replacements for a Covered Bond issued pursuant to Condition 10 (*Replacement of Covered Bonds, Receipts, Coupons and Talons*) of the Terms and Conditions or, in the case of N Covered Bonds, equivalent provisions

Covered Bond Guarantee An unconditional and irrevocable guarantee by the LLP in the Trust Deed for the payment (following service of a Notice to Pay or an LLP Acceleration Notice) of Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for Payment

Covered Bonds The meaning given on page i of this Prospectus

Covered Bond Swap Each transaction between the LLP, the relevant Covered Bond Swap Provider and the Security Trustee pursuant to a Covered Bond Swap Agreement

Covered Bond Swap Agreement Each agreement between the LLP, a Covered Bond Swap Provider and the Security Trustee governing any Covered Bond Swaps in the form of an ISDA Master Agreement, including a

	schedule, confirmations in relation to each transaction and a credit support annex
Covered Bond Swap Agreements	The meaning given on page 214 of this Prospectus
Covered Bondholder	The meaning given on page 104 of this Prospectus
Covered Bond Swap Early Termination Event	A Termination Event or Event of Default (each as defined in the relevant Covered Bond Swap Agreement), excluding a Swap Provider Downgrade Event, pursuant to which the Non-defaulting Party or the party that is not the Affected Party (each as defined in the relevant Covered Bond Swap Agreement), as applicable, may terminate the Covered Bond Swap Agreement
Covered Bond Swap Provider	Each provider of a Covered Bond Swap under a Covered Bond Swap Agreement
Covered Bond Swap Rate	In relation to a Series of Covered Bonds, the exchange rate specified in the Covered Bond Swap relating to such Covered Bonds or, if the relevant Covered Bond Swap Agreement has terminated, the applicable spot rate
Covered Bondholders	Means the several persons who are for the time being holders of outstanding Covered Bonds (being, in the case of Bearer Covered Bonds, the bearers thereof and, in the case of Registered Covered Bonds, the several persons whose names are entered in the register of holders of the Registered Covered Bonds as the holders thereof) save that, in respect of the Covered Bonds of any Series, for so long as such Covered Bonds or any part thereof are represented by a Bearer Global Covered Bond deposited with a Common Depositary or, as the case may be, the Common Safekeeper for Euroclear and Clearstream, Luxembourg, or so long as Euroclear or Clearstream, Luxembourg or its nominee is the registered holder of a Registered Global Covered Bond, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (other than Clearstream, Luxembourg, if Clearstream, Luxembourg shall be an accountholder of Euroclear and Euroclear, if Euroclear shall be an accountholder of Clearstream, Luxembourg) as the holder of a particular principal amount of the Covered Bond of such Series shall be deemed to be the holder of such principal amount of such Covered Bonds (and the holder of the relevant Global Covered Bond shall be deemed not to be the holder) for all purposes under the Trust Deed other than with respect to payment of principal or interest on such principal amount of such Covered Bonds, the rights to which shall be vested, as against the Issuer, the LLP and the Bond Trustee, solely in such common depositary or the Common Safekeeper and for which purpose such Common Depositary or the Common Safekeeper shall be deemed to be the holder of such principal amount of such Covered Bonds in accordance with and subject to its terms and the provisions of the trust presents and the expressions **Covered Bondholder**, **Holder** and **holder of Covered Bonds** and related expressions shall be construed accordingly

Cover Pool Swap	Any interest rate swap entered into between the Cover Pool Swap Provider, the LLP and the Security Trustee under the Cover Pool Swap Agreement for the purpose of hedging possible variances between the rates of interest payable on the Loans sold by the Seller to the LLP and SONIA;
Cover Pool Swap Agreement	The agreement between the LLP, the Cover Pool Swap Provider and the Security Trustee dated the Programme Date governing the Cover Pool Swap in the form of an ISDA Master Agreement, including a schedule, confirmations in relation to each transaction and a credit support annex, as the same may be amended, restated, supplemented, replaced or novated from time to time
Cover Pool Swap Early Termination Event	A Termination Event or an Event of Default (each as defined in the Cover Pool Swap Agreement), excluding a Swap Provider Downgrade Event, pursuant to which the Non-defaulting Party or the party that is not the Affected Party (each as defined in the Cover Pool Swap Agreement), as applicable, may terminate the Cover Pool Swap Agreement;
Cover Pool Swap Provider	TSB Bank plc in its capacity as interest rate swap provider under the Cover Pool Swap Agreement together with any successor or additional cover pool swap provider
CPUTR	The meaning given on page 261 of this Prospectus
CRA	The Consumer Rights Act 2015
CRA Regulation	The meaning given on page ii of this Prospectus
Current Balance	In relation to any Loan at any date (the **current balance determination date**), the aggregate at such date (but avoiding double counting) of: (a) the Initial Advance; (b) Further Advances and/or Flexible Loan Drawings; (c) all expenses, charges, fees, premium or payment due and owing by the Borrower, whether or not such accounts have been capitalised including Accrued Interest, arrears of interest, high loan-to-value fees, insurance premiums, booking fees and valuation fees, in each case relating to such Loan less all prepayments, repayments or payments of any of the foregoing made on or prior to the current balance determination date; and in relation to any Mortgage Account at the current balance determination date, the aggregate at such date of the Current Balance in respect of each Loan comprised in the relevant Mortgage Account
Custodian	Any custodian with whom the relevant Registered Global Covered Bonds have been deposited
Custody Swap Collateral Account	A custody account opened pursuant to the Swap Collateral Bank Account Agreement
Customer Files	The file or files relating to each Loan and its Related Security containing, *inter alia*:

	(a) all material correspondence relating to that Loan; and (b) the completed mortgage documentation applicable to the Loan (other than the Title Deeds) including the Valuation Report and the solicitor's or licensed or qualified conveyancer's Certificate of Title, whether original documentation, in electronic form or otherwise
Day Count Fraction	The meaning given in Condition 4.5(c) (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*) on page 125 of the Programme Conditions
Dealer	Each dealer appointed from time to time in accordance with the Programme Agreement, which appointment may be for a specific issue or on an ongoing basis. As at the date of this Prospectus, the Dealers are Banco de Sabadell, S.A. and Lloyds Bank Corporate Markets plc (each referred to throughout this Prospectus as a **Dealer** and together the **Dealers**)
Dealers	The meaning given on page i of this Prospectus
Deed of Charge	The deed of charge dated the Programme Date and made between the LLP, the Bond Trustee, the Security Trustee and the other Secured Creditors (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time)
Defaulted Loan	Any Loan in the Portfolio where the amount in Arrears is equal to or greater than three times the current Monthly Payment
Deferred Consideration	The consideration payable to the Seller in respect of the Loans sold to the LLP from time to time, which is payable after making payments of a higher order of priority as set out in the relevant Priority of Payments
Definitive Covered Bond	A Bearer Definitive Covered Bond and/or a Registered Definitive Covered Bond, as the context may require
Definitive Covered Bonds	The meaning given on page 102 of this Prospectus
Designated Account	The meaning given in Condition 5.4 (*Payments in respect of Registered Covered Bonds*) of the Programme Conditions
Designated Bank	The meaning given in Condition 5.4 (*Payments in respect of Registered Covered Bonds*) of the Programme Conditions
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 being, as at the Programme Date, TSB Bank plc and the Liquidation Member
Designated Members	The meaning given on page 198 of this Prospectus
Determination Date	The meaning given in the applicable Final Terms
Determination Period	The meaning given in Condition 4.5 (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*) of the Programme Conditions
Directors	The directors for the time being of the Issuer

Discretionary Rate	The Standard Variable Rate, the Homeowner Variable Rate and/or any other discretionary rates (other than fixed rates or tracker rates) applicable to any Discretionary Rate Loans
Discretionary Rate Loans	Loans which are subject to the Standard Variable Rate, the Homeowner Variable Rate or to other Discretionary Rates for the remaining life of the mortgage loan
Distribution Compliance Period	The period that ends 40 days after the later of the commencement of the offering and the Issue Date
DPA	Data Protection Act 2018, as amended
Due for Payment	The requirement by the LLP to pay any Guaranteed Amount: (a) following service of a Notice to Pay but prior to service of an LLP Acceleration Notice: (i) (except where paragraph (ii) below applies) on the date on which the Scheduled Payment Date in respect of such Guaranteed Amount is reached, or, if the applicable Final Terms specified that an Extended Due for Payment Date is applicable to the relevant Series of Covered Bonds, on the Interest Payment Date that would have applied if the Final Maturity Date of such Series of Covered Bonds had been the Extended Due for Payment Date or such other Interest Payment Date(s) specified in the applicable Final Terms (the **Original Due for Payment Date**); and (ii) in relation to any Guaranteed Amount in respect of the Final Redemption Amount payable on the Final Maturity Date of a Series of Covered Bonds for which an Extended Due for Payment Date is specified in the applicable Final Terms, on the Extended Due for Payment Date, but only to the extent that the LLP, having received the Notice to Pay no later than the date falling one Business Day prior to the Extension Determination Date, does not pay Guaranteed Amounts corresponding to the full amount of the Final Redemption Amount in respect of such Series of Covered Bonds by the Extension Determination Date, because the LLP has insufficient moneys available under the Guarantee Priority of Payments to pay such Guaranteed Amounts in full on the earlier of (1) the date which falls two Business Days after service of the Notice to Pay on the LLP or, if later, the Final Maturity Date (in each case after the expiry of the grace period set out in the Final Terms (if any)) and (2) the Extension Determination Date or if, in either case, such day is not a Business Day, the next following Business Day.

	For the avoidance of doubt, Due for Payment does not refer to any earlier date upon which payment of any Guaranteed Amounts may become due under the guaranteed obligations, by reason of prepayment, acceleration of maturity, mandatory or optional redemption or otherwise; or
	(b) following service of an LLP Acceleration Notice, on the date on which the LLP Acceleration Notice is served on the Issuer and the LLP,
	and the date on which any payment is Due for Payment shall be the **Due for Payment Date**
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 each Transaction 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 service of an LLP Acceleration Notice)
Early Redemption Amount	The amount calculated in accordance with Condition 6.7 (*Early Redemption Amounts*) of the Programme Conditions
Early Repayment Charges	The charge which a Borrower is required to pay under the terms of the relevant Loan if he or she repays all or part of the Loan before a specified date
EEA	The European Economic Area
Eligibility Criteria	The meaning given on page 185 of this Prospectus
English Loan	A Loan secured by a Mortgage over a Property located in England or Wales
Equity Release Loan	A residential mortgage loan where Borrowers have monetised their properties for either a lump sum of cash or regular periodic income (e.g. as a retirement plan), with no repayment of the loan envisaged before the sale of the property
ESMA	The meaning given on page 49 of this Prospectus
€STR	The Euro Short-Term Rate
EU	The European Union
EU Prospectus Regulation	Regulation (EU) 2017/1129
EURIBOR	Euro-zone interbank offered rate
Euroclear	Euroclear Bank S.A./N.V. or its successors
European Market Infrastructures Regulation or EU EMIR	Regulation (EU) 648/2012 as it forms part of domestic law by virtue of the EUWA (including, without limitation, any associated regulatory technical standards and advice, guidance or recommendations from supervisory regulation)
EUWA	The European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) as amended, varied, superseded or substituted from time to time
Excess Proceeds	In accordance with the Terms and Conditions, moneys received (following service of an Issuer Acceleration Notice) by the Bond

	Trustee from the Issuer or any administrator, administrative receiver, receiver, liquidator, trustee in sequestration or other similar officer appointed in relation to the Issuer
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 on page 89 and in the case of Registered Covered Bonds, the meaning given on page 90 of this Prospectus
Excluded Scheduled Interest Amounts	The meaning given in the definition of Scheduled Interest
Excluded Scheduled Principal Amounts	The meaning given in the definition of Scheduled Principal
Excluded Swap Termination Amount	In relation to a Swap Agreement, an amount equal to the amount of any termination payment due and payable under that Swap Agreement (a) to the relevant Swap Provider as a result of a Swap Provider Default with respect to such Swap Provider or (b) to the relevant Swap Provider following a Swap Provider Downgrade Event with respect to such Swap Provider
Extended Covered Bond	The meaning given on page 234 of this Prospectus
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 by the Extension Determination Date
Extension Determination Date	In relation to any Series of Covered Bonds, the date falling two Business Days after the expiry of 14 days from (and including) the Final Maturity Date of such Series of Covered Bonds
Extraordinary Resolution	A resolution of the Covered Bondholders passed as such under the terms of the Trust Deed
FATCA	Certain provisions of U.S. law commonly referred to as the Foreign Account Tax Compliance Act
FCA or **Financial Conduct Authority**	Financial Conduct Authority of the United Kingdom
FIEA	The meaning given on page 275 of this Prospectus
Final Maturity Date	The Interest Payment Date on which a Series of Covered Bonds will be redeemed at the Final Redemption Amount in accordance with the Programme Conditions
Final Redemption Amount	The meaning given in the applicable Final Terms
Final Terms	The final terms substantially in the form of Schedule 3 to the Agency Agreement which, with respect to each Tranche of Covered Bonds to be admitted to the Official List and admitted to trading by the London Stock Exchange, will be delivered to the FCA and the London Stock Exchange on or before the date of issue of the applicable Tranche or Series of Covered Bonds
Financial Services Act	Legislative Decree No. 58 of 24 February 1998 of the Republic of Italy, as amended

financial statements	The meaning given on page xii of this Prospectus
First Sale Date	The date on which the Initial Portfolio is assigned to the LLP pursuant to the terms of the Mortgage Sale Agreement
Fixed Coupon Amount	The meaning given in the applicable Final Terms
Fixed Rate Covered Bonds	Covered Bonds that pay a fixed rate of interest on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) as indicated in the applicable Final Terms
Fixed/Floating Rate Covered Bonds	Covered Bonds that bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate
Fixed Rate Loans	Loans where the interest rate payable by the Borrower does not vary and is fixed for a certain period of time by the Seller
Flexible Draw Capacity	The meaning given on page 204 of this Prospectus
Flexible Loan	A type of Loan product that typically incorporates features that give the Borrower options (which may be subject to certain conditions) to, among other things, make further drawings on the Mortgage Account and/or overpay or underpay interest and principal in a given month and/or take a Payment Holiday
Flexible Loan Drawing	Any further drawing of moneys made by a Borrower under a Flexible Loan other than the Initial Advance
Floating Rate	The meaning given in the ISDA Definitions
Floating Rate Convention	The meaning given in Condition 4.5 (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*) of the Terms and Conditions
Floating Rate Covered Bonds	Covered Bonds which bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions; or (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (c) on such other basis as may be agreed between the Issuer and the relevant Dealer, as set out in the applicable Final Terms
Floating Rate Option	The meaning given in the ISDA Definitions
Following Business Day Convention	The meaning given in Condition 4.5 (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*) of the Programme Conditions
FOS	Financial Ombudsman Service under the FSMA
FSA or **Financial Services Authority**	The Financial Services Authority of the United Kingdom (from 1 April 2013, the Financial Conduct Authority or the Prudential Regulatory Authority, as applicable)
FSCS	Financial Services Compensation Scheme

FSMA	Financial Services and Markets Act 2000, as amended
Further Advance	In relation to a Loan, any advance of further money to the relevant Borrower following the making of the Initial Advance which is secured by the same Mortgage as the Initial Advance but does not include the amount of any retention advanced to the relevant Borrower as part of the Initial Advance after completion of the Mortgage and does not include a Flexible Loan Drawing
Global Covered Bond	A Bearer Global Covered Bond and/or Registered Global Covered Bond, as the context may require
Group	TSB Bank plc and its subsidiaries and associated undertakings
Guaranteed Amounts	Prior to service of an LLP Acceleration Notice, with respect to any Original Due for Payment Date or, if applicable, any Extended Due for Payment Date, the sum of Scheduled Interest and Scheduled Principal, in each case, payable on that Original Due for Payment Date or, if applicable, any Extended Due for Payment Date, or after service of an LLP Acceleration Notice, an amount equal to the relevant Early Redemption Amount as specified in the Terms and Conditions plus all accrued and unpaid interest and all other amounts due and payable in respect of the Covered Bonds (other than additional amounts payable under Condition 7 (*Taxation*) of the Terms and Conditions), including all Excluded Scheduled Interest Amounts, all Excluded Scheduled Principal Amounts (whenever the same arose) and all amounts payable by the LLP under the Trust Deed and for the avoidance of doubt, including the remuneration and expenses of the Bond Trustee or other amounts due to it to the extent not received by the Bond Trustee
Guaranteed Amounts Due Date	The later of (a) the date which is two Business Days following service of a Notice to Pay on the LLP, and (b) the date on which the Guaranteed Amounts are otherwise Due for Payment
Guarantee Priority of Payments	The meaning given on page 232 of this Prospectus
Hard Bullet Covered Bonds	The Covered Bonds of a Tranche or Series which are not subject to an Extended Due for Payment Date as specified in the Final Terms
HMRC	HM Revenue and Customs
HM Treasury	The Commissioners of His Majesty's Treasury (or, where HM Treasury has nominated a nominee to acquire any shares which HM Treasury would otherwise be obliged to acquire, such nominee)
holding company	Any body corporate which is for the time being a holding company within the meaning given to it in Section 1159 of the Companies Act
Holdings	TSB Covered Bonds (Holdings) Limited, a special purpose vehicle incorporated under the laws of England and Wales as a private limited company whose registered office is at 5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU (registered no. 10181392)

holder of Covered Bonds	The meaning given on page 104 of this Prospectus
Homeowner Variable Rate	The Seller's current reversionary rate, being 3.74 per cent. as at the Programme Date, as administered, at the discretion of the Seller, by reference to the general level of interest rates and competitive forces in the UK mortgage market
House Price Index	The index of movements in house prices in relation to residential properties in the United Kingdom currently known as the "Halifax House Price Index" published by Markit Group Limited or any of its successors or assigns
House Price Indexed Valuation	In relation to any Property at any date, the Latest Valuation of that Property increased or decreased as appropriate by the increase or decrease in the House Price Index since the date of that Latest Valuation
HSBC Account Bank	HSBC Bank plc acting in its capacity as an account bank and any other financial institution which accedes to the HSBC Bank Account Agreement as the HSBC Account Bank
HSBC Bank Account Agreement	The HSBC bank account agreement entered into on the Programme Date between the LLP, the HSBC Account Bank, the Cash Manager and the Security Trustee (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time)
HSBC Transaction Account	The account in the name of the LLP held with the HSBC Account Bank maintained subject to the terms of the HSBC Bank Account Agreement, the Deed of Charge and the LLP Deed
i	The meaning given on page 110 of this Prospectus
ICSDs	The meaning given on page 217 of this Prospectus
Indexed Valuation	In relation to any Loan secured over any Property at any date: (a) where the Latest Valuation of that Property is equal to or greater than the House Price Indexed Valuation as at that date, the House Price Indexed Valuation; or (b) where the Latest Valuation of that Property is less than the House Price Indexed Valuation as at that date, the Latest Valuation plus 85 per cent. of the difference between the Latest Valuation and the House Price Indexed Valuation
Initial Advance	In relation to a Loan, the original principal amount advanced by the Seller including any retention(s) advanced to the relevant Borrower in accordance with the Mortgage Conditions after completion of the Mortgage but excluding any: (a) Further Advance; and (b) Flexible Loan Drawing, in each case relating to any such Loan
Initial Portfolio	The meaning given on page 239 of this Prospectus
Insolvency Act	Insolvency Act 1986, as amended
Insolvency Event	In respect of the Seller, the Servicer or Cash Manager:

(a) an order is made or an effective resolution passed for the winding-up of the relevant entity; or

(b) the relevant entity ceases or threatens to cease to carry on the whole of its business 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), (b), (c) or (d) of the Insolvency Act 1986 (as amended) or becomes unable to pay its debts as they fall due or the value of its assets falls to less than the amounts of its liabilities (taking into account, for both these purposes, contingent and prospective liabilities) or otherwise becomes insolvent; or

(c) proceedings (including, but not limited to, presentation of an application for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) are initiated against the relevant entity under any applicable liquidation, administration, reorganisation (other than a reorganisation where the relevant entity is solvent) 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 the substantial part of the undertaking or assets of the relevant entity or the appointment of an administrator takes effect; or a distress, execution or diligence or other process is enforced upon the whole or the substantial part of the undertaking or assets of the relevant entity and in any of the foregoing cases it is not discharged within 15 London 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 or takes steps with a view to obtaining a moratorium in respect of any indebtedness

Instalment Amounts In respect of Instalment Covered Bonds, each amount specified as such in the applicable Final Terms

Instalment Covered Bonds Covered Bonds which will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Final Terms

Instalment Dates In respect of Instalment Covered Bonds, each date specified as such in the applicable Final Terms

Insurance Acknowledgement In the case of the Insurance Policy, a duly executed letter from the relevant insurer substantially in the form set out in Schedule 8 to the Mortgage Sale Agreement

Insurance Claim Proceeds The proceeds resulting of any claims under the Insurance Policy

Insurance Policy means the Properties in Possession Cover and **Insurance Policies** shall be construed accordingly

Intercompany Loan	All Term Advances made by the Issuer to the LLP under the Intercompany Loan Agreement
Intercompany Loan Agreement	The term loan agreement dated the Programme Date between the Issuer, the LLP, the Cash Manager and the Security Trustee (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time)
Intercompany Loan Ledger	The ledger of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record all payments of interest and repayments of principal on each of the Term Advances
Interest Amount	The amount of interest payable on the Floating Rate Covered Bonds in respect of each Specified Denomination for the relevant Interest Period, as calculated in accordance with Condition 4.2(d) (*Interest on Floating Rate Covered Bonds*) of the Programme Conditions
Interest Commencement Date	In the case of interest-bearing Covered Bonds, the date specified in the applicable Final Terms from (and including) which the relevant Covered Bonds will accrue interest
Interest Determination Date	In respect of Floating Rate Covered Bonds the meaning given in the applicable Final Terms
Interest Payment Date	In respect of Fixed Rate Covered Bonds, the meaning given to it in the applicable Final Terms and in respect of Floating Rate Covered Bonds, the meaning given in Condition 4.2(a)(ii) (*Interest on Floating Rate Covered Bonds*) of the Programme Conditions
Interest Period	In accordance with Condition 4.5 (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*) of the Programme Conditions, the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date
Interest Rate Shortfall	The meaning given on page 195 of this Prospectus
Interest Rate Shortfall Test	The meaning given on page 195 of this Prospectus
Investor Put	The meaning given in Condition 6.4 (*Redemption at the option of the Covered Bondholders (Investor Put)*) of the Programme Conditions
Investor's Currency	The meaning given on page 54 of this Prospectus
ISDA	International Swaps and Derivatives Association, Inc.
ISDA Definitions	The 2006 ISDA Definitions, as published by ISDA
ISDA Determination	If specified as applicable in the applicable Final Terms, the manner in which the Rate of Interest on Floating Rate Covered Bonds is to be determined in accordance with Condition 4.2 (*Interest on Floating Rate Covered Bonds*)
ISDA Master Agreement	The 1992 ISDA Master Agreement (Multicurrency – Cross Border), as published by ISDA
ISDA Rate	The meaning given in Condition 4.2(b)(i) (*Interest on Floating Rate Covered Bonds*) of the Programme Conditions

Issue Date	Each date on which the Issuer issues a Tranche or Series of Covered Bonds under the Programme, as specified in the applicable Final Terms
Issue Price	The price, generally expressed as a percentage of the nominal amount of the Covered Bonds, at which a Series or Tranche of Covered Bonds will be issued
Issuer	TSB Bank plc
Issuer Acceleration Notice	The meaning given in Condition 9.1 (*Issuer Events of Default*) of the Programme Conditions
Issuer Call	The meaning given in Condition 6.3 (*Redemption at the option of the Issuer (Issuer Call)*) of the Programme Conditions
Issuer Event of Default	The meaning given in Condition 9.1 (*Issuer Events of Default*) of the Programme Conditions
Issuer Subordinated Loan	The meaning given on page 199 of this Prospectus
Issuer-ICSDs Agreement	The meaning given on page 217 of this Prospectus
Italian Banking Act	Financial Services Act and Legislative Decree No. 385 of 1 September 1993 of the Republic of Italy, as amended
Latest Valuation	In relation to any Property, the value given to that Property by the most recent Valuation Report addressed to the Seller or assessed using automated valuation models
Lead Manager	In relation to any Tranche of Covered Bonds, the person named as the Lead Manager in the applicable Subscription Agreement or, when only one Dealer signs such Subscription Agreement, such Dealer
Ledger	Each of the Revenue Ledger, the Principal Ledger, the Reserve Ledger, the Pre-Maturity Liquidity Ledger, the Supplemental Liquidity Reserve Ledger, the Intercompany Loan Ledger and the Capital Account Ledger
Lending Criteria	The lending criteria of the Seller from time to time
Liquidation Member	TSB Covered Bonds (LM) Limited, a special purpose vehicle incorporated under the laws of England and Wales as a private limited company whose registered office is 5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU (registered no. 10181264)
Lloyds Banking Group	Lloyds Banking Group plc and its associated and subsidiary undertakings
Lloyds 2013 Part VII Transfer	The transfer of assets from Lloyds Bank plc pursuant to a transfer under Part VII of the Financial Services and Markets Act 2000 to TSB Bank plc under a business transfer agreement dated 13 March 2013
Lloyds Account Bank	Lloyds Bank plc acting in its capacity as an account bank and any other financial institution which accedes to the Lloyds Bank Account Agreement as the Lloyds Account Bank
Lloyds Bank Account Agreement	The Lloyds bank account agreement entered into on or about 19 July 2023 between the LLP, the Lloyds Account Bank, the Cash Manager and the Security Trustee (as the same may be amended,

	restated, varied, supplemented, replaced and/or novated from time to time)
Lloyds Transaction Account	The account in the name of the LLP held with the Lloyds Account Bank maintained subject to the terms of the Lloyds Bank Account Agreement, the Deed of Charge and the LLP Deed
LLP	TSB Covered Bonds LLP, a limited liability partnership incorporated in England and Wales whose registered office is 5 Churchill Place, 10th Floor, London, United Kingdom, E14 5HU (registered no. OC411834)
LLPA	The meaning given on page 81 of this Prospectus
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 Acceleration Notice) and as against the LLP, thereupon immediately become, due and repayable at its Early Redemption Amount and all amounts payable by the LLP under the Covered Bond Guarantee shall thereupon immediately become due and payable at the Guaranteed Amount corresponding to the Early Redemption Amount for each Covered Bond of each Series, in each case as provided in and in accordance with the Trust Deed, and thereafter the Security shall become enforceable if any of the LLP Events of Default shall occur and be continuing
LLP Accounts	Each Transaction Account and any additional or replacement accounts opened in the name of the LLP, including each Swap Collateral Account, the Collateralised GIC Account (if any) and any custody accounts
LLP Deed	The limited liability partnership deed entered into on the Programme Date between the LLP, the Seller, the Liquidation Member, the Bond Trustee and the Security Trustee (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time)
LLP Event of Default	The meaning given in Condition 9.2 (*LLP Events of Default*) of the Programme Conditions
LLP Management Board	The management board which will act on behalf of the LLP and to which (other than certain decisions identified in the LLP Deed as requiring a unanimous decision of the Members, including (without limitation) any decision to approve the audited accounts of the LLP or to make a resolution for the voluntary winding-up of the LLP) the Members delegate all matters relating to the business of the LLP and its management
LLP Payment Date	The 8th day of each month or if not a London Business Day the next following London Business Day
LLP Payment Period	The period from (and including) an LLP Payment Date to (but excluding) the next following LLP Payment Date
Loan	Each mortgage loan (including, for the avoidance of doubt, any English Loan or any Scottish Loan) which is to be sold, assigned or transferred by the Seller to the LLP from time to time under

	the terms of the Mortgage Sale Agreement (or, in the case of Scottish Loans, held pursuant to a Scottish Declaration of Trust) and referenced by its mortgage loan identifier number and comprising the aggregate of all principal sums, interest, costs, charges, expenses and other moneys (including, without limitation, all Flexible Loan Drawings, Product Switches and Further Advances which are, or are to be, sold, assigned and transferred by the Seller to the LLP under the terms of the Mortgage Sale Agreement) due or owing with respect to that mortgage loan under the relevant Mortgage Conditions by a Borrower on the security of a Mortgage from time to time outstanding or, as the context may require, the Borrower's obligations in respect of the same but excluding any mortgage loan which is repurchased by the Seller or otherwise sold by the LLP and no longer beneficially owned by it
Loan Repurchase Notice	A notice in substantially the form set out in the Mortgage Sale Agreement served by the LLP on the Seller in relation to the repurchase of Loans in the Portfolio by the Seller in accordance with the terms of the Mortgage Sale Agreement
Loan-to-Value Ratio	The ratio of the outstanding balance of a Loan to the House Price Indexed Valuation (such House Price Indexed Valuation calculated following the application of the House Price Index on a regional basis to property valuations on a quarterly basis) of the Property securing that Loan
London Banking Day or **LBD**	The meaning given on page 110 of this Prospectus
London Business Day	A day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London
London Stock Exchange	London Stock Exchange plc or any body to which its functions have been transferred
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
Margin	In respect of a Floating Rate Covered Bond, the percentage rate per annum (if any) specified in the applicable Final Terms
MiFID II	The meaning given on page viii of this Prospectus
Master Definitions and Construction Agreement	The master definitions and construction agreement made between the parties to the Transaction Documents on the Programme Date (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time)
Maximum Rate of Interest	In respect of Floating Rate Covered Bonds, the percentage rate per annum (if any) specified in the applicable Final Terms
Maximum Redemption Amount	The amount specified as such in the applicable Final Terms

MCCB	Mortgage Code Compliance Board
MCD	Directive 2014/17/EU (as amended)
MCOB	Mortgages and Home Finance: Conduct of Business Sourcebook, published under the FSMA on 31 October 2004, as amended, revised or supplemented from time to time
Member	Each member of the LLP
Members	The meaning given on page 198 of this Prospectus
MH/CP Documentation	An affidavit, declaration, consent or renunciation granted in terms of the Matrimonial Homes (Family Protection) (Scotland) Act 1981 and/or (where applicable) the Civil Partnership Act 2004 in connection with a Mortgage over a Property in Scotland or the Property secured thereby
Minimum Rate of Interest	In respect of Floating Rate Covered Bonds the percentage rate per annum (if any) specified in the applicable Final Terms
Minimum Redemption Amount	The amount (if any) specified as such in the applicable Final Terms
Modified Following Business Day Convention	The meaning given in Condition 4.5(b)(iii) (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*) of the Programme Conditions
Monthly Payment	The amount which the relevant Mortgage Conditions require a Borrower to pay on each Monthly Payment Day in respect of that Borrower's Loan
Monthly Payment Day	The date on which interest (and principal in relation to a repayment mortgage) is due to be paid by a Borrower on a Loan or, if any such day is not a London Business Day, the next following London Business Day unless the related Mortgage Conditions provide for such other adjustment of the business day convention
Moody's	Moody's Investors Service Limited or its successors
Mortgage	The legal charge, mortgage, standard security or charge securing a Loan
Mortgage Account	All Loans secured on the same Property and thereby forming a single mortgage account
Mortgage Code	The mortgage code sponsored by the CML and policed by the MCCB under which, until 31 October 2004, residential mortgage business in the UK was voluntarily self-regulated
Mortgage Conditions	The terms and conditions applicable to a Loan and/or Mortgage as contained in the Seller's "Mortgage Conditions" booklet (or equivalent document) from time to time under the applicable Mortgage Terms (or the equivalent documentation published by a New Seller)
Mortgage Sale Agreement	The mortgage sale agreement entered into on the Programme Date between the Seller, the LLP and the Security Trustee (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time) and, where the context so requires, including any New Mortgage Sale

	Agreement entered into from time to time between any New Seller, the LLP and the Security Trustee
Mortgage Terms	All the terms and conditions applicable to a Loan and/or Mortgage, including, without limitation, the applicable Mortgage Conditions, Loan Conditions and Offer Conditions
N Covered Bond	A registered Covered Bond in definitive form made out in the name of a specified N Covered Bondholder issued or to be issued by the Issuer in accordance with the provisions of the Agency Agreement and in accordance with and constituted by the Trust Deed, in the form of a German "Namensschuldverschreibung" substantially in the form set out in Schedule 7 to the Trust Deed with such modifications (if any) as may be agreed between the Issuer, the LLP, the Bond Trustee and the relevant N Covered Bondholder and having the N Covered Bond Conditions applicable to it annexed thereto and subject to the provisions of the N Covered Bond Confirmation (incorporating the N Covered Bond Confirmation Terms) relating thereto
N Covered Bond Assignment Agreement	The assignment agreement attached to each N Covered Bond, substantially in the form set out at Schedule 6 to the Trust Deed
N Covered Bond Conditions	The terms and conditions of each N Covered Bond annexed thereto
N Covered Bond Confirmation	In relation to each N Covered Bond, a confirmation incorporating the N Covered Bond Confirmation Terms and signed by the N Covered Bondholder, the LLP, the Issuer and the Bond Trustee, substantially in the form set out in Schedule 6 to the Trust Deed
N Covered Bond Confirmation Terms	The standard set of confirmation terms relating to each N Covered Bond, substantially in the form set out in Schedule 6 to the Trust Deed as may be amended from time to time in accordance with the Trust Deed
N Covered Bondholder	The registered holder of an N Covered Bond as recorded as such in the Register by the Registrar
Negative Carry Factor	The meaning given on page 203 of this Prospectus
New Company	The meaning set out in Condition 19.1 (*Substitution, Consolidation, Merger, Amalgamation or Transfer of the Issuer*) of the Terms and Conditions
New Entity	The meaning set out in Condition 19.3 (*Substitution, Consolidation, Merger, Amalgamation or Transfer of the Issuer*) of the Terms and Conditions
New Global Covered Bond or **NGCB**	A Temporary Global Covered Bond in the form set out in Part 1 of Schedule 2 to the Trust Deed or a Permanent Global Covered Bond in the form set out in Part 2 of Schedule 2 to the Trust Deed, in either case where the applicable Final Terms specifies that the Covered Bonds are in NGCB form
New Loan	Loans, other than the Loans comprised in the Initial Portfolio, which the Seller may assign or transfer to (or, in the case of Scottish Loans, hold pursuant to a Scottish Declaration of Trust

	for) the LLP after the First Sale Date pursuant to the Mortgage Sale Agreement
New Loan Type	A new type of mortgage loan originated by the Seller or a New Seller, which the Seller or the New Seller intends to transfer to the LLP, the terms and conditions of which are materially different (in the opinion of the Seller or the New Seller, acting reasonably) from any of the Loans or New Seller Loans in the Portfolio. For the avoidance of doubt, a mortgage loan will not constitute a New Loan Type if it differs from any of the Loans or New Seller Loans in the Portfolio solely 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, loans where the cash obligations on the part of the Seller remain outstanding and/or rate guarantees
New Member	Any new member admitted to the LLP after the Programme Date
New Mortgage Sale Agreement	Any new mortgage sale agreement entered into between any New Seller, the LLP and the Security Trustee which shall be substantially in the same form and contain substantially the same provisions (provided that the Security Trustee may agree variations to the representations and warranties in relation to the relevant New Seller Loans and their Related Security) as the Mortgage Sale Agreement
New Portfolio	The meaning given on page 239 of this Prospectus
New Portfolio Notice	A notice in the form set out in the Mortgage Sale Agreement served in accordance with the terms of the Mortgage Sale Agreement
New Seller	Any member of the Group (other than TSB Bank plc) that is a "Connected Person" as defined in Regulation 5 of the RCB Regulations and that accedes to the relevant Transaction Documents and sells New Seller Loans and their Related Security to the LLP in the future pursuant to a New Mortgage Sale Agreement
New Seller Loans	Loans originated by a New Seller
n_i	The meaning given on page 110 of this Prospectus
Notice to Pay	The meaning given in Condition 9.1 (*Issuer Events of Default*) of the Programme Conditions
Observation Period	The meaning given on page 106 of this Prospectus
Offer Conditions	The terms and conditions applicable to a specified Loan as set out in the relevant offer letter to the Borrower
Official List	Official List of the FCA
OFT	The UK Office of Fair Trading, which from 1 April 2014 ceased to exist
Ombudsman	Financial Ombudsman Service under the FSMA and the CCA
Optional Redemption Amount	The meaning (if any) given in the applicable Final Terms
Optional Redemption Date	The meaning (if any) given in the applicable Final Terms

Original Due for Payment Date The meaning given in paragraph (a) of the definition of Due for Payment

Outstanding In relation to the Covered Bonds of all or any Series, all the Covered Bonds of such Series issued other than:

(a) those Covered Bonds which have been redeemed in full and cancelled pursuant to the Trust Deed and/or the N Covered Bond Conditions;

(b) those Covered Bonds in respect of which the date (including, where applicable, any deferred date) for redemption in accordance with the Programme Conditions or in the case of an N Covered Bond, the N Covered Bond Conditions (if applicable) has occurred and the redemption moneys (including all interest payable thereon) have been duly paid to the Bond Trustee or to the Principal Paying Agent in the manner provided in the Agency Agreement (and where appropriate notice to that effect has been given to the relative Covered Bondholders in accordance with Condition 13 (*Notices*) of the Programme Conditions or the equivalent provisions of the N Covered Bond Conditions) and remain available for payment against presentation (unless the relevant Covered Bonds are in NGCB form) of the relevant Covered Bonds and/or Receipts and/or Coupons;

(c) those Covered Bonds which have been purchased and cancelled in accordance with Conditions 6.9 (*Purchases*) and 6.10 (*Cancellation*) of the Programme Conditions and any equivalent provision in the N Covered Bond Conditions;

(d) those Covered Bonds which have become void or in respect of which claims have become prescribed, in each case under Condition 8 (*Prescription*) of the Programme Conditions or the equivalent provisions of the N Covered Bond Conditions;

(e) those mutilated or defaced Covered Bonds which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 10 (*Replacement of Covered Bonds, Receipts, Coupons and Talons*) of the Programme Conditions or the equivalent provisions of the N Covered Bond Conditions;

(f) (for the purpose only of ascertaining the Principal Amount Outstanding of the Covered Bonds outstanding and without prejudice to the status for any other purpose of the relevant Covered Bonds) those Covered Bonds which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 10 (*Replacement of Covered Bonds, Receipts, Coupons and Talons*) of the Programme Conditions or, in the case of an N Covered

Bond, pursuant to the relevant N Covered Bond Conditions (if applicable);

(g) any Bearer Global Covered Bond to the extent that it shall have been exchanged for Bearer Definitive Covered Bonds or another Bearer Global Covered Bond pursuant to its provisions, the provisions of the Trust Deed and the Agency Agreement; and

PROVIDED THAT for each of the following purposes, the provisions of the trust presents and the Agency Agreement,

(i) the right to attend and vote at any meeting of the holders of the Covered Bonds of any Series;

(ii) the determination of how many and which Covered Bonds of any Series are for the time being outstanding for the purposes of Clauses 10.3 and 10.4 of the Trust Deed (Proceedings, Action and Indemnification), Conditions 9 (*Events of Default, Acceleration and Enforcement*) and 14 (*Meetings of Covered Bondholders, Modification and Waiver*) of the Programme Conditions and paragraphs 2, 5, 6 and 8 of Schedule 4 (Provisions for Meetings of Covered Bondholders) to the Trust Deed;

(iii) any discretion, power or authority (whether contained in the trust presents or vested by operation of law) which the Bond Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the holders of the Covered Bonds of any Series; and

(iv) the determination by the Bond Trustee whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the holders of the Covered Bonds of any Series,

(A) those Covered Bonds of the relevant Series (if any) which are for the time being held by or on behalf of any of the Issuer's Subsidiaries (including the LLP), the Issuer's holding company or any subsidiaries of such holding company as beneficial owner and (B) those N Covered Bonds in respect of which (i) a duly executed N Covered Bond Confirmation (incorporating the N Covered Bond Confirmation Terms) relating to the relevant Series of Covered Bond has not been executed and has not been delivered to the Registrar or (ii) where an N Covered Bond is proposed to be assigned, a duly executed N Covered Bond Assignment Agreement relating to the relevant Series of N Covered Bonds has not been executed and has not been delivered to the Registrar, shall (unless and until ceasing to be so held) be deemed not to remain outstanding provided further however that, where all of the Covered Bonds are held by or on behalf of the Issuer, such Covered Bonds shall be deemed to remain outstanding

p The meaning given on page 110 of this Prospectus

part Coupon sheet The meaning given on page 142 of this Prospectus

Partial Portfolio Part of any portfolio of Selected Loans

Paying Agents	The Principal Paying Agent and any other paying agent appointed pursuant to the terms of the Agency Agreement
Payment Day	The meaning given in Condition 5.6 (*Payment Day*) of the Programme Conditions
Payment Holiday	A period during which a Borrower (who is not in arrears) under a Loan refrains from making payments of interest and/or principal on his/her Loan either as expressly permitted by the Mortgage Conditions or as permitted by the Seller and/or Servicer
PCA	The meaning given on page 21 of this Prospectus
Permanent Global Covered Bond	The meaning given on page 88 of this Prospectus
pence and **p**	The meaning given on page xii of this Prospectus
Perfection Event	The meaning given on page 187 of this Prospectus
Portfolio	The Initial Portfolio and each New Portfolio acquired by the LLP (other than any Loans which have been redeemed in full or repurchased by the Seller or a New Seller pursuant to the Mortgage Sale Agreement or otherwise sold by the LLP)
Portfolio Manager	The meaning given on page 208 of this Prospectus
Post-Enforcement Priority of Payments	The meaning given on page 236 of this Prospectus
Postponed Deferred Consideration	Deferred Consideration the payment of which is, by reason of the application thereto of the proviso as to Available Revenue Receipts and/or the making of provisions as referred to in the Mortgage Sale Agreement, postponed from the date on which such Deferred Consideration would, but for such application, have been paid
Potential Issuer Event of Default	The meaning given in Condition 14 (*Meetings of Covered Bondholders, Modification and Waiver*) of the Programme Conditions
Potential LLP Event of Default	The meaning given in Condition 14 (*Meetings of Covered Bondholders, Modification and Waiver*) of the Programme Conditions
PRA or **Prudential Regulatory Authority**	The Prudential Regulatory Authority of the United Kingdom
Pre-Acceleration Principal Priority of Payments	The meaning given on page 230 of this Prospectus
Pre-Acceleration Priority of Payments	The Pre-Acceleration Principal Priority of Payments or the Pre-Acceleration Revenue Priority of Payments, as applicable
Pre-Acceleration Revenue Priority of Payments	The meaning given on page 226 of this Prospectus
Preceding Business Day Convention	The meaning given in Condition 4.5(b)(iv) (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*) of the Programme Conditions
Pre-Maturity Liquidity Ledger	The ledger on each Transaction Account 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 Hard Bullet Covered Bonds on the Final Maturity Date thereof if the Pre-Maturity Liquidity Test has been breached
Pre-Maturity Liquidity Test	The meaning given in "*Credit Structure – Pre-Maturity Liquidity Test*" on page 221 of this Prospectus
Pre-Maturity Liquidity Test Breach Period	In respect of the Pre-Maturity Liquidity Test rating trigger of "A1(cr)", 6 months prior to the Final Maturity Date of that Series of Hard Bullet Covered Bonds and in respect of the Pre-Maturity Liquidity Test rating trigger of "P-1(cr)", 12 months prior to the Final Maturity Date of that Series of Hard Bullet Covered Bonds
Pre-Maturity Liquidity Test Date	Each London Business Day prior to the occurrence of an Issuer Event of Default and/or the occurrence of an LLP Event of Default, where the LLP or the Cash Manager on its behalf will determine if the Pre-Maturity Liquidity Test has been breached
Principal Amount Outstanding	In accordance with Condition 4.5(f) (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*) of the Programme Conditions in respect of a Covered Bond on any day, the principal amount of that Covered Bond on the relevant Issue Date thereof less principal amounts received by the relevant Covered Bondholder in respect thereof on or prior to that day
Principal Ledger	The ledger on each Transaction 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	Citibank, N.A., London Branch, or, if applicable, any successor principal paying agent
Principal Receipts	Any amount received and recorded as being received in respect of principal in respect of any Loan (including payments pursuant to any Insurance Policy and Early Repayment Charges), whether as all or part of a Monthly Payment in respect of such Loan, on redemption (including partial redemption) of such Loan, on enforcement of such Loan (including the proceeds of sale of the relevant Property) or on the disposal of such Loan or otherwise, including, for the avoidance of doubt, payments in respect of amounts which previously resulted in an increased Capital Contribution in Kind
Priorities of Payments	The orders of priority for the allocation and distribution of amounts standing to the credit of the LLP Accounts (other than any Swap Collateral Account) set out in the Pre-Acceleration Revenue Priority of Payments, Pre-Acceleration Principal Priority of Payments, Guarantee Priority of Payments and the Post-Enforcement Priority of Payments
Product Period	The meaning given on page 241 of this Prospectus
Product Switch	A variation to the financial terms and conditions applicable to a Loan other than: (a) any variation agreed with a Borrower to control or manage arrears on such Loan; (b) any variation in the maturity of the Loan;

(c) any variation imposed by statute; or

(d) in the rate of interest payable;

(e) a switch from an interest-only payment basis to a repayment mortgage; or

(f) any variation in the frequency with which the interest payable in respect of the Loan is charged

provided that with respect to paragraph (d) above:

(i) any variation in the rate of interest payable to another rate of interest permitted under, or otherwise contemplated by, the relevant Mortgage Terms (including to a reversionary rate of the Seller) shall not be considered a Product Switch; and

(ii) any variation in the rate of interest payable to another rate of interest not permitted or otherwise contemplated by the relevant Mortgage Terms shall be considered a Product Switch

Programme £10 billion global covered bond programme established by the Issuer on the Programme Date

Programme Agreement The programme agreement entered into on the Programme Date between the Issuer, the LLP and the Dealer named therein concerning the purchase of Covered Bonds to be issued pursuant to the Programme together with any agreement for the time being in force amending, replacing, novating or modifying such agreement and any accession letters and/or agreements supplemental thereto

Programme Conditions The Conditions set out under the heading "*Terms and Conditions of the Covered Bonds*" and as set out in Schedule 1 to the Trust Deed

Programme Date 24 February 2017

Programme Resolution The meaning given to it in Condition 14 (*Meetings of Covered Bondholders, Modification and Waiver*) of the Programme Conditions

Properties in Possession Cover The properties in possession cover written by HDI Gerling for Loans in favour of the Seller and any endorsements or extensions thereto as issued from time to time, or any such similar alternative or replacement properties in possession policy or policies as may be issued from time to time in favour of the Seller

Property (In England and Wales) freehold or leasehold property or (in Scotland) a heritable property or a property held under a long lease which is subject to a Mortgage and **Properties** means all of them

Prospectus The meaning given on page v of this Prospectus

Purchaser Any third party or the Seller or, subject to the terms of the Mortgage Sale Agreement a New Seller to whom the LLP offers to sell Selected Loans

Put Notice	The meaning given in Condition 6.4 (*Redemption at the option of the Covered Bondholders (Investor Put)*) on page 133
Rate of Interest	The meaning given to it in the applicable Final Terms as further elaborated by Condition 4 (*Interest and other Calculations*) of the Programme Conditions
Rating Agency	Moody's and/or any other rating agency appointed by the Issuer as such in respect of the Programme
Rating Agency Confirmation	A confirmation in writing by the Rating Agency that the then current ratings of the Covered Bonds will not be adversely affected by or withdrawn as a result of the relevant event or matter
RCB Regulations	Regulated Covered Bonds Regulations 2008 (SI 2008/346) as amended
RCB Sourcebook	Regulated Covered Bond Sourcebook, published on 6 March 2008, as amended, revised or supplemented from time to time
Reasonable, Prudent Mortgage Lender	A reasonably prudent residential mortgage lender lending to borrowers in England, Wales and Scotland who generally satisfy the lending criteria of traditional sources of residential mortgage capital
Receipt	A receipt for payment of instalments of principal (other than the final instalment) attached on issue to a Bearer Definitive Covered Bonds repayable in instalments, such receipt being substantially in the form set out in Part 4 of Schedule 2 to the Trust Deed or in such other form as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer or Lead Manager (in the case of syndicated issues) and includes any replacements for Receipts issued pursuant to Condition 10 (*Replacement of Covered Bonds, Receipts, Coupons and Talons*) of the Terms and Conditions
Receiptholders	The holders of the Receipts
Receipts	The meaning given on page 103 of this Prospectus
Receiver	Any person or persons appointed (and any additional person or persons appointed or substituted) as an administrative receiver, receiver, manager, or receiver and manager of the Charged Property by the Security Trustee pursuant to the Deed of Charge
Record Date	The meaning given in Condition 5.4 (*Payments in respect of Registered Covered Bonds*) of the Programme Conditions
Redeemed Covered Bonds	The meaning given in Condition 6.3 (*Redemption at the option of the Issuer (Issuer Call)*) of the Programme Conditions
Reference Banks	In the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone interbank market selected by the Cash Manager
Reference Price	In respect of a Zero Coupon Covered Bond, the meaning given in the applicable Final Terms
Reference Rate	In respect of Floating Rate Covered Bonds, EURIBOR or SONIA in respect of the Specified Currency in each case for the relevant period, as specified in the applicable Final Terms

Register	The register of holders of the Registered Covered Bonds maintained by the Registrar
Registered Covered Bond	A Covered Bond in registered form
Registered Definitive Covered Bond	Each other Registered Covered Bond in definitive form issued or, as the context may require, to be issued by the Issuer in accordance with the provisions of the Programme Agreement or any other agreement between the Issuer and the relevant Dealer, 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 substantially in the form set out in Part 8 of Schedule 2 to the Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer and having the Terms and Conditions endorsed thereon or, if permitted by the relevant stock exchange, incorporating the Programme Conditions (if applicable) by reference (where applicable to the Trust Deed) and having the relevant information supplementing, replacing or modifying the Programme Conditions attached thereto and having a form of transfer endorsed thereon
Registered Definitive Covered Bonds	The meaning given on page 102 of this Prospectus
Registered Global Covered Bonds	Global Covered Bonds in registered form substantially in the form set out in the Trust Deed
Registers of Scotland	The Land Register of Scotland and the General Register of Sasines
Registrar	Citibank, N.A., London Branch, in its capacity as registrar (and any successor registrar appointed in accordance with the Agency Agreement)
Regulated Covered Bonds	Covered Bonds that have been admitted to the register of regulated covered bonds maintained by the Authorities pursuant to the RCB Regulations
Regulated Mortgage Contract	The meaning given on page 253 of this Prospectus
Regulation No. 11971	The meaning given on page 272 of this Prospectus
Regulation S	Regulation S under the Securities Act
Regulation S Covered Bond	A Covered Bond represented by a Registered Global Covered Bond or a Registered Definitive Covered Bond as the context may require
Related Security	In relation to a Loan, the security for the repayment of that Loan including the relevant Mortgage and all other matters applicable thereto acquired as part of the Portfolio sold to the LLP pursuant to the Mortgage Sale Agreement (but excluding, for avoidance of doubt, the Properties in Possession Cover in respect of which the LLP and the Security Trustee have received Insurance Acknowledgements)

Relevant Date	The meaning given in Condition 7 (*Taxation*) of the Programme Conditions
relevant Dealer	The meaning given on page i of this Prospectus
Relevant LLP Payment Period	The meaning given on page 194 of this Prospectus
Relevant Screen Page	In respect of Floating Rate Covered Bonds to which Screen Rate Determination applies, the meaning given in the Final Terms
relevant Series of Covered Bonds	The meaning given on page 48 of this Prospectus
relevant Talon	The meaning given on page 142 of this Prospectus
Representations and Warranties	The representations and warranties set out in the Mortgage Sale Agreement
Required Current Balance Amount	The meaning given on page 206 of this Prospectus
Required Redemption Amount	The meaning given on page 207 of this Prospectus
Reserve Fund	The reserve fund that the LLP will be required to establish on each Transaction Account which will be credited with Available Revenue Receipts up to an amount equal to the Reserve Fund Required Amount and any Cash Capital Contributions made to the LLP by the Seller which the Seller directs the LLP to credit thereto
Reserve Fund Required Amount	(a) If the Issuer's short term Counterparty Risk Assessment of the Issuer by Moody's is at least "P-1(cr)", nil or such other amount as the Cash Manager may, in its absolute discretion, deem appropriate and as TSB Bank plc and/or the Cash Manager shall direct the LLP from time to time; or (b) if the Issuer's short term Counterparty Risk Assessment of the Issuer by Moody's is lower than P-1(cr) an amount equal to the Sterling Equivalent of the amounts required to make payments under the Covered Bond Swap entered into in relation to each Series of Covered Bonds, or if no Covered Bond Swap has been entered into in relation to a Series of Covered Bonds, of the interest due on each such Series of Covered Bonds for X months together with an amount equal to one-twelfth of the anticipated aggregate annual amount payable in respect of the items specified in paragraphs (a) to (c) of the Pre-Acceleration Revenue Priority of Payments plus £600,000, provided that in determining the amount of the Reserve Fund Required Amount, where any amount in respect of the Covered Bonds or Covered Bond Swap Agreements is determined by reference to a floating rate, then (i) (unless the floating rate is determined by reference to a compounded daily SONIA rate) the interest rate for the purpose of such calculation shall be the then current floating rate as at the date on which the amount is calculated or (ii) (if the floating rate is determined by reference to a compounded daily SONIA rate), the interest rate for the purpose of such calculation

	shall be deemed to be equal to the sum of (x) the SONIA Spot Rate published on the date on which the amount is calculated (or, if such day is not a London Business Day, on the immediately preceding London Business Day), compounded daily over the relevant period and (y) the Margin or the margin in relation to the Covered Bond Swaps, as applicable, for such period, or such higher amount as the Cash Manager shall in its absolute discretion direct the LLP from time to time
	where,
	X = the number of months between the dates on which the LLP is required to make payments under the Covered Bond Swap entered into in relation to a Series of Covered Bonds, or if no Covered Bond Swap has been entered into in relation to a Series of Covered Bonds, the number of months between the Interest Payment Dates in relation to such Series of Covered Bonds.
Reserve Ledger	The ledger on each Transaction Account of such name maintained by the Cash Manager pursuant to the Cash Management Agreement, to record the crediting of Revenue Receipts and (if so directed by the Seller) Cash Capital Contributions to the Reserve Fund and the debiting of such Reserve Fund in accordance with the terms of the LLP Deed
Reset Date	The meaning given in the ISDA Definition
Responsible Persons	The meaning given on page v
Revenue Ledger	The ledger on each Transaction Account of such name maintained by the Cash Manager pursuant to the Cash Management Agreement, to record credits and debits of Revenue Receipts and the amounts referred to in Clause 8.4(ii) of the LLP Deed, in each case in accordance with the terms of the LLP Deed
Revenue Receipts	Any payment received in respect of any Loan or in respect of interest amounts or any fees in relation to a Loan (otherwise than in respect of a Loan that has been repurchased by the Seller), whether as all or part of a Monthly Payment in respect of such Loan, on redemption (including partial redemption) of such Loan, on enforcement of such Loan (including recoveries in respect of interest and fees payable from the proceeds of sale of the relevant Property but only after the full aggregate principal amount outstanding has been recovered in respect of the relevant Loan if such recoveries are identifiable by the Seller as relating to a Loan in the Portfolio) or on the disposal of such Loan or otherwise, which in any such case is not recorded as a Principal Receipt in respect of such Loan
RWAs	Risk-weighted assets
Sabadell	The meaning given on page xi of the Prospectus
Sabadell Group	The meaning given on page xi of the Prospectus
SABIS	Sabadell Information Systems S.A.U and Sabadell Information Systems Limited

Sale Date	Each of the First Sale Date and each other date of sale of any New Portfolio to the LLP in accordance with the terms of the Mortgage Sale Agreement
Sale Proceeds	The cash proceeds realised from the sale of Selected Loans and their Related Security
Scheduled Interest	In relation to a Series of Covered Bonds, an amount equal to the amount in respect of interest which is or would have been due and payable under such Covered Bonds on each Interest Payment Date as specified in Condition 4 (*Interest and other Calculations*) of the Programme Conditions (but excluding any additional amounts relating to premiums, default interest or interest upon interest (**Excluded Scheduled Interest Amounts**) payable by the Issuer following service of an Issuer Acceleration Notice, but including such amounts (whenever the same arose) following service of an LLP Acceleration Notice), as if such Covered Bonds had not become due and repayable prior to their Final Maturity Date and (if the applicable Final Terms specified that an Extended Due for Payment Date is applicable to the relevant Covered Bonds) as if the maturity date of the Covered Bonds had been the Extended Due for Payment Date (but taking into account any principal repaid in respect of such Covered Bonds or any Guaranteed Amounts paid in respect of such principal prior to the Extended Due for Payment Date) or, where applicable, after the Final Maturity Date, such other amount of interest as may be specified in the applicable Final Terms less any additional amounts the Issuer would be obliged to pay as a result of any gross-up in respect of any withholding or deduction made under the circumstances set out in Condition 7 (*Taxation*) of the Programme Conditions
Scheduled Payment Date	In relation to payments under the Covered Bond Guarantee in respect of a Series of Covered Bonds, each Interest Payment Date or the Final Maturity Date as if such Covered Bonds had not become due and repayable prior to their Final Maturity Date
Scheduled Principal	In relation to a Series of Covered Bonds, an amount equal to the amount in respect of principal which is or would have been due and repayable under such Covered Bonds on each Interest Payment Date or the Final Maturity Date (as the case may be) as specified in Condition 6.1 (*Final redemption*) and Condition 6.7 (*Early Redemption Amounts*) of the Programme Conditions (but excluding any additional amounts relating to prepayments, early redemption, broken funding indemnities, penalties, premiums or default interest (**Excluded Scheduled Principal Amounts**) payable by the Issuer following service of an Issuer Acceleration Notice, but including such amounts (whenever the same arose) following service of an LLP Acceleration Notice), as if such Covered Bonds had not become due and repayable prior to their Final Maturity Date and (if the Final Terms specified that an Extended Due for Payment Date is applicable to such relevant Covered Bonds) as if the maturity date of such Covered Bonds had been the Extended Due for Payment Date
Scottish Declaration of Trust	Each declaration of trust in relation to Scottish Loans and their Related Security made pursuant to the Mortgage Sale

	Agreement by means of which the transfer of the beneficial interest in such Scottish Loans and their Related Security by the Seller or a New Seller to the LLP is given effect
Scottish Loan	A Loan secured by a Scottish Mortgage
Scottish Mortgage	A Mortgage over a Scottish Property
Scottish Sub-Security	Each standard security granted by the LLP in favour of the Security Trustee pursuant to the Deed of Charge
Scottish Supplemental Charge	Each assignation in security governed by Scots law granted by the LLP in respect of its beneficial interest in a Scottish Declaration of Trust or Scottish Declarations of Trust in favour of the Security Trustee pursuant to the Deed of Charge
Screen Rate Determination	If specified as applicable in the applicable Final Terms, the manner in which the Rate of Interest on Floating Rate Covered Bonds is to be determined in accordance with Condition 4.2(b) (*Interest on Floating Rate Covered Bonds*) of the Programme Conditions
Secured Creditors	The Security Trustee (in its own capacity and on behalf of the other Secured Creditors), the Bond Trustee (in its own capacity and on behalf of the Covered Bondholders), the Covered Bondholders, the Receiptholders, the Couponholders, the Issuer, the Seller, the Servicer, each Account Bank, the Swap Collateral Account Bank, the Back-Up Servicer Facilitator, the Back-Up Cash Manager Facilitator, the Cash Manager, the Swap Providers, the Corporate Services Provider, the Agents and any other person which becomes a Secured Creditor pursuant to the Deed of Charge
Secured Obligations	Any and all moneys, obligations and liabilities, whether actual or contingent, from time to time due or owing by the LLP to the Secured Creditors under Covered Bonds and/or the Transaction Documents which, under the Deed of Charge, the LLP covenants and undertakes to pay and discharge and all claims, demands or damages for breach of any such covenant, and references to Secured Obligations includes references to any of them
Securities Act	U.S. Securities Act of 1933, as amended
Security	The meaning given on page 217 of this Prospectus
Security Interest	Any mortgage, sub mortgage, standard security, charge, sub charge, pledge, lien (other than a lien arising in the ordinary course of business or by operation of law), assignation in security or other encumbrance or security interest howsoever created or arising
Security Trustee	Citicorp Trustee Company Limited, in its capacity as security trustee under the Trust Deed and the Deed of Charge together with any successor security trustee appointed from time to time
Selected Loan Offer Notice	A notice from the LLP served on the Seller (in accordance with the terms of the Mortgage Sale Agreement) offering to sell Selected Loans and their Related Security for an offer price equal to the greater of the then Current Balance of the Selected Loans and the Adjusted Required Redemption Amount

Selected Loan Repurchase Notice	A notice from the Seller (as applicable, and in accordance with the terms of the Mortgage Sale Agreement) served on the LLP accepting an offer set out in a Selected Loan Offer Notice
Selected Loans	Loans and their Related Security to be sold by the LLP pursuant to the terms of the LLP Deed and the Mortgage Sale Agreement having in aggregate the Required Current Balance Amount
Selection Date	The meaning given in Condition 6.3 (*Redemption at the option of the Issuer (Issuer Call)*) of the Programme Conditions
Self-Certified Loan	A loan marketed and underwritten on the premise that the applicants and/or intermediaries representing them were made aware prior to the relevant originator's underwriting assessment that income could be self-certified
Seller	TSB Bank plc in its capacity as Seller under the Mortgage Sale Agreement, and the expression "Seller" shall be deemed to include where applicable TSB Bank plc as the originator of the Loans transferred to TSB Bank plc under the Lloyds 2013 Part VII Transfer, and **Sellers** means, together, the Sellers and New Sellers
Seller Power of Attorney	A power of attorney to be provided by the Seller substantially in the form set out in schedule 6 (*Power of Attorney in favour of the LLP and the Security Trustee*) to the Mortgage Sale Agreement
Series	(i) With respect to N Covered Bonds, each N Covered Bond made out in the name of a specific N Covered Bondholder; and (ii) in any other case, a Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices and the expressions **Covered Bonds of the relevant Series**, **Covered Bondholders of the relevant Series** and related expressions shall be construed accordingly
Series Reserved Matter	In relation to Covered Bonds of a Series: (a) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds other than in accordance with the terms thereof; (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; (e) power to sanction any such scheme or proposal for the exchange or sale of the Covered Bonds or the

	conversion of the Covered Bonds into, or the cancellation of the Covered Bonds in consideration of, shares, stock, covered bonds, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other body corporate formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, bonds, covered bonds, debentures, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash and for the appointment of some person with power on behalf of the Covered Bondholders to execute an instrument of transfer of the Registered Covered Bonds held by them in favour of the persons with or to whom the Covered Bonds are to be exchanged or sold respectively; and
	(f) alteration of paragraph 5 or proviso to paragraph 6 of Schedule 4 to the Trust Deed
Servicer	TSB Bank plc in its capacity as servicer under the Servicing Agreement (and any successor servicer)
Servicer Termination Event	The meaning given on page 196 of this Prospectus
Servicing Agreement	The servicing agreement entered into on the Programme Date between the LLP, the Servicer, the Back-Up Servicer Facilitator and the Security Trustee (as same may be amended, restated, supplemented, replaced or novated from time to time)
Share Trustee	CSC Corporate Services (London) Limited (formerly Intertrust Corporate Services Limited (registered number 03920255) in its capacity as share trustee together with any successor share trustee appointed from time to time
SOFR	The Secured Overnight Financing Rate
SONIA	Sterling Overnight Index Average
$SONIA_{i\text{-}pLBD}$	The meaning given on page 111 of this Prospectus
SONIA reference rate	The meaning given on page 110 of this Prospectus
SONIA Screen Page	means the Reuters Screen SONIA Page (or, if such page is no longer available, any replacement or successor page showing the relevant information);
SONIA Spot Rate	means, with respect to publication on any London Business Day, the daily SONIA published on such London Business Day (and relating to the immediately preceding London Business Day) as provided by the administrator of SONIA to authorised distributors and as then published on the SONIA Screen Page (or, if the SONIA Screen Page is unavailable, as otherwise published by such authorised distributors)
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, 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, save that the minimum denomination of each U.S. Dollar denominated Covered Bond will be issued in minimum denominations of $200,000 and in integral multiples of $1,000 in excess thereof
Specified Interest Payment Date	In respect of Floating Rate Covered Bonds the meaning (if any) given in the applicable Final Terms
Specified Period	In respect of Floating Rate Covered Bonds the meaning (if any) given in the applicable Final Terms
Specified Time	11.00 am (Brussels time, in the case of a determination of EURIBOR)
SRR	Special Resolution Regime code of practice
Stabilising Manager(s)	The meaning given on page vii of this Prospectus
Standard Documentation	The standard documentation, a list of which is set out as an exhibit to the Mortgage Sale Agreement, or any update or replacement therefor as the Seller may from time to time introduce acting in accordance with the standards of a Reasonable, Prudent Mortgage Lender
standard security	A standard security as defined in Part II of the Conveyancing and Feudal Reform (Scotland) Act 1970
Standard Variable Rate	The Seller's discretionary rate capped at 2 per cent. above the Bank of England Base Rate, but otherwise administered, at the discretion of the Seller, by reference to the general level of interest rates and competitive forces in the UK mortgage market and/or the LLP Discretionary Rates, as the context may require
Sterling Equivalent	In relation to a Term Advance or a Series of Covered Bonds (including any calculations of the Required Redemption Amount of such Series of Covered Bonds) which is denominated in (a) a currency other than Sterling, the Sterling equivalent of such amount ascertained using the relevant Covered Bond Swap Rate relating to such Term Advance or the Term Advance applicable to such Series of Covered Bonds and (b) Sterling, the applicable amount in Sterling
Stock Exchange	The London Stock Exchange or any other or further stock exchange(s) on which any Covered Bonds may from time to time be listed or admitted to trading
Subsidiary	Any company which is for the time being a subsidiary (within the meaning of Section 1159 of the Companies Act)
Substitution Assets	Each of: (a) Sterling gilt-edged securities; (b) Sterling demand or time deposits, provided that in all cases such investments have a remaining period to maturity of one year or less and the short-term, unsecured, unguaranteed and unsubordinated debt obligations or, as applicable, the long-term, unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with

which the demand or time deposits are made (being an authorised person under the FSMA) are rated at least "P-1" by Moody's or its equivalent by three other internationally recognised rating agencies; and

(c) Sterling denominated government and public securities, as defined from time to time by the FCA, provided that such investments have a remaining period to maturity of one year or less and which are rated at least "P-1" by Moody's or its equivalent by three other internationally recognised rating agencies,

provided that such Substitution Assets comply with the requirements of Regulation 2(1A) of the RCB Regulations and provided that the following conditions are met: (x) the substitution asset in question can be transferred to and by the LLP without the relevant transfer or agreement to transfer giving rise to a liability to any stamp duty, stamp duty reserve tax or other similar documentary or registration tax for which the LLP is, or may become liable, to account and (y) payments can be made to the LLP under or in respect of the substitution asset in question without any liability on the part of the payer (or any person by or through whom such payment is made) to withhold or otherwise to account for any tax unless the amounts payable to the LLP are in accordance with the documentation governing the relevant payments increased so that the LLP receives the amount which the LLP would have received absent the obligations to withhold or otherwise account for the relevant tax and if these conditions are not met, the extent to which they are not met is taken into account by the Cash Manager in determining the purchase price of the Substitution Asset in question

sub-unit	In accordance with Condition 4.5(i) (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*) of the Programme Conditions, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, euro 0.01
Supplemental Liquidity Available Amount	The meaning given on page 207
Supplemental Liquidity Event	The meaning given on page 224
Supplemental Liquidity Reserve Amount	The meaning given on page 204
Supplemental Liquidity Reserve Ledger	The meaning given on page 204
Supplementary Prospectus	The meaning given on page 3 of this Prospectus
Swaps	Any Covered Bond Swap together with any Cover Pool Swap, and each a **Swap**
Swap Agreements	Any Covered Bond Swap Agreements together with the Cover Pool Swap Agreement, and each a **Swap Agreement**
Swap Collateral	At any time, any asset (including, without limitation, cash and/or securities) which is paid or transferred by a Swap Provider to

	the LLP as collateral to secure the performance by such Swap Provider of its obligations under the relevant Swap Agreement together with any income or distributions received in respect of such asset and any equivalent of such asset into which such asset is transformed
Swap Collateral Account	Any accounts in the name of the LLP (including the Custody Swap Collateral Account) held with, as at the Programme Date, the Swap Collateral Account Bank (or any other Swap Collateral Account Bank from time to time) into which Swap Collateral in respect of the Cover Pool Swap or a Covered Bond Swap may be deposited in accordance with the terms of the relevant Swap Agreement
Swap Collateral Account Bank	As at the Programme Date, HSBC Bank plc as well as any other swap collateral account banks appointed from time to time
Swap Collateral Account Bank Required Ratings	At least (i) a long-term, unsecured, unsubordinated and unguaranteed deposit rating of "A3" or (ii) a short-term, unsecured, unsubordinated and unguaranteed deposit rating of "P-2" by Moody's (or such other ratings that may be agreed between the parties to each Swap Collateral Bank Account Agreement, provided that a Rating Agency Confirmation has been obtained)
Swap Collateral Available Amounts	At any time, the amount of Swap Collateral which under the terms of the relevant Swap Agreement may be applied at that time in satisfaction of the relevant Swap Provider's obligations to the LLP following termination of a Swap Agreement to the extent that such obligations relate to payments to be made in connection with the Pre-Acceleration Priority of Payments or the Guarantee Priority of Payments
Swap Collateral Bank Account Agreement	The swap collateral bank account agreements entered into between the LLP, each Swap Collateral Account Bank, the Cash Manager and the Security Trustee (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time) (including, for the avoidance of doubt, in the case of HSBC Bank plc the Bank Account Agreement), and any other swap collateral bank account agreements entered into from time to time between the LLP, any additional Swap Collateral Account Bank, the Cash Manager and the Security Trustee (in each case as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time)
Swap Collateral Excluded Amounts	At any time, the amount of Swap Collateral which may not be applied under the terms of the relevant Swap Agreement at that time in satisfaction of the relevant Swap Provider's obligations to the LLP, including Swap Collateral which is to be returned to the relevant Swap Provider from time to time in accordance with the terms of the relevant Swap Agreement 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 the relevant Swap Agreement) with respect to the relevant Swap Provider, where the relevant Swap Provider is the Defaulting Party or the sole Affected Party (each as defined in the relevant Swap Agreement), as applicable, other than a Swap Provider Downgrade Event

Swap Provider Downgrade Event	The occurrence of an Additional Termination Event (as defined in the relevant Swap Agreement) following a failure by the Swap Provider to comply with the requirements of the ratings downgrade provisions set out in the relevant Swap Agreement
Swap Providers	The Covered Bond Swap Providers and the Cover Pool Swap Provider, and each a **Swap Provider**
Swap Provider Tax Payment	Any indemnity payment received by the LLP from a Swap Provider as a result of a breach of certain tax representations in the relevant Swap Agreement
Swaps	Any Covered Bond Swaps together with the Cover Pool Swap, and each a **Swap**
Talons	The Talons (if any) appertaining to, and exchangeable in accordance with the provisions therein contained for further Coupons appertaining to, the Definitive Covered Bonds (other than Zero Coupon Covered Bonds), such talons being substantially in the form set out in the Trust Deed or in such other form as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer and includes any replacements for Talons issued pursuant to Condition 10 (*Replacement of Covered Bonds, Receipts, Coupons and Talons*) of the Programme Conditions
T2	In accordance with Condition 4.5(a)(ii) (*Business Day, Business Day Convention, Day Count Fractions and other adjustments*) of the Programme Conditions, the Trans-European Automated Real-Time Gross Settlement Express Transfer (T2) System or any successor system thereto
Tax Credit	The meaning given in the relevant Swap Agreement
Taxes	All present and future taxes, levies, imposts, duties, fees, deductions, withholdings or charges of any nature whatsoever and wheresoever imposed, levied, collected, withheld or assessed by or on behalf of any authority having power to tax, including, without limitation, income tax, corporation tax, VAT or other tax in respect of added value and any franchise, transfer, sales, gross receipts, use, business, occupation, excise, personal property, real property or other tax imposed by any national, local or supranational taxing or fiscal authority or agency together with any penalties, fines or interest thereon and Tax and Taxation shall be construed accordingly;
TEFRA	The United States Tax Equity and Fiscal Responsibility Act of 1982;
TEFRA C	U.S. Treasury Regulations §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended);
TEFRA D	U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended);

Temporary Global Covered Bond	A temporary global covered bond substantially in the form set out in the Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer or Lead Manager (in the case of syndicated issues), together with the copy of the applicable Final Terms annexed thereto, comprising some or all of the Covered Bonds of the same Series, issued by the Issuer pursuant to the Programme Agreement or any other agreement between the Issuer and the relevant Dealer relating to the Programme, the Agency Agreement and the trust presents
Term Advance	Each term advance made by the Issuer to the LLP from the proceeds of Covered Bonds pursuant to the Intercompany Loan Agreement
Terms and Conditions	The meaning given on page 93 of this Prospectus
Terms and Conditions or **Conditions**	Collectively, the terms and conditions of the Covered Bonds (as set out in Schedule 1 to the Trust Deed) as modified and/or supplemented by the Final Terms in relation to a particular Series of Covered Bonds, as the same may from time to time be modified in accordance with the Trust Deed and relevant terms and conditions in respect of N Covered Bonds
Third Party Amounts	Each of: (a) any fees received as a consequence of the early repayment of a Loan, and certain other fees charged by the Servicer to the Borrowers in respect of the servicing of the Loans; (b) payment of certain insurance premiums; (c) amounts under a direct debit which are repaid to the bank making the payment if such a bank is unable to recoup that amount itself from the related Borrower's account; or (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 to that Borrower of the Seller; which amounts shall be paid on receipt by the LLP to the Seller from moneys transferred to the Transaction Account or, at the direction of the Seller, be deemed to constitute a Cash Capital Contribution made by the Seller to the LLP
Title Deeds	In relation to each Loan and its Related Security and the Property relating thereto, all conveyancing deeds and documents (if any) which make up the title to the Property and the security for the Loan and all searches and enquiries undertaken in connection with the grant by the Borrower of the related Mortgage
Tracker Loan	A Loan subject to a variable interest rate linked to the Bank of England Base Rate plus or minus a margin, either for an initial fixed period or for the life of the Loan
Tranche	An issue of Covered Bonds (other than N Covered Bonds) which are identical in all respects (including as to listing and admission to trading)

Transaction Accounts	(i)	The HSBC Transaction Account;
	(ii)	the Lloyds Transaction Account; and
	(iii)	such additional or replacement account as may, for the time being, be in place pursuant to the Cash Management Agreement 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)	Servicing Agreement
	(d)	Asset Monitor Agreement
	(e)	Intercompany Loan Agreement
	(f)	LLP Deed
	(g)	Cash Management Agreement
	(h)	Cover Pool Swap Agreement
	(i)	each Covered Bond Swap Agreement
	(j)	each Bank Account Agreement
	(k)	Swap Collateral Bank Account Agreement
	(l)	Corporate Services Agreement
	(m)	Deed of Charge (and any documents entered into pursuant to the Deed of Charge, including without limitation each Scottish Supplemental Charge and Scottish Sub-Security)
	(n)	Trust Deed
	(o)	Agency Agreement
	(p)	Programme Agreement
	(q)	the Final Terms as applicable in the case of each issue of listed Covered Bonds subscribed for pursuant to a subscription agreement
	(r)	each Subscription Agreement (as applicable in the case of each issue of listed Covered Bonds subscribed for pursuant to a subscription agreement)
	(s)	Master Definitions and Construction Agreement
	(t)	any other agreement or document from time to time designated as such by the Issuer, the LLP and the Bond Trustee and/or Security Trustee
Transfer Agent	In relation to all or any Series of Registered Covered Bonds, Citibank, N.A., London Branch (or, in the case of N Covered Bonds, the Registrar), in its capacity as transfer agent or, if applicable, any successor transfer agent in relation to all or any Series of Registered Covered Bonds	
Transfer Agents	The meaning given on page 102 of this Prospectus	
Trust Deed	The trust deed entered into on the Programme Date between the Issuer, the LLP, the Bond Trustee and the Security Trustee (as	

	the same may be amended, restated, supplemented, replaced or novated from time to time)
Treaty	The meaning given on page 132 of this Prospectus
TSB Bank	TSB Bank plc
TSB Banking Group	TSB Banking Group plc, registered in England (no. 08871766)
TSB Discretionary Rates	The rates set by the Seller in relation to the applicable Discretionary Rate Loans beneficially owned by the Seller on the Seller's residential mortgage book
UCITS Directive	The meaning given on page 248 of this Prospectus
UKAR	UK Asset Resolution Limited
UK EMIR	The meaning given on page 70 of this Prospectus
UK MiFIR	Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA
UK Prospectus Regulation	Regulation (EU) 2017/1129 as it forms part of the UK domestic law by virtue of the EUWA
UK regulated market of the London Stock Exchange	The meaning given on page i of this Prospectus
Underpayment	A reduced payment by a Borrower (including any payment made under a Flexible Loan) and where such reduced payment is in place of the Monthly Payment set out in the Offer Conditions or as agreed by the Seller (acting as a Reasonable, Prudent Mortgage Lender) due to existing overpayments in accordance with its standard lending practice (or any changed Monthly Payment subsequently notified to the Borrower), where there are sufficient available funds to fund the difference between the Monthly Payment and this reduced payment and where the Borrower is not in breach of the Mortgage Conditions for making such payment
Unfair Practices Directive	Directive 2005/29/EC of 11 May 2005 on unfair business-to-consumer commercial practices and amending Council Directive 84/450/ECC and others
UTCCR	The Unfair Terms in Consumer Contracts Regulations 1994 (SI 1994/3159) and the 1999 Regulations
Valuation Report	The valuation report or reports for mortgage purposes obtained by the Seller from a Valuer in respect of each Property or a valuation report in respect of a valuation of a Property made using a methodology which would be acceptable to a Reasonable, Prudent Mortgage Lender and which has been approved by the Seller (or his successor)
Valuer	An Associate or Fellow of the Royal Institute of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers
Variable Rate Loan	A Loan which is subject to a rate of interest which may at any time be varied in accordance with the relevant Mortgage Conditions in accordance with the relevant Discretionary Rate (and shall, for the avoidance of doubt, exclude Fixed Rate Loans and Tracker Loans)
VAT	Value Added Tax

Yield Shortfall Test	The meaning given on page 195 of this Prospectus
Whistletree Portfolio	The meaning given on page 34 of this Prospectus
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

INDEX OF DEFINED TERMS

$ ..... xii, 281
£ ..... xii, 281
¥ ..... xii, 281
€ ..... xii, 281
1999 Regulations 259, 281
2012 Act.....265
30/360 .....125, 281
30E/360.....126, 281
30E/360(ISDA).....126, 281
360/360 .....125, 281
Account Bank.....281
Account Bank Required Ratings.....281
Accrual Period 125, 281
Accrual Yield.....281
Accrued Interest.....281
Act.....270
Actual/360.....125, 281
Actual/365 (Fixed).....125, 282
Actual/365 (Sterling) 125, 282
Actual/Actual 125, 282
Actual/Actual (ICMA).....125, 282
Actual/Actual (ISDA) 125, 282
Additional Business Centre.....282
adjusted 127
Adjusted Aggregate Loan Amount 200, 282
Adjusted Current Balance 200, 282
Adjusted Required Redemption Amount ...207, 282
Administration Fee.....196, 282
Admission 282
Advance Date.....282
Agency Agreement 102, 273, 282
Agents 282
Alternative Base Rate 150, 282
AMF.....276, 282
Amortisation Test.....282
Amortisation Test Aggregate Loan Amount 205, 282
Amortisation Test Current Balance.....205, 282
Amortised Face Amount 135, 282
applicable Final Terms.....102, 282
Arranger 282
Arrears Adjusted Current Balance 201, 282
Asset Coverage and Investor Report.....283
Asset Coverage Test 283
Asset Coverage Test Breach Notice.....283
Asset Monitor.....283
Asset Monitor Agreement.....283
Asset Monitor Report.....283
Asset Percentage 203, 283
Asset Pool 283
Asset Segregation 283
AST.....267
AT.....267
Authorised Investments 283
Authorities 284
Available Principal Receipts.....284
Available Revenue Receipts 284
Back-Up Cash Manager.....75, 286
Back-Up Cash Manager Event 212
Back-Up Cash Manager Facilitator 286
Back-Up Servicer.....75, 197, 286
Back-Up Servicer Event 197
Back-Up Servicer Facilitator 286
Bank Account Agreement.....286
Bank Rate 286
Banking Act.....38, 286
Base Rate Modification 151, 286
Base Rate Modification Certificate.....151, 286
Basel III 286
BCBS 286
Bearer Covered Bond 103
Bearer Covered Bonds.....286
Bearer Definitive Covered Bond 286
Bearer Definitive Covered Bonds.....102, 287
Bearer Global Covered Bond.....88
Bearer Global Covered Bonds 88, 287
Belmont decision 84, 287
Bond Basis.....125, 281
Bond Trustee.....102, 287
Borrower.....287
Breathing Space Regulations.....262
Broken Amount 287
BRRD 287
Business Day 124, 287
Business Day Convention.....124, 287
c .....xii, 288
Calculation Agent 108, 287
Calculation Agent(s).....102, 287
Calculation Amount.....131, 287
Calculation Date 287
Calculation Period 287
Capital Account Ledger.....287
Capital Contribution 288
Capital Contribution in Kind 288
Capital Distribution 288
Capital Requirements Directive.....288
Capital Requirements Regulation 288
Cash Capital Contribution 288
Cash Management Agreement.....288
Cash Manager 288
Cash Manager Termination Event 211

CBTL 256, 288
CCA 58, 68, 288
cent..... xii, 288
Certificate of Title.....288
CGT 65
Charged Property 217, 288
CJEU.....260
Clearing Obligation.....85
Clearing Systems 288
Clearstream, Luxembourg.....88, 104, 288
CMA 288
CMA Guidance 261
CML.....288
COBS 92
Code 128
Collateralised GIC 289
Collateralised GIC Account 288
Collateralised GIC Provider.....289
Collateralised Guaranteed Investment Contract 289
Collection Account 289
Collection Account Bank.....289
Common Depositary 88, 289
Common Safekeeper.....88, 289
Companies Act.....289
Compounded Daily SONIA 289
CONC 289
Conditions.....325
Conduct Indemnity.....289
Consumer Buy-to-let Loan 256
Consumer Credit Directive 289
Consumer Rights Act.....259
Corporate Services Agreement 289
Corporate Services Provider 217, 289
Counterparty Risk Assessment 289
Coupon.....289
Couponholders 103, 290
Coupons 103, 290
Cover Pool Swap.....292
Cover Pool Swap Agreement.....292
Cover Pool Swap Early Termination Event 213, 292
Cover Pool Swap Provider.....292
Covered Bond 290
Covered Bond Guarantee.....106, 290
Covered Bond Swap 290
Covered Bond Swap Agreement.....214, 290
Covered Bond Swap Agreements 291
Covered Bond Swap Early Termination Event 215, 291
Covered Bond Swap Provider.....291
Covered Bond Swap Rate 291
Covered Bondholder 104, 291
Covered Bondholders.....102, 291
Covered Bondholders of the relevant Series 319
Covered Bonds .....i, 102, 290
Covered Bonds of the relevant Series.....319
CPUTR 292
CRA 58, 292
CRA Regulation .....ii, 49, 292
Current Balance 292
current balance determination date.....292
Custodian 251, 292
Custody Swap Collateral Account.....292
Customer Files.....292
Day Count Fraction.....125, 293
Dealer.....i, 14, 293
Dealers .....i, 14, 293
Deed of Charge 103, 293
Defaulted Loan 293
Deferred Consideration.....293
Definitive Covered Bond.....293
Definitive Covered Bonds 102, 293
Deposit Non-Reserved Amounts 203
Deposit Set-off Balance.....203
Designated Account.....130, 293
Designated Bank.....130, 293
Designated Maturity 108, 293
Designated Member.....198, 293
Designated Members 198, 293
Designated Mortgages Amount 204
Determination Date.....293
Determination Period.....127, 293
Directors 293
Discretionary Rate 294
Discretionary Rate Loans 240, 294
Distance Marketing Regulations.....258
Distribution Compliance Period 294
distributor.....viii, 92
DPA 294
Due for Payment.....294
Due for Payment Date 295
Earliest Maturing Covered Bonds.....295
Early Redemption Amount.....295
Early Repayment Charge.....241
Early Repayment Charges 295
EEA .....ix, xi, 92, 274
Eligibility Criteria.....185, 295
eligible property.....189
EMIR 70
English Loan.....295
EPC.....266
Equity Release Loan.....295
ESMA 49, 295
EU.....xi, 295
EU Benchmarks Regulation 77
EU CRR.....56
EURIBOR.....77, 295

euro .....xii, 131, 281
Euro..... xii, 281
Eurobond Basis 126, 281
Euroclear.....88, 104, 295
European Market Infrastructures Regulation 295
EUWA .....i, 92, 93, 274
Excess Proceeds.....138, 295
Exchange Date 88, 296
Exchange Event 89, 90, 296
Excluded Scheduled Interest Amounts296, 317
Excluded Scheduled Principal Amounts....296, 317
Excluded Swap Termination Amount.....296
Extended Covered Bond 296
Extended Covered Bonds.....234
Extended Due for Payment Date.....296
Extension Determination Date.....296
Extraordinary Resolution 296
FATCA 271, 296
FCA..... i, xi, 296
FCs 85
FIEA.....275, 296
Final Maturity Date.....296
Final Redemption Amount.....296
Final Terms ..... ii, 296
Financial Conduct Authority.....296
Financial Services Act 296
Financial Services Authority.....297
financial statements..... xii, 297
First Sale Date.....297
Fixed Coupon Amount.....297
Fixed Rate Covered Bonds 297
Fixed Rate Loans 241, 297
Fixed/Floating Rate Covered Bonds.....297
Flexible Draw Capacity 204, 297
Flexible Loan 297
Flexible Loan Drawing 297
Floating Rate.....108, 297
Floating Rate Convention 124, 297
Floating Rate Covered Bonds 297
Floating Rate Option.....108, 297
Following Business Day Convention..124, 297
foreign passthru payments 271
FOS 32, 297
FSA .....xi, 297
FSCS 43, 297
FSCS Limit 203
FSMA.....xi, 93, 274, 298
Further Advance.....298
GBP..... xii
Global Covered Bond 102, 298
Group .....xi, 298
Guarantee Priority of Payments 232, 298
Guaranteed Amounts 298
Guaranteed Amounts Due Date 182, 298
H.M. Treasury.....298
HA 1988 267
Hard Bullet Covered Bonds..... 15, 221, 298
HMRC 298
Holder 291
holder of Covered Bonds 104, 291, 299
holding company 298
Holdings..... 10, 298
Homeowner Variable Rate 299
House Price Index.....299
House Price Indexed Valuation 299
i 299
IASB 45
ICSDs.....217, 299
IGAs.....271
in Arrears 283
Index viii
Index Owner viii
Indexed Valuation.....299
Initial Advance 299
Initial Portfolio 239, 299
Insolvency Act.....299
Insolvency Event 299
Instalment Amounts.....300
Instalment Covered Bonds.....300
Instalment Dates 300
Insurance Acknowledgement.....300
Insurance Claim Proceeds.....300
Insurance Distribution Directive.....ix, 92, 274
Insurance Policies 300
Insurance Policy 300
Intercompany Loan.....301
Intercompany Loan Agreement 301
Intercompany Loan Ledger.....301
Interest Amount 122, 301
Interest Commencement Date.....301
Interest Determination Date.....301
Interest Payment Date.....107, 301
Interest Period.....127, 301
Interest Rate Shortfall 195, 301
Interest Rate Shortfall Test 195, 301
Interest-Only Loan.....240
Investor Put.....133, 301
Investor's Currency 54, 301
ISDA 301
ISDA Definitions.....108, 301
ISDA Determination.....301
ISDA Master Agreement 301
ISDA Rate.....108, 301
Issue Date 102, 302
Issue Price.....302
Issuer.....i, xi, 11, 102, 302
Issuer Acceleration Notice.....137, 302
Issuer Call 302

Issuer Event of Default 137, 302
Issuer Subordinated Loan 199, 302
Issuer-ICSDs Agreement 217, 302
Issuer's 2023 Annual Report and Accounts 2
Issuer's 2024 Annual Report and Accounts 2
Italian Banking Act 276, 302
Japanese ¥ ..... xii, 281
Japanese yen..... xii, 281
JPY 281
Latest Valuation 302
LBD 304
LBTT 65
Lead Manager 302
Ledger 302
Lending Criteria 244, 302
Liquidation Member 179, 302
Lloyds 2013 Part VII Transfer 64, 302
Lloyds Banking Group.....302
LLP .....i, 102, 179, 303
LLP Acceleration Notice 139, 303
LLP Accounts 303
LLP Deed 198, 303
LLP Event of Default.....139, 303
LLP Management Board.....303
LLP Payment Date 303
LLP Payment Period 303
LLPA 81, 250, 303
LLP's 2023 Annual Financial Statements 2
LLP's 2024 Annual Financial Statements 2
Loan 303
Loan Conditions.....241
Loan Repurchase Notice 304
Loan-to-Value Ratio 304
London Banking Day.....304
London Business Day 304
London Stock Exchange .....i, 304
Long Maturity Covered Bond.....129, 304
Margin.....304
Margin Obligation.....85
Master Definitions and Construction Agreement.....103, 304
Maximum Rate of Interest 304
Maximum Redemption Amount 304
MC Extension Agreement.....264
MC Interest-only Agreement 264
MCCB 305
MCD 305
MCD Order 255
MCOB.....254, 305
Member.....198, 305
Member State xi
Members 198, 305
MH/CP Documentation 305
MiFID II..... viii, 92, 304
MiFID Product Governance Rules..... viii
Minimum Rate of Interest.....305
Minimum Redemption Amount.....305
Modified Following Business Day Convention 124, 305
Monthly Payment 305
Monthly Payment Day.....305
Moody's .....ii, 305
Mortgage.....305
Mortgage Account 305
Mortgage Charter.....264
Mortgage Code 305
Mortgage Conditions 305
Mortgage Regulation Date.....253
Mortgage Sale Agreement 305
Mortgage Terms 306
N Covered Bond 306
N Covered Bond Assignment Agreement ..306
N Covered Bond Conditions.....306
N Covered Bond Confirmation.....306
N Covered Bond Confirmation Terms.....306
N Covered Bondholder 306
Negative Carry Factor.....203, 306
New Company 160, 306
New Entity.....161, 306
New Global Covered Bond.....306
New Loan 306
New Loan Type 307
New Member 307
New Mortgage Sale Agreement.....307
New Portfolio 239, 307
New Portfolio Notice.....307
New Rating Criteria.....147
New Seller 307
New Seller Loans.....307
NGCB 88, 306
n_i 307
not adjusted.....127
Notice to Pay 138, 307
Observation Period 307
Offer Conditions 307
Official List.....i, 307
OFT.....307
Ombudsman.....59, 264, 307
Optional Redemption Amount.....307
Optional Redemption Date 307
Original Due for Payment Date 294, 308
Outstanding.....308
p .....xii, 309, 310
part Coupon sheet 142, 309
Partial Portfolio.....208, 309
Paying Agents.....102, 310
Payment Day.....131, 310
Payment Holiday 310
PCA 310
pence.....xii, 310

Perfection Event.....187, 310
Permanent Global Covered Bond 88, 310
Portfolio 239, 310
Portfolio Manager 208, 310
Post-Enforcement Priority of Payments.....236, 310
Postponed Deferred Consideration 310
Potential Issuer Event of Default 150, 310
Potential LLP Event of Default.....150, 310
PRA.....xi, 310
Pre-Acceleration Principal Priority of Payments.....230, 310
Pre-Acceleration Priority of Payments 310
Pre-Acceleration Revenue Priority of Payments 226, 310
Pre-action Protocol.....261
Preceding Business Day Convention ..125, 310
Pre-Maturity Liquidity Ledger.....311
Pre-Maturity Liquidity Test 221, 311
Pre-Maturity Liquidity Test Breach Period 311
Pre-Maturity Liquidity Test Date.....311
PRIIPs Regulation.....ix, 92
Principal Amount Outstanding.....127, 311
Principal Ledger.....311
Principal Paying Agent 102, 311
Principal Receipts 311
Priorities of Payments 311
Product Period.....241, 311
Product Switch 311
Programme.....i, 312
Programme Agreement 272, 312
Programme Conditions 312
Programme Date 312
Programme Resolution.....145, 312
Properties 312
Properties in Possession Cover 312
Property.....312
Prospectus .....v, 93, 312
Prospectus Regulation.....vi, 92
Prudential Regulatory Authority 310
Purchaser.....313
Put Notice 134, 313
RAO 253
Rate of Interest.....131, 313
Rating Agency 313
Rating Agency Confirmation 50, 159, 313
RCB Regulations ..... ii, 248, 313
RCB Sourcebook 55, 138, 248, 313
Reasonable, Prudent Mortgage Lender.....313
Receipt 313
Receiptholders.....103, 313
Receipts.....103, 313
Receiver 313
Record Date 129, 313
Redeemed Covered Bonds.....133, 313
Reference Banks 313
Reference Price.....313
Reference Rate.....150, 314
Register.....129, 314
Registered Covered Bond 103, 314
Registered Definitive Covered Bond.....314
Registered Definitive Covered Bonds 102, 314
Registered Global Covered Bond 89
Registered Global Covered Bonds.....314
Registers of Scotland 314
Registrar.....102, 314
Regulated Covered Bonds 314
Regulated Credit Agreement 256
Regulated Mortgage Contract.....314
Regulation No. 11971 314
Regulation S .....iii, 314
Regulation S Covered Bond 314
Regulation S Covered Bonds.....274
Related Security.....314
Relevant Date 136, 315
relevant Dealer.....i, 315
Relevant Financial Centre time 108
Relevant LLP Payment Period.....194, 315
Relevant Loans 186
Relevant Screen Page 315
relevant Series of Covered Bonds.....48, 315
relevant Talon 142, 315
Renting Homes Act.....60, 264
Repayment Loan.....240
Repossession Act.....262
Representations and Warranties 315
Required Current Balance Amount.....206, 315
Required Redemption Amount 207, 315
Reserve Fund 315
Reserve Fund Required Amount 315
Reserve Ledger 316
Reset Date.....108, 316
Responsible Persons .....v, 316
retail investor .....ix, 92, 274
Revenue Ledger.....316
Revenue Receipts.....316
Risk Mitigation Requirements.....85
RWAs 316
Sabadell .....xi, 316
Sabadell Group .....xi, 316
SABIS.....317
Sale Date.....317
Sale Proceeds.....317
Scheduled Interest.....317
Scheduled Payment Date 317
Scheduled Principal 317
Scottish Declaration of Trust 318
Scottish Loan 318
Scottish Mortgage.....318
Scottish Sasine Sub-Security 265

Scottish Sasine Transfer.....265
Scottish Sub-Security.....318
Scottish Supplemental Charge.....318
Screen Rate Determination.....318
SDLT.....65
Secured Creditors.....318
Secured Obligations.....318
Securities Act..... iii, 273, 318
Security.....217, 318
Security Interest.....318
Security Trustee.....102, 318
Selected Loan Offer Notice.....318
Selected Loan Repurchase Notice.....319
Selected Loans.....319
Selection Date.....133, 319
Self-Certified Loan.....319
Seller.....319
Seller Power of Attorney.....319
Sellers.....319
Series.....103, 319
Series Reserved Matter.....319
Servicer.....320
Servicer Termination Event.....196, 320
Servicing Agreement.....320
Share Trustee.....320
Solvency II.....55
SONIA.....320
SONIA reference rate.....320
SONIA Screen Page.....320
SONIA Spot Rate.....320
$SONIA_{i\text{-}pLBD}$.....320
Specified Currency.....320
Specified Denomination.....321
Specified Interest Payment Date.....321
Specified Period.....321
Specified Time.....321
Stabilising Manager(s)..... vii, 321
Standard Documentation.....321
standard security.....321
Standard Variable Rate.....321
sterling..... xii
Sterling.....281
Sterling Equivalent.....321
Stock Exchange.....150, 321
Subscription Agreement.....137
Subsidiary.....321
Substitution Assets.....321
sub-unit.....127, 322
Supplemental Liquidity Available Amount.....207, 322
Supplemental Liquidity Event.....224, 322
Supplemental Liquidity Reserve Amount..204, 322
Supplemental Liquidity Reserve Ledger....204, 322
Supplementary Prospectus.....3, 322
Swap.....322, 324
Swap Agreement.....322
Swap Agreements.....322
Swap Collateral.....323
Swap Collateral Account.....323
Swap Collateral Account Bank.....323
Swap Collateral Account Bank Required Ratings.....323
Swap Collateral Available Amounts.....323
Swap Collateral Bank Account Agreement 323
Swap Collateral Excluded Amounts.....323
Swap Provider.....324
Swap Provider Default.....323
Swap Provider Downgrade Event.....324
Swap Provider Tax Payment.....324
Swap Providers.....324
Swaps.....322, 324
T2.....124, 324
Talons.....103, 324
Tax Credit.....324
Taxes.....324
TEFRA.....324
TEFRA C.....324
TEFRA D.....324
Temporary Global Covered Bond.....88, 325
Term Advance.....325
Terms and Conditions.....93, 102, 325
Third Party Amounts.....325
Title Deeds.....325
Tracker Loan.....325
Tracker Rate Loans.....241
Tranche.....103, 326
Transaction Account.....326
Transaction Documents.....326
Transfer Agent.....326
Transfer Agents.....102, 326
Treaty.....132, 327
Trust Deed.....102, 327
TSB.....163
TSB Bank.....xi, 327
TSB Banking Group.....xi, 327
TSB Discretionary Rates.....327
U.S.....xi
U.S. Dollars.....xii, 281
U.S.$.....xii, 281
UCITS Directive.....248, 327
UK.....i, ix, xi, 92, 274
UK CRA Regulation.....ii
UK EMIR.....70, 85, 146, 327
UK IAS.....xii
UK MiFIR.....i, 92
UK MiFIR Product Governance Rules....ix, 92
UK PRIIPs Regulation.....ix, 93
UK Prospectus Regulation.....i, 93

UK regulated market of the London Stock Exchange ..... i, 327
UKAR 327
Underpayment 327
Unfair Practices Directive 327
US Dollars 281
UTCCR 58, 259, 327
Valuation Report 327
Valuer 327
Variable Rate Loan 327
VAT 328
Whistletree Portfolio 328
WLTT 65
Yen 281
Yield Shortfall Test 195, 328
Zero Coupon Covered Bonds 328

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