Principality Building Society

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

€5 billion
Global Covered Bond Programme

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

PRINCIPALITY COVERED BONDS LLP

(a limited liability partnership incorporated in England and Wales)

Under this €5 billion covered bond programme (the "**Programme**"), Principality Building Society (the "**Issuer**") may from time to time issue bonds (the "**Covered Bonds**") denominated in any currency agreed between the Issuer and the relevant Dealers (as defined below). The price and amount of the Covered Bonds to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Principality 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 €5 billion (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

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

See Risk Factors on page 30 of this Prospectus for a discussion of certain factors to be considered in connection with an investment in the Covered Bonds.

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Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020 as amended, varied, superseded or substituted from time to time, the "**EUWA**") (the "**UK Prospectus Regulation**")).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

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

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

On 22 September 2025, the Issuer was admitted to the register of issuers and the Programme was admitted to the register of regulated covered bonds under the Regulated Covered Bonds Regulations 2008 (SI 2008/346) as amended by the Regulated Covered Bonds (Amendment) Regulations 2008 (SI 2008/1714), the Regulated Covered Bonds (Amendment) Regulations 2011 (SI 2011/2859) and the Regulated Covered Bonds (Amendment) Regulations 2012 (SI 2012/2977) (the "**RCB Regulations**").

The Covered Bonds and the Covered Bond Guarantee (as defined below) have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or 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 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 any U.S. person (as defined in Regulation S under the Securities Act) unless such securities are registered under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable state or local securities laws. The Covered Bonds are being offered only: (i) outside the United States in offshore transactions to persons that are not U.S. persons in reliance upon Regulation S under the Securities Act; and (ii) in the United States, to "qualified institutional buyers" ("**QIBs**") in reliance upon Rule 144A ("**Rule 144A**") under the Securities Act. See "*Form of the Covered Bonds*" for a description of the manner in which Covered Bonds will be issued. Registered Covered Bonds are subject to certain restrictions on transfer, see "*Subscription and Sale and Transfer and Selling Restrictions*".

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

Each Series (as defined below) of Covered Bonds issued under the Programme may be rated or unrated. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. The rating of certain Series of Covered Bonds to be issued under the Programme will be specified in the applicable Final Terms. The credit ratings included and referred to in this Prospectus have been issued by Fitch Ratings Limited ("**Fitch**") and/or Moody's Investors Service Ltd ("**Moody's**"), each of which is a credit rating agency established in the United Kingdom and registered under Regulation (EC) No 1060/2009 as it forms part of domestic law by virtue of the EUWA (the "**UK CRA Regulation**"). Each of Fitch and Moody's are included in the list of credit rating

agencies published by the FCA on its website in accordance with the UK CRA Regulation. The ratings issued by Fitch and Moody's have been endorsed by Fitch Ratings Ireland Limited and Moody's Deutschland GmbH respectively in accordance with Regulation (EC) 1060/2009 (the "**EU CRA Regulation**"). Each of Fitch Ratings Ireland Limited and Moody's Deutschland GmbH is established in the European Union and registered under the EU CRA Regulation. As such, each of Fitch Ratings Ireland Limited and Moody's Deutschland GmbH is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the EU CRA Regulation. In general, European regulated investors are restricted under the EU CRA Regulation from using a rating for regulatory purposes, if such rating is not issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant non-EEA rating agency is certified in accordance with the EU CRA Regulation (and such endorsement or certification, as the case may be, has not been withdrawn or suspended). Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use, for UK regulatory purposes, ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended.

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

Joint Arrangers for the Programme

BNP PARIBAS **HSBC**

The date of this Prospectus is 19 December 2025

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

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

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

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

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

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

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

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

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

The Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act or the securities laws of any state or other territory or jurisdiction of the United States and may not be offered, sold or, in the case of Bearer Covered Bonds, delivered in the United States or to, or for the account or benefit of, any 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.

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

As set forth in the applicable Final Terms, the Covered Bonds are being offered and sold: (i) in the United States to QIBs; and/or (ii) outside the United States in offshore transactions to persons that are not U.S. persons as defined in Regulation S under the Securities Act ("Regulation S").

Prospective purchasers are hereby notified that the sellers of the Covered Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

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

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

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

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

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

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds, the merits and risks of investing in the Covered Bonds and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Covered Bonds and the impact the Covered Bonds will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(d) understand thoroughly the terms of the Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

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

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

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

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

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

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

U.S. INFORMATION

The Covered Bonds and the Covered Bond Guarantee have not been approved or disapproved by the SEC, any state securities commission or other regulatory authority in the United States, nor have any of the foregoing authorities approved this Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Prospectus. Any representation to the contrary is a criminal offence.

The Registered Covered Bonds 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 and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except 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. Each U.S. purchaser of Registered Covered Bonds is hereby notified that the offer and sale of any Registered Covered Bonds to it may be being made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act.

Accordingly, this Prospectus is being provided on a confidential basis in the United States to a limited number of QIBs for informational use solely in connection with the consideration of the purchase of the Covered Bonds being offered hereby. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

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

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

AVAILABLE INFORMATION

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

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

Notwithstanding anything herein to the contrary, investors (and each employee, representative or other agent of the investors) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the offering and all materials of any kind (including opinions or other tax analyses) that are provided to the investors relating to such tax treatment and tax structure (as such terms are defined in Treasury Regulation Section 1.6011-4). This authorisation of tax disclosure is retroactively effective to the commencement of discussions between the Issuer, the Dealers or their respective representations and a prospective investor regarding the transactions contemplated herein.

FORWARD-LOOKING STATEMENTS

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

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

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

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

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

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

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

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

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise none of the Joint Arrangers or the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

INTERPRETATION

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

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PRINCIPAL CHARACTERISTICS OF THE PROGRAMME

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

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

Issuer:	Principality Building Society
Guarantor:	Principality Covered Bonds LLP
Regulated Covered Bonds:	The Issuer and the Programme were admitted to the register of issuers on 22 September 2025 and any Covered Bonds issued under the Programme will be admitted to the register of regulated covered bonds
Nature of eligible property:	Residential mortgage loans, Substitution Assets up to the prescribed limit and Authorised Investments
Location of eligible residential property underlying Loans:	England and Wales
Maximum Current Balance to Indexed Valuation ratio given credit under the Asset Coverage Test:	75 per cent.
Maximum Asset Percentage:	92.5 per cent.
Asset Coverage Test:	As set out on page 193
Statutory minimum overcollateralisation:	The eligible property in the asset pool must be more than 108 per cent. of the Principal Amount Outstanding of the Covered Bonds
Amortisation Test:	As set out on page 198
Extended Maturities:	Available
Hard Bullet Maturities:	Not Available
Asset Monitor:	Deloitte LLP
Asset Segregation:	Yes
***Namensschuldverschreibungen* option:**	No
Single/Multi Asset Pool designation:	Single Asset Pool, consisting of residential mortgage loans and liquid assets

Substitution Assets:	Asset backed securities are not eligible property and cannot form part of the Asset Pool. As set out on page 319, Substitution Assets include: (a) Sterling gilt-edged securities; (b) Sterling demand or time deposits (subject to certain requirements); and (c) Sterling-denominated government and public securities (subject to certain requirements), provided that such Substitution Assets comply with the requirements of Regulation 2(1A) of the RCB Regulations

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) the interim financial report of the Issuer for the period ended 30 June 2025 (the "**Issuer's Interim Financial Report 2025**");

(b) the strategic report of the Issuer, as set out on pages 10 to 46 (inclusive) of the Annual Report & Accounts of the Issuer for the financial year ended 31 December 2024 available at: https://www.principality.co.uk/getmedia/7b9c6fdc-3b93-4303-94b5-e0b8d67668ae/Annual-Report-and-Accounts-2024.pdf;

(c) the strategic report of the Issuer, as set out on pages 10 to 46 (inclusive) of the Annual Report & Accounts of the Issuer for the financial year ended 31 December 2023 available at: https://www.principality.co.uk/getmedia/67449873-d151-43da-8bf0-06e30d7090c8/Annual-Report-and-Accounts-2023.pdf;

(d) the audited consolidated annual accounts of the Issuer, for the financial year ended 31 December 2024, as set out on pages 92 to 165 (inclusive) and the glossary of terms as set out on pages 167 to 173 (inclusive) of the Issuer's Annual Report & Accounts 2024, together with the auditor's reports thereon available at: https://www.principality.co.uk/getmedia/7b9c6fdc-3b93-4303-94b5-e0b8d67668ae/Annual-Report-and-Accounts-2024.pdf; and

(e) the audited consolidated annual accounts of the Issuer, for the financial year ended 31 December 2023, as set out on pages 101 to 178 (inclusive) and the glossary of terms as set out on pages 180 to 186 (inclusive) of the Issuer's Annual Report & Accounts 2023, together with the auditor's reports thereon available at: https://www.principality.co.uk/getmedia/67449873-d151-43da-8bf0-06e30d7090c8/Annual-Report-and-Accounts-2023.pdf.

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

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

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

The Issuer and the LLP will provide, without charge, to each person to whom a copy of this Prospectus has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Written requests for such documents should be directed to the Issuer, Principality Building Society, Principality House, The Friary, Cardiff, CF10 3FA, and marked for the attention of the LLP, at its principal office as set out at the end of this Prospectus.

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

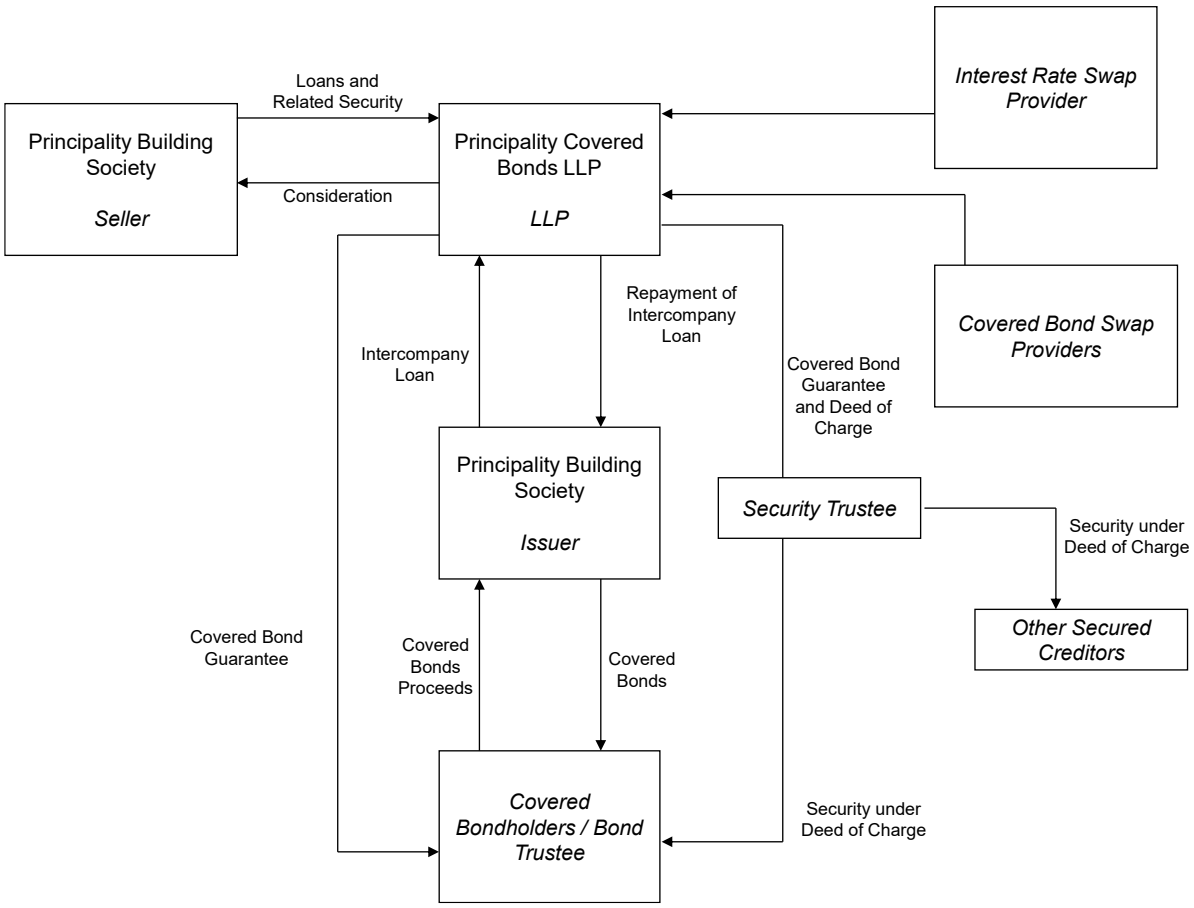
Copies of the documents incorporated by reference in this Prospectus will be available for viewing: (i) at the offices of the Issuer at Principality Building Society, Principality House, The Friary, Cardiff, CF10 3FA; (ii) on the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html; and (iii) https://www.principality.co.uk/about-us/your-principality/treasury-services. Please note that, except in respect of any documents being incorporated by reference herein, websites and URLs referred to herein do not form part of this Prospectus. To the extent that any document incorporated by reference in this Prospectus incorporates further information by reference, such further information does not form part of this Prospectus.

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

STRUCTURE OVERVIEW

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

Structure Diagram



Structure Overview

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

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

(c) *Covered Bond Guarantee*: Under the terms of the Trust Deed, the LLP has provided a guarantee as to payments of interest and principal under the Covered Bonds. The LLP has agreed to pay

an amount equal to the Guaranteed Amounts when the same shall become Due for Payment but which would otherwise be unpaid by the Issuer. The obligations of the LLP under the Covered Bond Guarantee constitute direct and (following the service of a Notice to Pay on the LLP or, if earlier, the service on the Issuer and the LLP of an LLP Acceleration Notice) unconditional obligations of the LLP, secured as provided in the Deed of Charge. The Bond Trustee will be required to serve a Notice to Pay on the LLP following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice pursuant to which, as against the Issuer (but not, for the avoidance of doubt, against the LLP under the Covered Bond Guarantee), each Covered Bond of each Series thereupon immediately becomes due and repayable. An LLP Acceleration Notice may be served by the Bond Trustee on the Issuer and the LLP following the occurrence of an LLP Event of Default.

(d) If an LLP Acceleration Notice is served, the Covered Bonds will (if an Issuer Acceleration Notice has not been already served) become immediately due and payable as against the Issuer and the LLP's obligations under the Covered Bond Guarantee will be accelerated. Payments made by the LLP under the Covered Bond Guarantee will be made subject to, and in accordance with, the Guarantee Priority of Payments or the Post-Enforcement Priority of Payments, as applicable. The recourse of the Covered Bondholders to the LLP under the Covered Bond Guarantee will be limited to the assets of the LLP from time to time.

(e) *The proceeds of Term Advances*: The LLP will use the proceeds of the Term Advances received under the Intercompany Loan Agreement from time to time (if not denominated in Sterling, after swapping the same into Sterling under the relevant Covered Bond Swap Agreement):

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

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

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

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

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

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

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

(E) to make a deposit of all or part of the proceeds in the Transaction Account (including, without limitation, to fund the Reserve Fund in the Transaction Account 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(iii) 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.

(k) *Amortisation Test*: In addition, following the occurrence of an Issuer Event of Default and service of a Notice to Pay on the LLP (but prior to service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security) and, for so long as Covered Bonds remain outstanding, the LLP and the Members (other than the Liquidation Member) must ensure that on each Calculation Date following an Issuer Event of Default and the service of a Notice to Pay on the LLP, the Amortisation Test Aggregate Loan Amount will be in an amount at least equal to the Sterling Equivalent (as swapped, as the case may be) of the aggregate Principal Amount Outstanding of the Covered Bonds from time to time. The Amortisation Test will be tested by the Cash Manager on each Calculation Date following an Issuer Event of Default and service of a Notice to Pay on the LLP. A breach of the Amortisation Test will constitute an LLP Event of Default, which will entitle the Bond Trustee to serve an LLP Acceleration Notice declaring the Covered Bonds immediately due and repayable and entitle the Security Trustee to enforce the Security over the Charged Property.

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

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

(i) within ten London Business Days of such Cash Manager Relevant Event make a Cash Capital Contribution to the LLP in an aggregate amount equal to:

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

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

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

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

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

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

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

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

The LLP will procure that the Cash Capital Contribution it receives from the Seller is paid into the Transaction Account and credited to the Coupon Payment Ledger. On the date of receiving such Cash Capital Distribution, the LLP will, on the direction of the Issuer, deliver an irrevocable payment instruction (specifying the ISIN Code and/or CUSIP as applicable or the relevant Series of Covered Bonds) to an Account Bank to pay such amounts to the Principal Paying Agent or the relevant Covered Bond Swap Provider, as applicable on the dates referred to above.

(n) *Servicing*: In its capacity as Servicer, Principality Building Society has entered into the Servicing Agreement with the LLP and the Security Trustee, pursuant to which the Servicer has agreed to provide certain services in respect of the Loans and their Related Security sold by Principality Building Society (in its capacity as Seller) to the LLP.

(o) *RCB Regulations*: The Issuer and the Programme were admitted to the register of issuers on 22 September 2025 and any Covered Bonds issued under the Programme will be admitted to the register of regulated covered bonds.

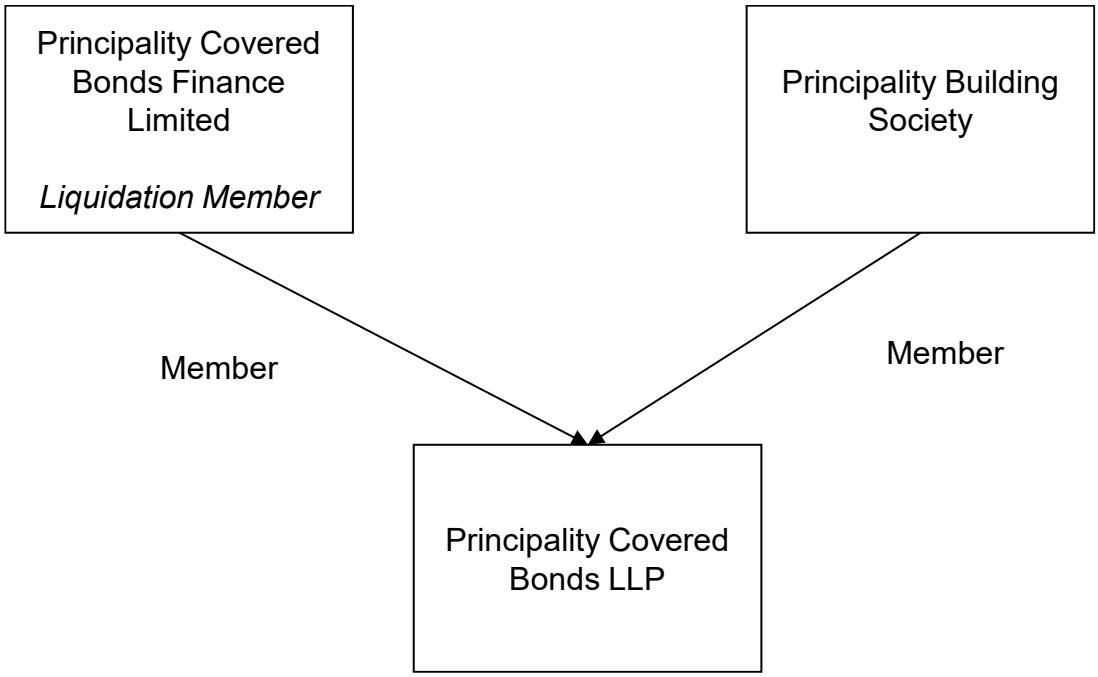
(p) *Further Information*: For a more detailed description of the transactions summarised above relating to the Covered Bonds see, among other relevant sections of this Prospectus, "*Overview of the Programme*", "*Terms and Conditions of the Covered Bonds*", "*Summary of the Principal Documents*", "*Credit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

Ownership Structure of Principality Covered Bonds LLP

(a) As at the Programme Date, the Members of the LLP are the Seller and the Liquidation Member.

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

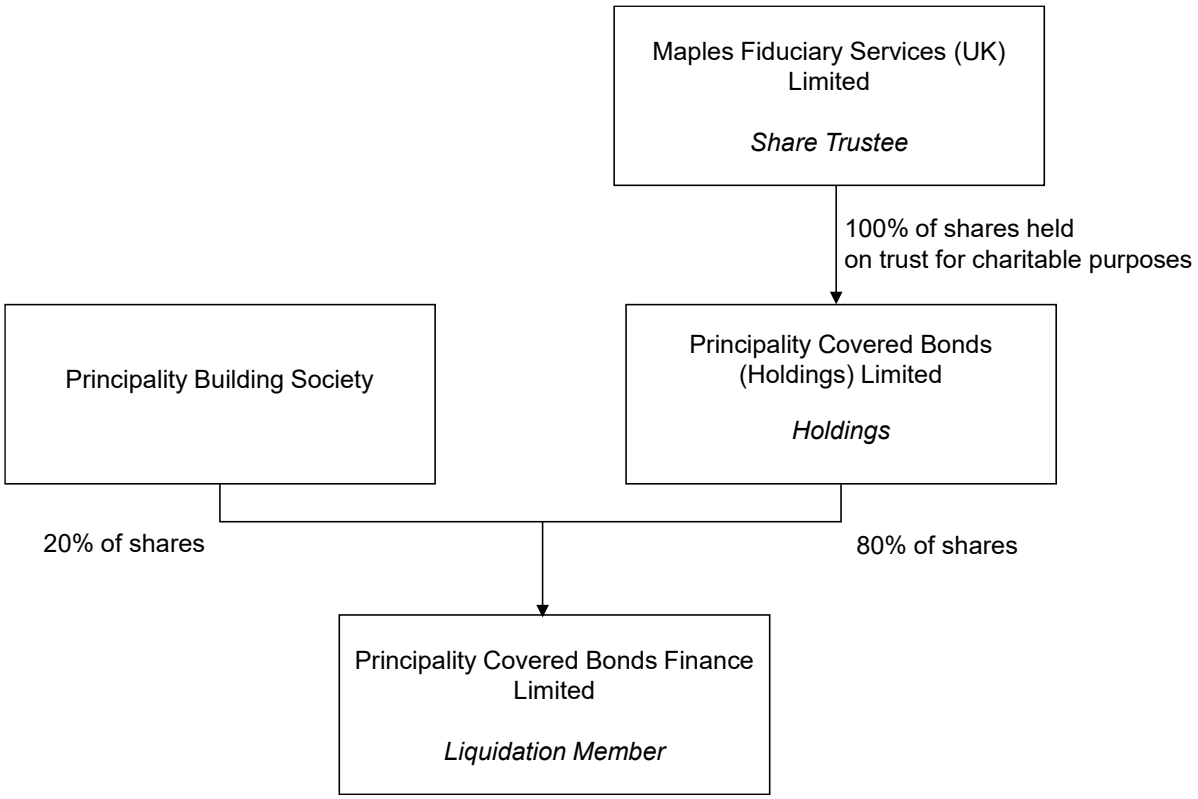
(c) Other than in respect of those decisions reserved to the Members, the LLP Management Committee (consisting of, as at the Programme Date, directors and/or employees of the Seller) will manage and conduct the business of the LLP and will have all the rights, power and authority to act at all times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



Ownership Structure of the Liquidation Member

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

(b) The entire issued capital of Holdings is held by Maples Fiduciary Services (UK) Limited as share trustee on trust for charitable purposes.



OVERVIEW OF THE PROGRAMME

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

Issuer:	Principality Building Society ("**Principality**" or the "**Society**"), incorporated in England and Wales under the Building Societies Act 1986 (as amended) (the "**Building Societies Act**") (which expression shall include, where applicable, any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under any statutory modification or re-enactment). For a more detailed description of the Issuer see "*The Issuer*" below.
Issuer Legal Entity Identifier (LEI):	2138003CSNVJEPFZ3U52
Website of the Issuer	https://www.principality.co.uk/
The LLP:	Principality Covered Bonds LLP, a limited liability partnership incorporated in England and Wales (partnership no. OC453822). The Members of the LLP on the Programme Date are Principality (in its capacity as Seller) and the Liquidation Member. The LLP is a special purpose vehicle whose business is to acquire, among other things, Loans and their Related Security from the Seller pursuant to the terms of the Mortgage Sale Agreement and to guarantee certain payments in respect of the Covered Bonds. The LLP will hold the Portfolio and the other Charged Property in accordance with the terms of the Transaction Documents. The LLP has provided a guarantee covering all Guaranteed Amounts when the same shall become Due for Payment, but only following an Issuer Event of Default and the service on the LLP of a Notice to Pay or LLP Acceleration Notice. The obligations of the LLP under such guarantee and the other Transaction Documents to which it is a party are secured by the assets from time to time of the LLP and recourse against the LLP is limited to such assets. For a more detailed description of the LLP, see "*The LLP*" below.
Seller:	Principality, which is in the business of originating and acquiring residential mortgage loans and conducting other building society related activities.

	For a more detailed description of Principality, see "*The Issuer*" below.
Servicer:	Pursuant to the terms of the Servicing Agreement, Principality has been appointed to service, on behalf of the LLP, the Loans and Related Security sold by the Seller.
Back-Up Servicer Facilitator:	Maples Fiduciary Services (UK) Limited has been appointed to act as Back-Up Servicer Facilitator under the Servicing Agreement.
Cash Manager:	Principality has been appointed, among other things, to provide cash management services to the LLP and to monitor compliance by the LLP with the Asset Coverage Test and the Amortisation Test pursuant to the terms of the Cash Management Agreement.
Principal Paying Agent:	HSBC Bank plc has been appointed pursuant to the Agency Agreement as Principal Paying Agent.
Exchange Agent and Transfer Agent:	HSBC Bank plc has been appointed pursuant to the Agency Agreement as Exchange Agent and Transfer Agent.
Paying Agent:	HSBC Bank plc has been appointed pursuant to the Agency Agreement as Paying Agent.
Bond Trustee:	HSBC Corporate Trustee Company (UK) Limited whose registered office is at 8 Canada Square, London E14 5HQ, has been appointed to act as Bond Trustee on behalf of the Covered Bondholders in respect of the Covered Bonds and holds the benefit of, among other things, the Covered Bond Guarantee on behalf of the Covered Bondholders pursuant to the terms of the Trust Deed.
Registrar:	HSBC Bank plc has been appointed pursuant to the Agency Agreement as Registrar.
Security Trustee:	HSBC Corporate Trustee Company (UK) Limited whose registered office is at 8 Canada Square, London E14 5HQ, has been appointed to act as Security Trustee to hold the benefit of the security granted by the LLP to the Security Trustee (for itself, the Covered Bondholders and other Secured Creditors) under the Deed of Charge.
Asset Monitor:	A reputable institution acceptable to the Rating Agencies appointed pursuant to the Asset Monitor Agreement as an independent monitor to perform tests in respect of the Asset Coverage Test and the Amortisation Test when required. The Asset Monitor is Deloitte LLP.
Asset Pool Monitor:	The Issuer is required to appoint an asset pool monitor in connection with its annual confirmation of compliance with certain requirements of the RCB Regulations. (See

	"*Description of the UK Regulated Covered Bond Regime*" below.) Deloitte LLP was appointed as asset pool monitor on the Programme Date.
Covered Bond Swap Providers:	Each swap provider which agrees to act as Covered Bond Swap Provider to the LLP to hedge certain interest rate, currency and/or other risks in respect of amounts received by the LLP under the Loans and the Interest Rate Swap and amounts payable by the LLP under the Intercompany Loan Agreement (prior to the service of a Notice to Pay) and under the Covered Bond Guarantee in respect of the Covered Bonds (after service of a Notice to Pay) by entering into the Covered Bond Swaps with the LLP under the Covered Bond Swap Agreements. In the event that the ratings of a Covered Bond Swap Provider fall below a specified ratings level, the relevant Covered Bond Swap Provider will be required to post collateral, transfer the swap to another counterparty with the required ratings, obtain a guarantee of its obligations from an appropriately rated guarantor or take such other action (which may include no action) which will result in the ratings assigned to the Covered Bonds being maintained at or restored to the level at which the Covered Bonds were rated immediately prior to the date on which the downgrade of the Covered Bond Swap Provider occurred.
Interest Rate Swap Providers:	Each swap provider which agrees to act as a swap provider to the LLP to hedge possible variances between the rates of interest payable on some or all of the Loans sold by the Seller to the LLP and a compounded daily SONIA rate by entering into the Interest Rate Swaps with the LLP under an Interest Rate Swap Agreement. If the ratings of an Interest Rate Swap Provider fall below a specified ratings level, such Interest Rate 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 take such other action (which may include no action) as may be deemed appropriate by the Rating Agencies which will result in the ratings assigned to the Covered Bonds being maintained at or restored to the level at which the Covered Bonds were rated immediately prior to the date on which the downgrade of the Interest Rate Swap Provider occurred.
Account Bank:	HSBC Bank plc has been appointed as Account Bank to the LLP pursuant to the terms of the Bank Account Agreement.
Liquidation Member:	Principality Covered Bonds Finance Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 15862093). As at the date of this Prospectus, 80 per cent. of the issued share capital of the Liquidation Member is held by Holdings and 20 per cent. of the issued share capital of the Liquidation Member is held by Principality.

Holdings:	Principality Covered Bonds (Holdings) Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 15860224). All of the shares of Holdings are held by the Share Trustee on trust for general charitable purposes.
Share Trustee:	Maples Fiduciary Services (UK) Limited, having its registered office at 6th Floor, Duo Building, 280 Bishopsgate, London, EC2M 4RB.
Corporate Services Provider:	Maples Fiduciary Services (UK) Limited, having its registered office at 6th Floor, Duo Building, 280 Bishopsgate, London, EC2M 4RB, has been appointed to provide certain corporate services to the Liquidation Member and Holdings, pursuant to the Corporate Services Agreement.
Description:	Global Covered Bond Programme.
Joint Arrangers:	BNP Paribas and HSBC Bank plc.
Dealers:	BNP Paribas, HSBC Bank plc and any other Dealers appointed from time to time in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Covered Bonds denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale and Transfer and Selling Restrictions*").
Programme Size:	Up to €5 billion (or its equivalent in other currencies determined as described in the Programme Agreement) outstanding at any time as described herein. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Covered Bonds may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis, subject to the restrictions set forth in "*Subscription and Sale and Transfer and Selling Restrictions*" below.
Specified Currencies:	Subject to any applicable legal or regulatory restrictions, such currency or currencies as may be agreed from time to time by the Issuer, the relevant Dealers, the Principal Paying Agent and the Bond Trustee (as set out in the applicable Final Terms).
Maturities:	Such maturities as may be agreed between the Issuer and the relevant Dealers and as indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central

	bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Covered Bonds may be issued at par or at a premium or discount to par on a fully paid basis or partly paid basis.
Form of Covered Bonds:	The Covered Bonds will be issued in bearer or registered form as described in "*Form of the Covered Bonds*". Registered Covered Bonds will not be exchangeable for Bearer Covered Bonds and vice versa.
Fixed Rate Covered Bonds:	Fixed Rate Covered Bonds will bear interest at a fixed rate which will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealers 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 Dealers (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 Dealers, 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 Dealers for each issue of Floating Rate Covered Bonds as set out in the applicable Final Terms.
Other provisions in relation to Floating Rate Covered Bonds:	Floating Rate Covered Bonds may also have a maximum interest rate, a minimum interest rate or both (as indicated in the applicable Final Terms). Interest on Floating Rate Covered Bonds in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealers, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealers.
Zero Coupon Covered Bonds:	Zero Coupon Covered Bonds may be offered and sold at a discount to their nominal amount and will not bear interest except in the case of late payment unless otherwise specified in the applicable Final Terms.

Rating Agency Confirmation:	The issuance of all Covered Bonds shall be subject to confirmation by each of the Rating Agencies that the then current ratings for any outstanding Covered Bonds will not be adversely affected by the issuance of such Covered Bonds.
Redemption:	The applicable Final Terms relating to each Tranche of Covered Bonds will indicate either that the relevant Covered Bonds of such Tranche cannot be redeemed prior to their stated maturity (other than for taxation reasons or if it becomes unlawful for any Term Advance to remain outstanding or following an Issuer Event of Default or an LLP Event of Default) or that such Covered Bonds will be redeemable at the option of the Issuer upon giving notice to the Covered Bondholders, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealers (as set out in the applicable Final Terms).
Extendable obligations under the Covered Bond Guarantee:	The applicable Final Terms may also provide that the LLP's obligations under the Covered Bond Guarantee to pay the Guaranteed Amounts corresponding to the Final Redemption Amount of the applicable Series of Covered Bonds on their Final Maturity Date (subject to applicable grace periods) may be deferred until the Extended Due for Payment Date. In such case, such deferral will occur automatically if the Issuer fails to pay the Final Redemption Amount of the relevant Series of Covered Bonds on their Final Maturity Date (subject to applicable grace periods) and if the Guaranteed Amounts equal to the Final Redemption Amount in respect of such Series of Covered Bonds are not paid in full by the LLP by the Extension Determination Date (for example, because the LLP has insufficient monies to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of the relevant Series of Covered Bonds after payment of higher ranking amounts and taking into account amounts ranking *pari passu* in the Guarantee Priority of Payments). To the extent that the LLP has received a Notice to Pay in sufficient time and has sufficient monies to pay in part the Final Redemption Amount, such partial payment shall be made by the LLP on any Interest Payment Date up to and including the relevant Extended Due for Payment Date as described in Condition 6(a). Interest will continue to accrue and be payable on the unpaid amount up to the Extended Due for Payment Date in accordance with Condition 4 and the LLP will make payments of Guaranteed Amounts constituting Scheduled Interest on each Interest Payment Date thereafter, up to (and including) the relevant Extended Due for Payment Date.
Hard Bullet Covered Bonds:	The issuance of hard bullet covered bonds will be subject to Rating Agency Confirmation and is not currently contemplated under the Programme.

Denomination of Covered Bonds:	Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealers and as indicated in the applicable Final Terms save that the minimum denomination of each Covered Bond will be at least €100,000 (or, if the Covered Bonds are denominated in a currency other than euro, at least the equivalent amount in such currency) or such other higher amount as may be required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. Unless otherwise stated in the applicable Final Terms, the minimum denomination of each Definitive Rule 144A Covered Bond will be U.S.$250,000 or its approximate equivalent in other Specified Currencies.
Taxation:	All payments in respect of the Covered Bonds will be made without deduction or withholding for or on account of United Kingdom taxes, subject as provided in Condition 7. If any such deduction or withholding is made, the Issuer will, save in the limited circumstances provided in Condition 7, be required to pay additional amounts in respect of the amounts so deducted or withheld. Under the Covered Bond Guarantee, the LLP will not be liable to pay any such additional amounts that would have been payable by the Issuer under Condition 7.
Cross Default:	If an Issuer Acceleration Notice is served in respect of any one Series of Covered Bonds, then the Covered Bonds of all Series will accelerate against the Issuer. If an LLP Acceleration Notice is served in respect of any one Series of Covered Bonds, then the obligation of the LLP to pay Guaranteed Amounts in respect of all Series of Covered Bonds outstanding will be accelerated.
Status of the Covered Bonds:	The Covered Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank *pari passu* without any preference among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer, from time to time outstanding.
Covered Bond Guarantee:	Payment of Guaranteed Amounts in respect of the Covered Bonds when Due for Payment will be irrevocably guaranteed by the LLP. The obligations of the LLP to make payment in respect of the Guaranteed Amounts when Due for Payment are subject to the condition that an Issuer Event of Default occurs, an Issuer Acceleration Notice is served on the Issuer and a Notice to Pay is served on the LLP or, if earlier, an LLP Event of Default occurs and an LLP Acceleration Notice is served on the LLP. The obligations of the LLP under the Covered Bond Guarantee will accelerate against the LLP upon the service of

	an LLP Acceleration Notice. The obligations of the LLP under the Covered Bond Guarantee constitute direct obligations of the LLP secured against the assets from time to time of the LLP and recourse against the LLP is limited to such assets.
Ratings:	As at the date of this Prospectus: (i) the long-term senior obligations of the Issuer are rated "Baa1" by Moody's Investors Service Limited ("**Moody's**"); (ii) the 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(cr); (iv) the short-term counterparty risk assessment of the Issuer by Moody's is P-1(cr); (v) the long-term issuer default rating of the Issuer by Fitch Ratings Limited ("**Fitch**") is BBB+; and (vi) the short-term issuer default rating of the Issuer by Fitch is F2. Each of Moody's and Fitch is established in the United Kingdom and is registered under the UK CRA Regulation. Where a Series of Covered Bonds is rated, such rating will be disclosed in the Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing and admission to trading:	Application has been made to admit Covered Bonds issued under the Programme to the Official List and to admit the Covered Bonds to trading on the main market of the London Stock Exchange.
The RCB Regulations:	The Issuer and the Programme were admitted to the register of issuers on 22 September 2025 and any Covered Bonds issued under the Programme will be admitted to the register of regulated covered bonds.
Governing Law:	The Covered Bonds, and any non-contractual obligations arising out of or in connection with them, will be governed by, and construed in accordance with, English law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of any Tranche of Covered Bonds in the United States, the EEA and the United Kingdom. Other restrictions may apply in connection with the offering and sale of a particular Tranche of Covered Bonds. See "*Subscription and Sale and Transfer and Selling Restrictions*".
Risk Factors:	There are certain risks related to any issue of Covered Bonds under the Programme, which investors should ensure they fully understand, a non-exhaustive summary of which is set out under "*Risk Factors*" from page 30 of this Prospectus.

RISK FACTORS

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

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

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

1. RISKS RELATING TO THE ISSUER

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

The Issuer's business activities are dependent on the level of mortgage, savings and financial services required by its customers. As the Issuer currently conducts all of its business in the UK, its performance is influenced by the level and cyclical nature of business activity in the UK, which is in turn affected by both domestic and international economic and political events. Any detrimental effect on the UK economy could adversely affect the Issuer's business by reducing the level of demand for, and supply of, the Issuer's products and services.

The results of the Issuer and the Group are influenced by general economic and other business conditions, including the prevailing interest rate environment. Domestic and international conditions are subject to fluctuations which can adversely affect the Issuer's operating performance, financial conditions and/or prospects, through a wide range of potential channels, including but not limited to; changes in unemployment levels, rates of inflation, level of interest rates, consumer confidence, the state of the UK housing market, counterparty risk and the availability and cost of credit in wholesale and retail markets.

The majority of the Issuer's customers are based in the UK. Recently, the UK has seen weaker economic growth, along with inflationary pressures and increases in the Bank of England's interest rate. These interest rate increases, coupled with concerns over energy prices and headwinds from high inflation, have the potential to impact a material amount of UK household incomes.

These factors have led to a cost of living crisis for UK households, which has the potential to impact the short and medium-term credit performance of the Issuer, along with an increased probability of risk to the Issuer's customers and their ability to repay their debts. A sustained cost of living challenge could impact the Issuer's strategy and have a negative impact on the Issuer's profitability, capital, funding and liquidity requirements and increase market volatility. Additionally, there is a risk of increased fraudulent activity as a consequence of cost of living pressures, this could lead to material arrears and credit losses for the Issuer and could in turn affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

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

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

The UK has a large current account deficit which has to be funded by attracting capital inflows, leaving the UK vulnerable to shifts in sentiment. Investors may continue to attach risk premia to UK assets as a result of recent events and ongoing uncertainty. This could expose the Issuer to lower asset values and increased negative fair value adjustments as well as impairments of investments and other assets, which could materially and adversely impact the Issuer's operating results, financial condition and prospects.

There is also an increased risk that the UK sovereign may be downgraded by rating agencies, which could increase funding costs for lenders. If market interest rates remain elevated, it is likely to adversely impact economic activity. As well as restraining demand, higher interest rates could damage the supply side of the economy. If demand and supply sides of the economy both deteriorate, inflation may not decline very much or very quickly, which may also mean that interest rates stay higher for longer.

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

1.2 Wholesale funding markets risk

As at 30 June 2025, 95.9 per cent. of the Issuer's loans and advances were funded by customer deposits and 4.1 per cent. of its funding requirements from wholesale funding sources. The short-term unsecured money market continues to rely on a relatively small number of counterparties. The reasons for the current market conditions range from a lack of available funds, due, for example to local authorities receiving smaller central government contributions, increased credit requirements and a gradual move to managed money market funds and repurchase agreements. The long-term secured and unsecured wholesale funding markets have been subject to prolonged periods of volatility, particularly following the UK vote to withdraw from the EU and as a result of Covid-19. Regulatory requirements introduced following MiFID II exclude local authorities from being treated as 'professional clients' for the purposes of those requirements, subject to the possibility that they can elect to be treated as such if they can confirm their level of competency and expertise. It is possible that if a local authority does not have the appropriate expertise to be designated as a 'professional client' that their participation in some areas of the financial markets could be restricted. This increases the risk that there will be fewer providers of cash to the broker money markets and consequently less liquidity.

Various governments and central banks, including the UK Government and the Bank of England, have provided significant support to UK financial institutions through a range of measures, including through the Indexed Long Term Repo Facility ("**ILTR**"), the Funding for Lending Scheme (FLS) and the Term Funding Scheme ("**TFS**") and in response to Covid-19, the Term Funding Scheme with additional incentives for SMEs ("**TFSME**"). The availability of funding through central bank schemes has supported a benign funding environment for UK banks and building societies in terms of both the cost and availability of funding. The FLS, the TFS and the TFSME are no longer available for any further funding, with the drawdown period for TFSME having closed on 31 October 2021.

The Issuer has continued to manage its funding requirements successfully through a combination of retail, wholesale and long-term capital market issuances. To diversify the risk of market concentration, these options have been supplemented by the Issuer's participation in central bank support facilities, in particular the ILTR and the TFSME prior to its closure. The Bank of England facilities have added substantial additional liquidity to the markets, resulting in greatly improved levels of liquidity for major UK banks and building societies. However, the Issuer does not have influence over the policy which led to the introduction and the termination of such measures. Further, there can be no assurance that

these conditions will not lead to an increase in the overall concentration risk and cost of funding of the Issuer or otherwise adversely affect the Issuer.

A number of other UK banks and building societies have availed themselves of the same measures as the Issuer and will be seeking to refinance these maturing obligations. The resultant competition for replacement funds may affect the Issuer's ability to access wholesale funding arrangements on satisfactory market terms in order to meet these continuing funding requirements which would have a material impact on the Issuer's liquidity. The Issuer has mitigated the impact of this refinancing concentration and secured funds from alternative sources, and the Issuer's medium term plan encapsulates the strategy to support those aims of growth coupled with balance sheet solidity of the business. The Issuer has drawn down from the TFSME but in real terms this amount represents a much smaller proportion of available funding when compared to other financial institutions who have drawn down under this scheme. There can be no assurance that such refinancing plans will be successful. The Issuer's available funding options are regularly reviewed by the PRA. If such funding options are not successful in mitigating the impact of this refinancing concentration, the Issuer could face liquidity constraints. The Issuer manages its refinancing concentration under the government-backed liquidity schemes as part of its general ongoing financial requirements.

The Issuer holds buffer eligible liquidity over and above the requirements laid down by the PRA and these are under continuous review. The Issuer maintains liquid assets of a suitable quality known as High Quality Liquid Assets ("**HQLAs**"), in order to ensure all its internal liquidity limits and triggers are above the required regulatory limits. These include the Liquidity Coverage Ratio ("**LCR**") and Net Stable Funding Ratio ("**NSFR**"). The Issuer has duration limits in place to reflect the requirements of all PRA guidelines and statements. The Issuer monitors and maintains strict adherence to wholesale funding maturities and concentration risk and dealer limits, on a rolling basis from one month through to three years. The Issuer has also signed a Statement of Commitment to the Money Market Code 2017 (as revised) which has applied from 1 January 2018 and governs proper behaviour of the Issuer and all authorised representatives as market participants.

There is a risk that in extreme circumstances where all sections of the wholesale market are closed, it would not be possible to secure any funding even with the Programme in place. While the Issuer seeks to maintain access to wholesale markets via a number of routes in order to mitigate against a deterioration in market conditions, there can be no assurance that the wholesale funding markets will not deteriorate in the future, nor that such deterioration will not adversely impact the Issuer's access to the wholesale markets, or increase the Issuer's cost of funding.

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

One of the Issuer's primary activities is residential mortgage lending in the UK. There is a risk that the housing market slows and therefore reduces the potential lending activity by the Issuer.

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

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

by the Issuer where the net recovery proceeds from the sale of properties are insufficient to redeem the outstanding loans.

Conversely, an increasing interest rate environment may adversely affect the Issuer's business and financial performance. Increases in the Bank of England base rate may increase the Issuer's cost of funding, and may also result in other market participants offering more competitive product pricing, which could result in increased customer attrition. Furthermore, increased or persistent inflation in the UK or globally, both by itself and together with increases in the cost of borrowing, may put increasing pressure on household budgets, which could result in an increase in the Issuer's customers defaulting on their mortgages. These pressures may be exacerbated by continued increases in energy prices and/or the persistence of high energy prices.

There can be no assurance that the housing market will not deteriorate and the UK's economic environment may affect the rate at which the new mortgage loans are originated and may also affect the level of attrition of the Issuer's existing borrowers. The Group has exposure to the buy-to-let market. Whilst this market has performed strongly in recent years, there can be no guarantee that this will continue.

There have been various tax-related changes to UK legislation in recent years which may affect the ability of borrowers to repay their buy-to-let loans due to the increased tax costs associated with buy-to-let mortgages and there may be further changes in the future which further impact borrowers' ability to meet their obligations under such loans. For example, the amount of income tax relief that individual landlords can claim for residential property finance costs (such as mortgage interest) is restricted to the basic rate of tax. This may result in higher taxes for individual landlords depending on their personal circumstances.

Further, a higher rate of stamp duty land tax ("**SDLT**") and Welsh land transactions tax ("**WLTT**") applies to the purchase of additional residential properties (such as buy-to-let properties) in England and Northern Ireland and Wales, respectively. The current additional rates are as follows: (i) in England and Northern Ireland the higher rate is 5 per cent. above the current SDLT rates; (ii) in Wales the additional residential rate is 5 per cent. higher than the main WLTT rate for the first £180,000 of purchase price; for subsequent bands of purchase price, the additional rates remain higher than the main WLTT rates (by differing percentages) and the bands of purchase price to which the additional rates are applied are structured differently to the main WLTT bands.

In addition, from 1 April 2021, a 2 per cent. SDLT surcharge applies to non-UK residents purchasing residential property in England and Northern Ireland. This applies in addition to the 5 per cent. additional rate that applies to the purchase of additional residential properties in England and Northern Ireland described above.

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

Any or all of these pressures on the UK residential housing market and private residential rental market could have a material adverse effect on the Issuer's business and its profitability and results of operations.

1.4 Increasing competition in the personal financial services market may adversely affect the Issuer's income and business

The UK financial services market for products such as savings and regulated investments (where the Issuer acts as distributor for third parties) is competitive. Further increased demand for retail funding

from financial institutions and other existing and new market participants (including alternative finance challenger or fintech competitors) and a downturn in equity markets could have an adverse effect on the Issuer's sales opportunities, and therefore on the Issuer's financial position.

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

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

Whilst levels of mortgage arrears remained relatively static in the last year, the Issuer remains cognisant that the situation can change at any time. Increasing interest rates, higher unemployment or a material decline in house prices would impact the Home Financing business through higher levels of arrears and possessions, and ultimately higher credit losses. No assurance can be given as to the impact of the cost of living crisis faced by the borrowers in the UK on the general economy. Furthermore, the Issuer has signed up to the Mortgage Charter, which outlines the standards lenders have agreed to uphold for customers affected by the increase in mortgage rates and the elevated cost of living.

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

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

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

If the Issuer's or the UK's credit rating were to decline, in the short term the Issuer may have to increase its level of retail funding, which may come at a significantly higher cost to the Issuer. An increased cost of funding could adversely affect the Issuer's profitability and financial condition and could have a material adverse effect on the market value of the Covered Bonds.

1.6 The Issuer's hedging strategies may not prevent losses

The Issuer is continually managing its exposure to interest rate, currency and refinancing risks. If any of the variety of instruments and strategies the Issuer uses to hedge its exposure to these various types of risk is not effective, the Issuer may incur losses. The Issuer may not be able to obtain economically efficient hedging opportunities that will enable it to maintain its present hedging policies with respect to new assets and liabilities.

1.7 The Issuer's derivatives counterparties may not honour their contracts

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

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

1.8 Systemic risk could adversely affect the Issuer's business

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

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

The Issuer is regulated by the PRA and the FCA. The regulatory regime requires the Issuer to be compliant across many aspects of activity, including (but not limited to) the training, authorisation and supervision of personnel, systems, processes and documentation. If the Issuer fails to be compliant with any relevant regulations, there is a risk of an adverse impact on its business due to sanctions, fines or other action imposed by the regulatory authorities. This is particularly the case in the current market environment, which is witnessing increased levels of government and regulatory intervention in the banking, personal finance and real estate sectors.

This is particularly the case in the current market environment, which is witnessing increased levels of government and regulatory intervention in the banking, personal finance and real estate sectors. Future changes in regulation, accounting, fiscal or other policies are unpredictable and beyond the Issuer's control and could materially adversely affect its business or operations.

The imposition of sanctions, fines or other action on the Issuer or the incurrence of costs by the Issuer may affect the Issuer's ability to meet its obligations to Covered Bondholders in respect of the Covered Bonds.

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

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

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

FSMA 2023, the Building Societies Reforms and the wider UK regulatory reforms, will impact the future regulatory environment for the Group, particularly regarding the regulators' consideration of competition. Such changes could have an impact on the business of the Group and in turn affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

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

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

As at the date of this Prospectus, it is impossible to predict the effect that any of the recent or proposed changes will have on the Issuer's operations, business and prospects or how any such proposals will be implemented, including as a result of any divergence between the UK and EU regulatory regimes.

Accordingly, the Issuer cannot assure investors that the implementation of any of the foregoing matters or any other regulatory or legislative changes that may be proposed will not have a material adverse effect on its operations, business, results, financial condition or prospects.

1.10 Failure to meet capital, leverage and/or MREL requirements

Capital requirements

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

In addition to the specified requirements for all relevant entities, the PRA may require a credit institution such as the Issuer to meet additional "Pillar 2" requirements, split between "Pillar 2A" and "Pillar 2B". The PRA's current approach to Pillar 2 is set out in Policy Statement PS22/21, which took effect from 1 January 2022. The PRA expects firms to meet Pillar 2A with at least 56.25 per cent. in Common Equity Tier 1 capital, at least 75 per cent. in Tier 1 capital and at most 25 per cent. in Tier 2 capital. The Issuer meets these requirements. The Pillar 2B requirement (the "**PRA buffer**") is an amount of capital that firms should hold, in addition to their total capital requirement, to cover losses that may arise under a severe stress scenario, but avoiding duplication with the CRD IV buffers. Where the PRA assesses a firm's risk management and governance to be significantly weak, it may also set the PRA buffer to cover the risk posed by those weaknesses until they are addressed.

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

Capital management - leverage ratio requirements

CRD IV also introduced a new leverage ratio requirement which is in effect for UK banks and building societies. Revisions to the leverage ratio finalised by BCBS in December 2017 were required to be implemented by 1 January 2023. The leverage ratio is a non-risk based measure that is designed to act as a supplement to risk based capital requirements. The leverage calculation determines a ratio based on the relationship between Tier 1 capital and total consolidated exposure (i.e. total exposure is the sum of on-balance sheet exposures, derivative exposures, securities financing transaction exposures and off-balance sheet items). On 3 August 2016, the EBA recommended the implementation of an EU-wide leverage ratio minimum requirement of 3 per cent. to be implemented as a binding measure in 2018 in accordance with the CRD IV. The PRA has gone beyond this, applying a minimum liquidity ratio of 3.25 per cent.

The Bank of England Act 1998 (Macro-prudential Measures) (No 2) Order 2015 also grants the FPC powers of direction over a countercyclical leverage ratio and, from 2019, a supplementary leverage ratio buffer which the PRA may apply to firms. The Bank of England Act 1998 (Macro-prudential Measures) (Amendment) Order 2021 (the "**MPM Order 2021**"), which took effect from 21 July 2021, was adopted to align the FPC's power of direction with changes made under the FS Act 2021, giving the FPC the necessary powers to direct (rather than recommend) that the PRA implement its proposed changes to the leverage ratio framework.

The FPC and PRA have undertaken a review of the existing UK leverage ratio framework, culminating in the publication of a joint policy statement in October 2021 (PS21/21). The revised policy maintains

the minimum UK leverage ratio requirement and its calibration; leverage ratio buffers and their calibration (both subject to changes to the leverage exposure measure); the capital quality requirements; and the exclusion of qualifying central bank claims from the exposure measure, but extends (from 1 January 2023) the scope of application and applies, broadly speaking, on: a consolidated basis; a ring-fenced bank (RFB) sub-consolidated basis; and an individual (solo) basis or, at the PRA's discretion, on a sub-consolidated basis.

As at date of this Prospectus, the Issuer is subject to a supervisory expectation under the UK leverage framework but is not subject to a binding minimum leverage ratio requirement. Should the Issuer fail, or be perceived likely to fail, to meet its supervisory expectation or any applicable future leverage requirements, this may result in administrative actions or regulatory sanctions and could result in the Issuer becoming unable to meet its obligations, including those under the Covered Bonds.

The Issuer's leverage ratio as at 30 June 2025 was 5.3 per cent.

Capital management – MREL

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

In November 2016, the Bank of England published a Statement of Policy entitled "The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities (MREL) – Responses to Consultation and Statement of Policy". The paper (which was most recently updated in December 2021) set 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) of the Banking Act. From 1 January 2020, the Bank of England has required institutions to maintain more significant MREL, in accordance with the calculations set out in the PRA's Statement of Policy. The December 2021 version of this Statement of Policy, which applied from 1 January 2022, provided that the end-state MREL compliance date for institutions considered by the Bank of England to be 'mid-tier firms' (such as the Issuer) was extended to 1 January 2023. On 3 December 2021, in connection with the revised MREL Statement of Policy, the Bank of England also published a call for ideas aimed at minimising the disruption caused by the insolvency of banks and building societies to those depositors who are protected by the FSCS but are reliant on their accounts with the failed firm for day-to-day banking and access to money. Once the Bank of England has had an opportunity to consider these ideas, it may be subject to formal procedures, such as public consultation, as appropriate.

The full application of these measures, and any changes in them from time to time, could increase the Issuer's costs and may affect the Issuer's plans to grow its balance sheet. The Issuer has been designated as a 'single point of entry' firm and the Bank of England has provided an indicative MREL requirement that was required to be met as at 1 January 2020. If MREL requirements change and exceed current regulatory capital requirements, the Issuer may need to raise additional eligible instruments or reduce total assets. Accordingly, the effects of these requirements could adversely impact the results of operations, financial condition and prospects of the Issuer.

Capital management – internal capital adequacy assessment

The Group conducts an Internal Capital Adequacy Assessment Project ("**ICAAP**") at least annually to assess the Group's current and projected capital requirements to support the current risks in the business and future risks arising from the corporate plan. The ICAAP addresses all the Group's material risks and includes Board-approved stress scenarios that are intended, as a minimum, to meet regulatory

requirements. The ICAAP is approved annually by the Board and is reviewed by the PRA when setting the Group's Total Capital Requirements.

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

- Internal Ratings Based ("**IRB**") approach for retail mortgage exposures;
- IRB approach for secured/development and investment lending on real estate;
- Standardised approach for other lending exposures;
- Standardised approach for treasury portfolios; and
- Standardised approach for operational risk.

In the event the Issuer is unable to meet its Pillar 1 minimum capital requirements, it may need to raise additional eligible instruments or reduce total assets. Accordingly, the effects of these requirements could adversely impact the results of operations, financial condition and prospects of the Issuer.

Impact of changes in IRB models and risk-weight floors

Changes to the way the Issuer applies its IRB models, or to standardised calculations for relevant asset classes could have a material adverse impact on capital ratios, even if the Issuer remains profitable. The Basel 3.1 framework is expected to become binding from 1 January 2027. This regulatory package includes RWA output floors, which are scheduled to be phased in over a transitional period currently expected to run from 1 January 2027 to 1 January 2030. Additional elements of the Basel 3.1 reforms may also affect risk-weight calculations.

A series of PRA regulatory updates, collectively referred to as the "IRB reform package" came into effect on 1 January 2022. These changes focus on residential mortgage rating systems and aim to reduce cyclicality in key model components, as outlined in the PRA's SS11/13. Pending regulatory approval, a Post Model Adjustment (PMA) has been applied to incumbent RWAs to reflect these concepts.

The Issuer's RWA has increased significantly of the last four years. The most notable impacts occurred in 2022 and again in 2023, following refinements to model proposals submitted to the PRA. The Issuer's CET1 ratio declined from 34% at year-end 2021 to 18.9% by mid-year 2025. While much of this movement reflects the model changes described above, the CET1 ratio has also been affected by planned organic business growth and a gradual increase in higher LTV lending over the same period.

Failure to meet capital and MREL requirements and/or leverage expectations

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

In addition, a failure to adequately manage capital, liquidity and the Issuer's MREL requirements could have a material adverse effect on the Issuer. Whilst the Issuer monitors current and expected future

capital, liquidity and MREL requirements, including having regard to both leverage expectations and RWA-based requirements, and seeks to manage and plan the prudential position accordingly and on the basis of current assumptions regarding future capital and liquidity requirements, there can be no assurance that the assumptions will be accurate in all respects or that it will not be required to take additional measures to strengthen its capital or liquidity position.

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

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

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

1.11 Changes in the Issuer's accounting policies or in accounting standards could materially affect its capital ratios, how it reports its financial condition and results of operations

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

For example, IFRS 9: "Financial Instruments" is the standard which replaced IAS 39: "Financial Instruments: Recognition and Measurement". IFRS 9 changes the classification and measurement of some financial assets, the recognition and the financial impact of impairment and hedge accounting. The Issuer has implemented IFRS 9 since the financial year starting on 1 January 2018.

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

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

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

The Issuer has identified certain accounting policies in the notes to its audited consolidated financial statements for the year ended 31 December 2024 incorporated by reference in this Prospectus in respect of which significant judgement is required in determining appropriate assumptions and estimates when valuing assets, liabilities, commitments and contingencies. A variety of factors could affect the ultimate value that is obtained either when earning income, recognising an expense, recovering an asset or reducing a liability. The Issuer has established detailed policies and control procedures that are intended to ensure that these judgements (and the associated assumptions and estimates) are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding the Issuer's judgements and the estimates pertaining to these matters, the Issuer cannot guarantee that it will not be required to make changes in accounting estimates or restate prior period financial statements in the future and any such changes or restatements could be material in nature.

1.13 Financial Services Compensation Scheme (FSCS)

The FSMA established the FSCS, which pays compensation to eligible customers of authorised financial services firms which are unable, or likely to be unable, to pay claims against them. Claims on the FSCS are funded by levies on UK deposit-taking institutions. An institution's FSCS levy is linked to its share of the UK deposit market. As a result of the various claims under the FSCS, the Issuer, in common with all regulated UK deposit takers, has in the recent past been subject to significantly increased FSCS levies and there can be no assurance that there will not be further increases in the FSCS levy from time to time. Consequently, the FSCS levy may have a material impact on the profits of the Issuer.

On 11 January 2024, HM Treasury published a consultation proposing a new mechanism to facilitate the use of certain existing stabilisation powers to manage the failure of small financial institutions. The new proposed mechanism would allow the Bank of England to use FSCS funds to cover costs associated with a resolution. Such funds would be then recovered by the FSCS through an ex-post levy imposed on the banking sector. The consultation closed on 7 March 2024. The Bank Resolution (Recapitalisation) Bill enacting the changes is now progressing through Parliament, and on 31 March 2025 the Bank of England published consultation paper 4/25 (CP 4/25) proposing that industry funds provided via the FSCS may be used for recapitalisation payments in connection with such a resolution. The deposit protection limit under the FSCS will increase from £85,000 to £120,000 with effect from 1 December 2025.

There can also be no assurance that there will not be any actions taken under the Banking Act that may lead to further claims against the FSCS, and concomitant increased FSCS levies payable by the Issuer (and other regulated UK deposit takers). Any such increases in the Issuer's costs and liabilities related to the levy may have a material adverse effect on its results and operations. Further costs and risks to the Issuer may also arise from discussions at national and EU levels around the future design of financial services compensation schemes, including increasing the scope and level of protection and moving to pre-funding of compensation schemes.

1.14 The Group is exposed to risk in relation to data protection

The Group holds, controls and processes a significant volume of personal data and could be adversely affected if any of this data were to be lost, compromised or not handled in accordance with the relevant data protection legislation. This could give rise to legal or regulatory penalties as well as commercial costs. Although the Group has robust data protection policies and procedures in place, any loss or

compromise of personal data or other breach of data protection legislation could have a material adverse effect on the Group's business, results of operations and financial performance which could adversely affect the Issuer's ability to make payments on the Covered Bonds.

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

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

1.15 There can be no assurance that the Issuer's risk governance framework will prevent principal risks from materialising

The principal risks to which the Issuer is exposed include conduct risk, credit risk, liquidity and funding risk, operational risk, interest rate risk, business risk, solvency risk and legal and regulatory risk. As a mutual, the Issuer maintains a relatively low risk appetite, as evidenced by its capital ratios as well as a suite of liquidity measures with appropriate limits, triggers and early warning indicators in place and reviewed and monitored on a regular basis. Failure to control these risks could result in material adverse effects on the Issuer's financial performance and reputation.

The Issuer's risk management structure is the overall responsibility of the Board of Directors of the Issuer (the Board). The Board delegates prescribed responsibilities through a formalised risk governance framework provided by a structure consisting of a Board Risk Committee and subsidiary risk management committees. Each committee includes appropriate representation drawn from the non-executive team, executive team, divisional management and risk specialists. Within this structure, the Issuer actively manages the principal risks described above that arise from its activities. The Issuer's embedded culture and risk management philosophy reflects a strong awareness of the current and emerging risks which could affect delivery of the Issuer's strategy.

The Issuer operates a 'three lines of defence' model ensuring clear independence of responsibilities for risk control, oversight and governance. In addition, there is a formal structure for managing risks across the Issuer which is documented in detailed risk management policies. These policies, and associated limits, are owned and reviewed at least annually by functional risk committees which report to the Board Risk Committee and the Board.

The UK regulatory authorities require all banks and building societies to formulate recovery plans to minimise the risk of failure. The Issuer's recovery plan outlines the steps the Issuer can take to prevent failure, whilst a resolution plan provides the data required by the Bank of England to establish an orderly resolution of the Issuer's affairs, in the event that recovery cannot be achieved. The process of preparation for such extreme events enables the Board to plan actions it would take to recover from adverse conditions which could otherwise lead to failure. The recovery plan represents a 'menu of options' for the Issuer to deal with firm-specific or market-wide stresses and which can be incorporated into a credible and executable plan.

A number of principal risks have the potential to affect more than one specific risk category and could have a significant impact on the business model if these were to crystallise concurrently. In particular, increased regulatory demands could significantly change capital or liquidity requirements which could, in extreme circumstances, threaten the viability of the Issuer's business model.

Conduct Risk

Conduct risk is the risk of the Group treating its customers unfairly and delivering inappropriate outcomes. The sustainability of the Group's business model and achievement of its longer-term strategy are dependent upon the consistent and fair treatment of customers. The increasing regulatory scrutiny of the measures adopted by firms in relation to business conduct has been mirrored by the Issuer's approach towards the governance of conduct risk.

Credit Risk

Credit risk is the potential risk of financial loss arising from the failure of a customer or counterparty to settle their financial and contractual obligations as they fall due. The Issuer's retail credit exposures are managed in accordance with the Board approved lending policy which is based upon a comprehensive analysis of both the creditworthiness of the borrower and the proposed security. Following the completion of a loan, the performance of all mortgages is monitored closely and all necessary action taken to manage the collection and recovery process. Wholesale counterparty exposures are also managed through the setting of limits to individual counterparties, countries, terms of exposure and type of financial instrument. Day-to-day management of credit risk is undertaken by specialist teams using credit risk management techniques adopted as part of the Issuer's overall approach to measure, mitigate and manage credit risk in a manner consistent with the risk appetite approved by the Board Risk Committee and the Board. In addition, regular stress testing is undertaken which seeks to establish the extent to which losses may emerge under a range of different macroeconomic and specific stress scenarios and to ensure that the Issuer continues to remain within its retail credit risk appetite.

Commercial risk appetite is regularly reviewed in the light of changing economic and market conditions and is also subject to annual review. The Issuer remains cautious with regard to commercial lending which is undertaken on a prudent basis and where management has maintained a strategy geared towards reducing larger, single counterparty loans.

Treasury credit risk arises from the investments held by Group Treasury in order to meet liquidity requirements and for general business purposes. Treasury is responsible for managing this aspect of credit risk within operational limits as set out in the Issuer's policies.

The prevailing level of interest rates and the provision or withdrawal of other accommodative monetary and fiscal policies, which are impacted by factors outside of the Issuer'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 Issuer's results of operations, financial condition and return on capital. The Bank of England has tightened monetary policy in response to high inflation and a buoyant labour market.

The relatively long period of stimulus measures in the UK and elsewhere has increased uncertainty over the impact of its reduction, which could lead to generally weaker than expected growth, or even contracting gross domestic product, reduced business confidence, higher levels of unemployment or under-employment, adverse changes to levels of inflation, potentially higher interest rates and falling property prices in the markets in which the Issuer operates, and consequently to an increase in delinquency rates and default rates among the Issuer's customers. Moreover, higher prevailing interest rates would affect the Issuer's cost of funding with depositors and creditors, which could adversely affect the Issuer's profitability, to the extent the Issuer's margins decline.

Liquidity and Funding Risk

Liquidity risk is the risk that the Issuer is unable to meet its current and future financial obligations as they fall due. The financial obligations include members' deposits, both on demand and those with

contractual maturity dates, as well as repayments of other borrowings and loan capital. The Issuer's liquidity policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in funding, to retain full public confidence in the solvency of the Issuer and to be in a position to meet its financial obligations as they fall due. This is achieved through maintaining a prudent level of liquid assets, through wholesale funding facilities and through careful management of the growth of the business. The Issuer is at risk if it does not comply with the above principles. In addition, in the event of a sudden loss of confidence in the Issuer's liquidity position causing a rapid withdrawal of investors' deposits, the Issuer's ability to continue to pursue its business objectives could be placed at risk.

The Issuer holds buffer eligible liquidity over and above the requirements laid down by the PRA and these are under continuous review through methods which include a number of robust stress testing scenarios carried out monthly. A full report of the results is submitted to the Issuer's Finance Committee and Enterprise Risk Committee where any remedial action is sanctioned.

The Issuer is subject to a periodic Supervisory Liquidity Review and Evaluation Process by the PRA and any recommendations resulting from this are implemented accordingly. Funding risk is the inability to access funding markets or to be able to do so only at excessive cost. To ensure risk is minimalised the Issuer's Treasury function manages on a day to day basis the Issuer's portfolio of liquid assets and wholesale funding facilities. The Finance Committee exercises control over the Issuer's liquidity through the operation of strict liquidity policies and close monitoring, receiving weekly reports on current and projected liquidity positions.

As at 30 June 2025, LCR, a measure of the Issuer's ability to withstand short-term liquidity stress, was 168 per cent. (31 December 2024: 231 per cent.).

Operational Risk

Failure by the Issuer to control its operational risks may result in material adverse effects to its business, financial condition and/or reputation. Operational risk and losses can result from financial (including cyber) crime, weaknesses or failures in the design or use of a model, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, IT systems failures, pandemics, natural disasters, the failure of external systems (for example, those of the Issuer's suppliers or counterparties) or the failure of third party suppliers which the Issuer is reliant upon. Failure to manage these risks effectively could adversely impact the Issuer's business and financial profile and its ability to make payments on the Covered Bonds.

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

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

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

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

A failure to comply with these new operational resilience rules may expose the Issuer to administrative sanctions and regulatory fines.

Interest Rate Risk

Interest rate risk is the risk of a reduction in earnings from changes in interest rates. The Issuer offers numerous mortgage and savings products with varying interest rate features and maturities that create potential interest rate exposures. The Issuer manages this exposure on a continuous basis, with limits set by the Board, using a combination of on and off balance sheet instruments. The Issuer's policy is to hedge exchange rate exposure to ensure there is no significant exposure to foreign exchange fluctuations or changes in foreign currency interest rates.

The Issuer is exposed to interest rate risk, principally arising from the provision of fixed rate lending and savings products. The various interest rate features and maturity profiles for these products, and the use of wholesale funds to support their delivery, create interest rate risk exposures due to the imperfect matching of interest rates between different financial instruments and the timing differences on re-pricing of assets and liabilities. Another form of interest rate risk arises from the imperfect correlation between repricing of interest rates on different assets and liabilities, generally referred to as "basis risk". This may arise from the Issuer's administered rate liabilities, the pricing of which is influenced by competition for retail funds and which are used to fund mortgages and other assets priced relative to the Bank of England base rate, LIBOR or SONIA albeit for short durations. The Treasury function employs the use of financial instruments to manage balance sheet mismatches and ensure adherence to Board approved limits that ensure the impact of a change in general interest rates has limited and controlled effects on both the net interest income generated and the present value of its statement of financial position. Regular stress testing and scenario analysis is undertaken to ensure full understanding of the Issuer's current interest rate exposure.

The performance of financial markets may cause changes in the value of the Issuer's financial securities held for investment purposes. The Issuer has implemented risk management methods to mitigate and control these and other market risks to which the Issuer is exposed and exposures are constantly measured and monitored. However, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on the Issuer's financial performance and business operations.

Currency risk is not considered to be material for the Issuer as almost all transactions are conducted in sterling.

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

1.16 Cyber Crime

A growing potential risk to the business is cybercrime which includes attempts by computer hackers to gain access to the Issuer's network potentially leading to business disruption, the manipulation of data, systems failures and the stealing of personal customer information. Such attacks are by their nature technologically sophisticated and may be difficult or impossible to detect and defend against.

The ever-increasing sophistication of cyber-crime activity raises the likelihood and severity of money laundering and cyber-attacks against the Issuer. While the Issuer continues to focus its efforts on investing in appropriate technology and processes in line with industry best practice, security controls (including sophisticated anti-fraud controls) need to continually evolve and improve to keep pace with developments in criminal activity in order to prevent, detect and respond to any threats or attacks.

The Issuer also depends on third parties whose computer systems may be subject to cybercrime attacks.

While the Issuer recognises that the cyber threat remains a key industry concern and will endeavour to continue to adopt adequate controls in line with industry best practice, if prevention measures are inadequate or circumvented this could cause the Issuer to fail to perform its obligations under the Covered Bonds and the Covered Bondholders could therefore be adversely affected. In the event that the Issuer was subject to a cyber-attack, such attack could also adversely affect the reputation of the Issuer and its business and financial results.

1.17 Innovation and Business Resilience Development Risk

The pace of technological development continues to create significant opportunities and risks for the financial services sector. In line with the wider financial services market, certain key areas pose risk to achieving its goals.

There are new entrants to the market and an increase in demand for innovative offerings, in particular digital products and services. These changes may pose a challenge to the Issuer's core markets and product pricing.

The Board continues to monitor the potential impact on the Issuer's business model and invest in its digital channels and payment technologies. The Issuer recruits and deploys experienced change management and IT resource to ensure these risks are managed and mitigated.

1.18 Legal and Regulatory risk

There is a legal and regulatory risk that the Issuer does not deliver and maintain legislative and regulatory compliance in all material aspects. Non-compliance could result in legal and regulatory action, which may include fines, censure and penalties. Any such action would have a material adverse effect on the Issuer's financial condition, results of operations or profitability, and could also adversely impact its reputation. While the Issuer's business model and strong 'member focus' is designed to avoid these risks arising, there can be no assurance that inadvertent non-compliances may occur, or that the Issuer will not become subject to legal or regulatory action.

1.19 Reputational risk

The Issuer's ability to attract and retain customers and conduct business with its counterparties could be adversely affected to the extent that its reputation or the reputation of its brand is damaged.

Failure to address, or appearing to fail to address, various issues that could give rise to reputational risk could cause harm to the Issuer and the Issuer's business prospects. Reputational issues include, but are not limited to: appropriately addressing potential conflicts of interest; cyber security, legal and

regulatory requirements; ethical issues; climate change and other sustainability or environmental, social and governance ("**ESG**") matters; adequacy of anti-money laundering processes; privacy issues; customer service issues; recordkeeping; sales and trading practices; proper identification of the legal, reputational, credit, liquidity and market risks inherent in products offered; and general company performance. A failure to address these issues appropriately could make customers, depositors and investors unwilling to do business with the Issuer, which could adversely affect the Issuer's business, financial condition and results of operations and could damage its relationships with its regulators and affect the Issuer's ability to make payments on the Covered Bonds. There can be no assurance that the Issuer will be successful in avoiding damage to its business and financial condition if events occur or circumstances arise which adversely affect its reputation.

1.20 Climate Change

The physical and transition risks of climate change are becoming ever more apparent and have the potential to pose a significant threat to the Issuer without a coordinated and timely response.

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

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

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

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

At present, the claims of depositors and other unsubordinated creditors of the Issuer would rank ahead of share accounts (which term excludes any deferred shares) and the members' rights to any surplus in the event of a liquidation of the Issuer and the claims of subordinated creditors of the Issuer would rank behind share accounts but ahead of members' rights to any surplus in the event of a liquidation of the Issuer. If, however, the Issuer transfers its business to a specially formed company or an existing company (as defined in the Building Societies Act) or to a subsidiary of another mutual society, all of

the liabilities of the Issuer which immediately prior thereto were classified as share accounts will thereafter rank at least pari passu with all other unsecured and unsubordinated liabilities of the Issuer's successor.

Following a transfer of business to a company (including where the transfer is to a subsidiary of another mutual society) by the Issuer, the obligations under the Covered Bonds will become obligations of any transferee entity and rank (i) in priority to both the rights of the holders of the equity share capital in the company to any repayment of capital or surplus on a liquidation and any obligations of the company (whether or not created prior to such transfer) expressed to rank junior to such Covered Bonds, (ii) equally with other unsecured and unsubordinated creditors (including inter-bank lenders and retail depositors) and (iii) behind any statutorily preferential creditors. Covered Bondholders should be aware of the risk that the Covered Bonds become obligations of such transferee entity, including the risk of any adverse regulatory consequences for investors (depending on the type of entity for which the business of the Issuer is transferred) which are incurred as a result of exposure to such entity.

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

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

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

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

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

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

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

2. RISKS RELATING TO THE COVERED BONDS

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

Following service of an Issuer Acceleration Notice on the Issuer, a Notice to Pay will be served by the Bond Trustee on the LLP. Subsequent to a failure by the Issuer to make a payment in respect of one or

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

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

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

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

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

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

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

2.4 *Excess Proceeds received by the Bond Trustee*

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

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

2.5 *Series specific risks*

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

Exchange rate risks and exchange controls. The Issuer will pay principal and interest on the Covered Bonds and the LLP will make any payments under the Covered Bond Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit other than the Specified Currency (the "**Investor's Currency**"). These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (1) the Investor's Currency-equivalent yield on the Covered Bonds; (2) the Investor's Currency-equivalent value of the principal payable on the Covered Bonds; and (3) the Investor's Currency-equivalent market value of the Covered Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Covered Bonds. As a result, investors may receive less interest or principal than expected, or no interest or principal.

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

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

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

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

To the extent that the LLP has received a Notice to Pay in sufficient time and has sufficient monies available to pay in part the Guaranteed Amounts corresponding to the relevant Final Redemption Amount in respect of the relevant Series of Covered Bonds, the LLP shall make such payment on the Extension Determination Date. If the LLP has not received a Notice to Pay in sufficient time and/or does not have sufficient monies available to pay the Guaranteed Amounts corresponding to the relevant Final Redemption Amount in respect of the relevant Series of Covered Bonds, the LLP shall make such partial payment in accordance with the Guarantee Priority of Payments and as described in Condition 6(a) on any Interest Payment Date up to and including the relevant Extended Due for Payment Date. Payment of the unpaid amount shall be deferred automatically until the applicable Extended Due for Payment Date. The Extended Due for Payment Date will be specified in the relevant Final Terms, and interest will continue to accrue and be payable on the unpaid amount in accordance with Condition 4 and the LLP will pay Guaranteed Amounts constituting Scheduled Interest on each Original Due for Payment Date and the Extended Due for Payment Date. In these circumstances, except where the LLP has failed to apply money in accordance with the Guarantee Priority of Payments, failure by the LLP to make payment in respect of the Final Redemption Amount on the Final Maturity Date (or such later date within any applicable grace period) shall not constitute an LLP Event of Default. However, failure by the LLP to pay Guaranteed Amounts corresponding to the Final Redemption Amount or the balance thereof, as the case may be, on the Extended Due for Payment Date and/or pay Guaranteed Amounts constituting Scheduled Interest on any Original Due for Payment Date or the Extended Due for Payment Date will (subject to any applicable grace period) be an LLP Event of Default.

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

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

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

2.7 *Ratings of the Covered Bonds*

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

The expected ratings of the Covered Bonds are set out in the relevant Final Terms for each Series of Covered Bonds. Any Rating Agency may lower its rating or withdraw its rating if, in the sole judgement of the Rating Agency, the credit quality of the Covered Bonds has declined or is in question. In addition, at any time any Rating Agency may revise its relevant rating methodology with the result that, among other things, any rating assigned to the Covered Bonds may be lowered. If any rating assigned to the Covered Bonds is lowered or withdrawn, the market value of the Covered Bonds may reduce.

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

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension or withdrawal (or, as noted above, revision) at any time. A credit rating may not reflect the potential impact of all of the risks related to the structure, market, additional factors discussed above and other factors that may affect the value of the Covered Bonds. Any downgrade in the rating of the Issuer by the Rating Agencies may have a negative impact on the ratings of the Covered Bonds.

2.8 *Rating Agency Confirmation in respect of Covered Bonds*

The terms of certain of the Transaction Documents provide that, in certain circumstances, the Issuer must, and the Bond Trustee or the Security Trustee may, obtain written confirmation (or, in the case of Moody's, affirmation) in writing by a Rating Agency that the then current ratings of the Covered Bonds will not be adversely affected by or withdrawn as a result of the relevant event or matter.

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

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

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

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

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

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

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

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

Confirmation represents only a restatement of the opinions given, and is given on the basis that it will not be construed as advice for the benefit of any parties to the transaction.

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

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

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

2.10 *Obligations under the Covered Bonds*

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

2.11 *Covered Bonds issued under the Programme*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.12 *Covered Bonds not in physical form*

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

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

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

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

3. RISK RELATING TO THE ASSET POOL

3.1 *Limited description of the Portfolio*

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

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

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

(c) the Seller repurchasing Loans and their Related Security in accordance with the Mortgage Sale Agreement.

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

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

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

In order to enforce a power of sale in respect of a mortgaged property in England and Wales, the relevant mortgagee must first obtain possession of the relevant property. Possession is usually obtained by way of a court order or decree. This can be a lengthy and costly process and will involve the mortgagee assuming certain risks. In addition, once possession has been obtained, a reasonable period must be allowed for marketing the property, to discharge obligations and to take reasonable care to obtain a proper price.

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

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

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

If a Notice to Pay is served on the LLP, then the LLP will be obliged to sell Selected Loans and their Related Security (selected on a random basis) in order to make payments to the LLP's creditors, including payments under the Covered Bond Guarantee (see "*Summary of the Principal Documents – LLP Deed – Sale of Selected Loans and their Related Security following the service of an Asset Coverage Test Breach Notice (which has not been revoked) or 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 may be able to be obtained, which may affect payments under the Covered Bond Guarantee. However, the Selected Loans may not be sold by the LLP for less than an amount equal to the Adjusted Required Redemption Amount for the relevant Series of Covered Bonds until six months prior to: (a) the Final Maturity Date in respect of such Covered Bonds; or (b) the Extended Due for Payment Date under the Covered Bond Guarantee in respect of such Covered Bonds. In the six months prior to, as applicable, the Final Maturity Date or Extended Due for Payment Date, the LLP is obliged to sell the Selected Loans for the best price reasonably available notwithstanding that such price may be less than the Adjusted Required Redemption Amount. If Selected Loans are not sold for an amount equal to or in excess of the Adjusted Required Redemption Amount, the LLP may have insufficient funds available to pay the Covered Bonds.

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

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

As described above, the sale by the Seller to the LLP of the Loans has been or will be given effect by an equitable assignment. As a result, legal title to the Loans and their Related Security sold by the Seller to the LLP will remain with the Seller. Therefore, the rights of the LLP may be subject to the

direct rights of the Borrowers against the Seller, including rights of set-off which occur in relation to transactions or deposits made between the Borrowers and the Seller existing prior to notification to the Borrowers of the assignment or assignation (as appropriate) of the Loans.

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

3.5 *Maintenance of Portfolio*

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

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

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

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

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

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

3.6 *Limited resources of the LLP*

Following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice on the Issuer, all amounts payable under the Covered Bonds will be accelerated by the Bond Trustee as against the Issuer following which a Notice to Pay will be served by the Bond Trustee on the LLP. The LLP's ability to meet its obligations under the Covered Bond Guarantee will depend on: (i) the realisable value of Selected Loans and their Related Security in the Portfolio; (ii) the amount of Revenue Receipts and Principal Receipts generated by the Portfolio and the timing thereof; (iii) amounts received from the Swap Providers; (iv) the realisable value of Substitution Assets held by it; and (v) the receipt by it of credit balances and interest on credit balances on the Transaction Account and the interest element of Authorised Investments purchased from amounts credited to the Transaction Account, as applicable. Recourse against the LLP under the Covered Bond Guarantee is limited to the aforementioned assets and the LLP will not have any other source of funds available to meet its obligations under the Covered Bond Guarantee.

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

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

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

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

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

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

There can be no assurance that the Seller will have the financial resources to honour such obligations under the Mortgage Sale Agreement. This may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the LLP to meet its obligations under the Covered Bond Guarantee. However, if the Seller does not repurchase those Loans and their Related Security which are in breach of the Representations and Warranties then the Current Balance of those Loans will be excluded from the calculation of the Asset Coverage Test. There is no further recourse to the Seller or the Issuer in respect of a breach of a Representation and Warranty.

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

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

(a) representations or warranties not being given by the LLP or (unless otherwise agreed with the Seller) the Seller;

(b) default by Borrowers of amounts due on their Loans;

(c) the Loans of New Sellers being included in the Portfolio;

(d) changes to the Lending Criteria of the Seller;

(e) the LLP not having legal title to the Loans in the Portfolio;

(f) risks in relation to some types of Loans which may adversely affect the value of the Portfolio or any part thereof;

(g) no independent investigations, reliance on warranties in relation to the Loans and limited recourse to the Seller;

(h) possible regulatory changes by the FCA, the PRA, the Competition and Markets Authority ("**CMA**") and other regulatory authorities; and

(i) regulations in the UK that could lead to some terms of the Loans being unenforceable, cancellable or subject to set-off.

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

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

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

Following the service of an Asset Coverage Test Breach Notice (which has not been revoked) or the service of a Notice to Pay on the LLP (but in each case prior to the service of 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 enjoyed by the Seller pursuant to the terms of the Mortgage Sale Agreement (see "*Summary of the Principal Documents – LLP Deed – Method of sale of Selected Loans*"). In respect of any sale of Selected Loans and their Related Security to third parties, however, the LLP will not be permitted to give warranties or indemnities in respect of those Selected Loans and their Related Security (unless expressly permitted to do so by the Security Trustee). There is no assurance that the Seller would give any warranties or representations in respect of the Selected Loans and their Related Security. Any Representations and Warranties previously given by the Seller in respect of the Loans in the Portfolio may not have value for a third party purchaser if the Seller is then insolvent. Accordingly, there is a risk that the realisable value of the Selected Loans and their Related Security could be adversely affected by the lack of representations and warranties which in turn could adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee.

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

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

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

3.11 *Changes to the Lending Criteria of the Seller*

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

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

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

Since the LLP has not obtained legal title to the Loans or their Related Security and has not protected 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:

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

(b) 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

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

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

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

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

3.13 *Realisation of Charged Property following the occurrence of an LLP Event of Default and service of 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 the section entitled "*Cashflows*" below.

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

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

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

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

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

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

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

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

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

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

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

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

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

Distance Marketing of Financial Services" below.

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

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

Consumer Protection from Unfair Trading Regulations 2008 and the Digital Markets Competition and Consumers Act 2024. The Consumer Protection from Unfair Trading Regulations 2008 (the "**CPUTR**") prohibits certain practices which are deemed unfair within the terms of the CPUTR. Breach of the CPUTR may lead to liability for misrepresentation or breach of contract in relation to the underlying credit agreements, which may result in irrecoverable losses on amounts to which such agreements apply and which may adversely affect the LLP's ability to make payments on the Covered Bond Guarantee. 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 having an adverse impact on the Loans cannot be excluded. Further detail is included in the section headed "*Further Information Relating to the Regulation of Mortgages in the UK – Certain Regulatory considerations – Unfair Terms in Consumer Contracts Regulations 1994 and 1999 and the Consumer Rights Act 2015*".

Financial Ombudsman Service: Under FSMA, the Ombudsman is required to make decisions on, among other things, complaints relating to activities and transactions under its jurisdiction. As the Ombudsman is required to make decisions on the basis of, among other things, the principles of fairness, and may order a money award to a borrower. Given the way the Ombudsman makes its decisions, it is not possible to predict how any future decision of the Ombudsman would affect the LLP's ability to make payments on the Covered Bond Guarantee. Further detail is included in the section headed "*Further Information Relating to the Regulation of Mortgages in the UK – Financial Ombudsman Service*".

Mortgage repossessions. The protocols for mortgage possession claims 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, which may be particularly challenging in markets experiencing

above average levels of possession claims. Delays in the initiation of responsive action in respect of the Loans may result in lower recoveries and may adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee. Further detail is included in the section headed "*Further Information Relating to the Regulation of Mortgages in the UK – Certain Regulatory considerations – Repossessions*".

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

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

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

The FCA has amended the Mortgages and Home Finance: Conduct of Business Sourcebook (MCOB) to allow (rather than require) lenders to give effect to the MC Interest-only Agreement and the MC Extension Agreement.

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, including further amending and extending the scope of the Mortgage Charter or related rules. Such developments may impact the performance of the Loans, which in turn may adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee.

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 right to legal protection from their creditors (including almost all enforcement action) during a period of breathing space. The Breathing Space Regulations do not apply to mortgages, except for arrears which are uncapitalised at the date of the application under the Breathing Space

Regulations. There is a risk that delays in the initiation of enforcement action in respect of the Mortgage Loans may result in lower recoveries and may adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee. Further detail is included in the section headed "*Further Information Relating to the Regulation of Mortgages in the UK – Certain Regulatory considerations – Breathing Space Regulations*" below.

Assured Shorthold Tenancy (AST). Currently, there is a risk 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. This may adversely affect the LLP's ability to make payments on the Covered Bond Guarantee. Further detail is included in the section headed "*Further Information Relating to the Regulation of Mortgages in the UK – Assured Shorthold Tenancy (AST)*" below.

Buy-to-let Loans. Upon enforcement of a Loan in respect of a Property which is the subject of an existing tenancy, the Servicer may not be able to obtain vacant possession of that Property until the end of the tenancy. If the Servicer enforces whilst the tenancy is continuing and sells the Property as an investment property with one or more tenants *in situ*, this may affect the amount which may be realised in the sale, although the existence of any such tenant paying rent in full on a timely basis may not have an adverse effect on the amount of such realisation. However, in the UK it is common for tenancies to be only for six or 12 months, so a tenanted property will often be vacated sooner than an owner-occupied property (but see the section below headed "*Repossessions*" for tenant protections).

Delays to landlords seeking possession of the Property may result in less rental income being available to meet the Borrower's repayment obligations in respect of the buy-to-let Mortgage Loans. Enforcement procedures in relation to such Loans include the ability to appoint a receiver of rent, in which case such a receiver would collect any rents payable in respect of such property and apply them in payment of any arrears of principal and interest under the Loan.

The amount of income tax relief that individual landlords can claim for residential property finance costs (such as mortgage interest) is restricted to the basic rate of tax. A higher rate of stamp duty land tax ("**SDLT**") (and Welsh land transactions tax ("**WLTT**")) applies to the purchase of additional residential properties (such as buy-to-let properties) in England and Wales respectively. The current additional tax rates are as follows: (i) in England the higher rate is 5 per cent. above the current SDLT rates; and (ii) in Wales the higher rate is 5 per cent. above the current WLTT rates.

In addition, since 1 April 2021, a 2 per cent. SDLT surcharge applies to 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.

Investors should note that on 11 September 2024 the UK Government introduced the Renters' Rights Bill to the House of Commons and the Bill received Royal Assent on 27 October 2025. Although it received Royal Assent on 27 October 2025, none of the substantive provisions of the Renters' Rights Act are yet in force. The Act sets the framework for the new regime, but significant further regulations are needed for the Act to be fully brought into force. The exact timetable for these further regulations is unknown but the government has confirmed that it will set out its plans for implementation as soon

as possible. The Renters' Rights Act will remove a landlord's ability to use "no fault" evictions under Section 21 of the Housing Act 1988; give tenants the ability to challenge above-market rent increases, expand the application of the "Decent Homes Standard" and establish a landlord redress scheme. As at the date of this Prospectus, the impact of the new legislation is uncertain but may adversely affect the private residential rental market in the United Kingdom in general and (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.

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

4. RISKS RELATING TO REGULATION OF THE COVERED BONDS

4.1 *UK regulated covered bond regime*

The Issuer and the Programme were admitted to the register of issuers on 22 September 2025 and any Covered Bonds issued under the Programme will be admitted to the register of regulated covered bonds.

The FCA may take certain actions in respect of the Issuer and/or the LLP under the RCB Regulations. Such actions include directing the winding-up of the LLP, removing the Issuer from the register of issuers (but pursuant to the RCB Regulations, a regulated covered bond may not be removed from the relevant register prior to the expiry of the whole period of validity of the relevant covered bond), directing the Issuer and/or the LLP to take specified steps for the purpose of complying with the RCB Regulations and/or imposing a financial penalty of such amount as it considers appropriate in respect of the Issuer or the LLP and/or restricting the ability of the Seller to transfer further Loans to the LLP and directing the Issuer to publish information given to the FCA under the RCB Regulations. Moreover, the bodies which regulate the financial services industry in the UK may take certain actions in respect of issuers using their general powers under the UK regulatory regime (including restricting an issuer's ability to transfer further assets to the asset pool). There is a risk that any such regulatory action may reduce the amounts available to pay Covered Bondholders.

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

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

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

Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation**") has applied since 1 January 2018 in general, subject to certain transitional provisions. Certain requirements of the EU Benchmarks

Regulation apply with respect to the provision of a wide range of benchmarks (including EURIBOR), the contribution of input data to a benchmark and the use of a benchmark within the European Union ("**EU**"). In particular, the EU Benchmarks Regulation, among other things: (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and to comply with extensive requirements in relation to the administration of benchmarks; (ii) imposes extensive requirements in relation to the administration of benchmarks; and (iii) prevents certain uses by EU-supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU-based, not 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).

Neither the administrator of SONIA nor the administrator of €STR is currently required to obtain authorisation/registration and neither SONIA nor €STR falls within the scope of the EU Benchmarks Regulation or the UK Benchmarks Regulation by virtue of Article 2 of those regulations. The administrator of EURIBOR appears on the register of administrators and benchmarks established and maintained by each of ESMA and the FCA.

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

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

Separately, 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. The guiding principles indicate, amongst other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. On 11 May 2021, the euro risk-free rate working group published its recommendations on EURIBOR fallback trigger events and fallback rates. The recommended fallback triggers include both cessation and pre-cessation triggers, including, inter alia, permanent cessation non-representativeness and (potentially) unlawfulness triggers (the Working group recommended against a material change in the EURIBOR methodology as defined by the European Money Markets Institute (EMMI) being an automatic trigger). For debt securities, based on support for the proposals from the public consultation and issuances already observed in the capital markets, the Working group recommended the replacement rate to be €STR with a backward-looking lookback period methodology (with an observation shift methodology, although use of the lag approach was considered a robust alternative) and applying an adjustment spread based on a five-year historical median methodology.

It is not possible to predict with certainty whether, and to what extent, any relevant benchmark will continue to be supported going forwards. This may cause such benchmark to perform differently than they have done in the past, and may have other consequences which cannot be predicted. The potential transition from one benchmark to another benchmark, or changes in the manner of administration of any benchmark (including EURIBOR, €STR and SONIA), could require an adjustment to the Terms and Conditions of the Covered Bonds, or result in other consequences, in respect of any Covered Bonds

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

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

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

(b) if EURIBOR, €STR or SONIA is discontinued or is otherwise unavailable, then the rate of interest on the Covered Bonds will be determined for a period by the fallback provisions provided for under Condition 4 of the Terms and Conditions of the Covered Bonds, although such provisions in respect of EURIBOR, being dependent in part upon the provision by reference banks of offered quotations for leading banks in the Eurozone interbank market (in the case of EURIBOR), may not operate as intended (depending on market circumstances and the availability of rates information at the relevant time) and may in certain circumstances result in the effective application of a fixed rate based on the rate which applied in the previous period when EURIBOR or SONIA was available;

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

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

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

Moreover, any of the above matters or any other significant change to the setting or existence of EURIBOR, €STR, SONIA or any other relevant interest rate benchmark could affect the ability of the Issuer or the LLP to meet its obligations under the Covered Bonds and/or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Covered Bonds. Changes in the manner of administration of EURIBOR, €STR, SONIA or any other relevant interest rate benchmark could result in adjustment to the Conditions, early redemption, discretionary valuation by the Calculation Agent, delisting or other consequences in relation to the Covered Bonds. No assurance may be provided that relevant changes will not occur with respect to EURIBOR, €STR, SONIA or any

other relevant interest rate benchmark and/or that such benchmarks will continue to exist. Investors should consider these matters when making their investment decision with respect to the Covered Bonds.

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

5. RISKS RELATING TO COUNTERPARTIES

5.1 *Reliance of the LLP on third parties*

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

If a Servicer Event of Default occurs pursuant to the terms of the Servicing Agreement, then the LLP (with the assistance of the Back-Up Servicer Facilitator) and/or the Security Trustee will be entitled to terminate the appointment of the Servicer and appoint a new servicer in its place. There can be no assurance that a substitute servicer with sufficient experience of administering mortgages of residential properties would be found who would be willing and able to service the Loans on the terms of the Servicing Agreement. In addition, as described below, any substitute servicer will be required to be authorised under the FSMA. The ability of a substitute servicer to fully perform the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute servicer may affect the realisable value of the Portfolio or any part thereof, and/or the ability of the LLP to make payments under the Covered Bond Guarantee.

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

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

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

5.2 *Reliance on Swap Providers*

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

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

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

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

5.3 *Change of counterparties*

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

These criteria include requirements imposed under the FSMA and current rating criteria published by the Rating Agencies from time to time in relation to the short-term, unguaranteed and unsecured ratings ascribed to such party by Fitch and Moody's. If the party concerned ceases to satisfy the applicable criteria, including the ratings criteria detailed above, then the rights and obligations of that party (including the right or obligation to receive monies on behalf of the LLP) may be required to be

transferred to another entity which does satisfy the applicable criteria. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the Transaction Documents.

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

6. RISKS RELATING TO STRUCTURAL AND DOCUMENTATION CHANGES

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

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

(a) provided that in the sole opinion of the Bond Trustee such modification is not materially prejudicial to the interests of any of the Covered Bondholders of any Series; or

(b) which, pursuant to the permissions granted in Condition 14 (*Meetings of Covered Bondholders, Modification, Waiver and Substitution*), in the sole opinion of the Bond Trustee is of a formal, minor or technical nature, or to correct a manifest error, or to comply with mandatory provisions of law; or

(c) in certain other circumstances as more particularly described in Condition 14 (*Meetings of Covered Bondholders, Modification, Waiver and Substitution*) (which shall include amendments which may be required to enable Covered Bonds issued under the Programme to qualify and/or continue to qualify as regulated covered bonds under the RCB Regulations or any replacement or amended regulations).

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

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

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

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

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

(a) concur with the Issuer and/or the LLP or any other person; and

(b) direct the Security Trustee to concur with the Issuer and/or the LLP or any other person,

with regard to certain amendments as are more fully set out in Condition 14 and 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 another benchmark rate (each, a "**Reference Rate**") to an alternative base rate (any such rate, an "**Alternative Base Rate**") and make such other amendments as are necessary or advisable in the reasonable judgement of the Issuer to facilitate such change (a "**Base Rate Modification**"), provided that the conditions set out in Condition 14(b)(xv) have been satisfied, including, without limitation, that the requisite notice has been given to Covered Bondholders and provided further that if Covered Bondholders representing more than 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds notify the Issuer or the Principal Paying Agent in accordance with the then current practice of any applicable Clearing System through which the Covered Bonds may be held by the time specified in such notice that such Covered Bondholders do not consent to the Base Rate Modification, such Base Rate Modification will not be passed.

Therefore, it is possible that a modification relating to the Reference Rate could be made without the vote of any Covered Bondholders taking place, even if Covered Bondholders holding less than 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds then outstanding objected to it. In addition, Covered Bondholders should be aware that, unless they have made arrangements promptly to receive notices sent to Covered Bondholders: (a) from any custodians or other intermediaries through which they hold their Covered Bonds; and (b) from Bloomberg on the "Company News" screen relating to the Covered Bonds, and give the same their prompt attention, Meetings may be convened or resolutions (including Extraordinary Resolutions) may be proposed and considered and passed or rejected or deemed to be passed or rejected without their involvement even if, were they to have been promptly informed, they would have voted in a different way from the Covered Bondholders which passed or rejected the relevant proposal or resolution. There can therefore be no assurance that the interests of Covered Bondholders will not ultimately be adversely affected in certain circumstances by such a modification despite any objections raised.

6.3 ***Security Trustee's and Bond Trustee's powers may affect the interests of the Covered Bondholders***

In the exercise of its powers, trusts, authorities and discretions, the Security Trustee shall only act in accordance with the instructions of the Instructing Party.

Unless in relation to a proposed modification under Clause 21.2 of the Trust Deed, if, in connection with the exercise of its powers, trusts, authorities or discretions, the Bond Trustee is of the opinion that the interest of the holders of the Covered Bonds of any one or more Series would be materially prejudiced thereby, the Bond Trustee shall not exercise such power, trust, authority or discretion without the approval of such Covered Bondholders by Extraordinary Resolution or by a direction in writing of such Covered Bondholders of at least 25 per cent. of the Principal Amount Outstanding of the Covered Bonds of the relevant Series then outstanding.

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

7. MACROECONOMIC AND MARKET RISKS

7.1 *A secondary market in the Covered Bonds may not continue or develop further*

No assurance is provided that there is an active and liquid secondary market for the Covered Bonds, and there can be no assurance that a secondary market for the Covered Bonds will continue or develop further. The Covered Bonds have not been, and will not be, registered under the Securities Act or any other applicable securities laws of any state or other territory or 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 further, it may not continue for the life of the Covered Bonds or it may not provide Covered Bondholders with liquidity of investment with the result that a Covered Bondholder may not be able to find a buyer to buy its Covered Bonds readily or at prices that will enable the Covered Bondholder to realise a desired yield. Consequently, a Covered Bondholder must be able to bear the economic risk of an investment in a Covered Bond for an indefinite period of time.

7.2 *The market in relation to SONIA and €STR as a reference rate for Floating Rate Covered Bonds is subject to change and development*

Investors should be aware that the market in relation to SONIA as a reference rate in the capital markets and its adoption as an alternative to Sterling LIBOR and the adoption of €STR as an alternative to EURIBOR is subject to change and development. In particular, market participants and relevant working groups are exploring alternative reference rates based on SONIA and €STR, including term SONIA and €STR reference rates (which seek to measure the market's forward expectation of an average SONIA or €STR rate over a designated term). The market or a significant part thereof may adopt an application of SONIA or €STR that differs significantly from that set out in the Conditions and used in relation to Floating Rate Covered Bonds that reference a SONIA or €STR rate issued under this Prospectus. Investors should carefully consider how any mismatch between the adoption of SONIA or €STR reference rates across other markets, such as the derivatives and loan markets, may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Covered Bonds referencing Compounded Daily SONIA or Compounded Daily €STR. Interest on Covered Bonds which reference a SONIA or €STR rate is only capable of being determined at the end of the relevant Observation Period and immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Covered Bonds which reference a SONIA or €STR rate to reliably estimate the amount of interest which will be payable on such Covered Bonds. Some investors may be unable or unwilling to trade such Covered Bonds without changes to their IT systems, both of which could adversely impact the liquidity of such Covered Bonds. Further, if the Floating Rate Covered Bonds become due and payable under Condition 9 (Events of Default 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.

Further, if €STR as a reference rate, or €STR as calculated in accordance with the provisions of this Programme, does not prove to be widely used in securities such as the Covered Bonds, the trading price of such Covered Bonds linked to €STR may be lower than those of Covered Bonds linked to indices that are more widely used. Investors in such Covered Bonds may not be able to sell such Covered Bonds at all or may not be able to sell such Covered Bonds at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk. Investors should consider these matters when making their investment decision with respect to any such relevant Covered Bonds.

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

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

8. LEGAL AND REGULATORY RISKS

8.1 *Changes of law*

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

No assurance can be given that additional regulations or guidance from the regulators, or any other regulatory authority, will not arise with regard to the mortgage market in the UK generally (including, without limitation, in relation to matters arising from changes to the FCA's MCOB rules), the Seller's particular sectors in that market or specifically in relation to the Seller. Any such action or developments or compliance costs may have a material adverse effect on the Loans, the Seller, the LLP, the Issuer and/or the Servicer and their respective businesses and operations. This may adversely affect the ability of the LLP to dispose of the Portfolio or any part thereof in a timely manner and/or the realisable value of the Portfolio or any part thereof and accordingly affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee when due.

8.2 *Insolvency proceedings and subordination provisions*

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

The UK Supreme Court has held that a flip clause as described above is valid under English law. Contrary to this, however, the U.S. Bankruptcy Court has held that such a subordination provision is unenforceable under U.S. bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a U.S. bankruptcy of the counterparty. However, a subsequent 2016 U.S. Bankruptcy Court decision held that in certain circumstances flip clauses are protected under the U.S. Bankruptcy Code and therefore enforceable in bankruptcy. The 2016 decision was affirmed on 14 March 2018 by the U.S. District Court for the Southern District of New York, which 2018 decision was further affirmed on 11 August 2020 by the U.S. Court of Appeals for the Second Circuit. The implications of these conflicting judgments are not yet known.

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

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

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

8.3 *Expenses of insolvency officeholders*

Under the RCB Regulations (assuming such regulations apply to the LLP), following the realisation of any asset pool security (excluding circumstances where there is a concurrent winding-up of the LLP), certain costs and expenses are payable out of the fixed and floating charge assets of the LLP in priority

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

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

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

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

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

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

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

8.5 *English law security and insolvency considerations*

The LLP entered into the Deed of Charge on the Programme Date, pursuant to which it granted the Security in respect of its obligations under the Covered Bond Guarantee (as to which, see "*Summary of 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 were enacted under the Corporate Insolvency and Governance Act 2020. The changes include, among other things: (i) the introduction of a new moratorium regime that certain eligible companies can obtain which will prevent creditors 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 (a 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. Whilst the Issuer and the LLP are expected to be exempt from the application of 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. Whilst the transaction structure is designed to minimise the likelihood of the LLP becoming insolvent and/or subject to pre-insolvency restructuring proceedings, no assurance can be given that any modification of the exceptions from the application of the new insolvency reforms referred to above will not be detrimental to the interests of the Covered Bondholders and there can be no assurance that the LLP will not become insolvent and/or the subject of insolvency or pre-insolvency restructuring proceedings and/or that the Covered Bondholders would not be adversely affected by the application of insolvency laws (including English insolvency laws or the laws affecting the creditors' rights generally).

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

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

8.6 *Liquidation Expenses*

Under the Insolvency Act 1986 the costs and expenses of a liquidation (including certain tax charges) will be payable out of floating charge assets in priority to the claims of the floating charge holder. In respect of certain litigation expenses of the liquidator only, this is subject to approval of the amount of

such expenses by the floating charge holder (or, in certain circumstances, the court) pursuant to provisions set out in the Insolvency (England and Wales) Rules 2016 (as amended) as applied to LLPs by virtue of the Insolvency (Miscellaneous Amendments) Regulations 2017 (SI 2017/1119).

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

8.7 *Limited Liability Partnerships*

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

8.8 *UK Banking Act 2009*

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

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

In general, the Banking Act requires the UK authorities to have regard to specified objectives in exercising the powers provided for by the Banking Act. One of the objectives (which is required to be

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

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

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

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

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

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

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

In particular, it should be noted that the Basel Committee on Banking Supervision ("**BCBS**") has approved a series of significant changes to the Basel framework for prudential regulation (such changes being referred to by the BCBS (and colloquially) as "**Basel III**" in respect of reforms finalised prior to 7 December 2017 and "**Basel 3.1**" or "**Basel IV**" in respect of reforms finalised on or following that date), which include significant revisions to the credit risk framework provide for a substantial strengthening of existing prudential rules, including new requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks), a fundamental review of the trading book, and the establishment of a leverage ratio "backstop" for financial institutions and certain minimum liquidity standards (referred to as the Liquidity Coverage Ratio and the Net Stable Funding Ratio). BCBS member countries agreed to implement the initial phase of the Basel III reforms from 1 January 2013 and the second phase from (after a Covid-related deferral) 1 January 2023, subject to transitional and phase-in arrangements for certain requirements. As implementation of Basel III requires national legislation, the final rules and the timetable for their implementation in each jurisdiction, as well as the treatment of covered bonds, may be subject to some level of national variation. A number of major jurisdictions are implementing the reforms, or aspects of the reforms, with significant delays relative to the internationally agreed timetable. It should also be noted that changes to regulatory capital requirements have been made for insurance and reinsurance undertakings through participating jurisdiction initiatives, such as the Solvency II framework in Europe. Prospective investors should therefore make themselves aware of the requirements described above (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other applicable regulatory requirements with respect to their investment in the Covered Bonds. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

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.

As noted above, the PRA published its second near-final Policy Statement on the implementation of Basel 3.1, PS 9/24, on 12 September 2024. PS 9/24 introduces changes to the risk weight treatment that applies to certain covered bonds. Should covered bonds meet the definition of a "**CRR covered bond**"

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

It should also be noted that, from 8 July 2022, regulation of covered bonds in the EEA has been reformed under: (i) the covered bond directive ("**EU CBD**", Directive (EU) 2019/2162) that (subject to certain grandfathering provisions) replaced article 52(4) of the UCITS Directive and established a revised common base-line for issue of covered bonds for EEA regulatory purposes (subject to various options that members states may choose to exercise in their national laws, which leads to variation of applicable requirements in practice); and (ii) amendments to article 129 (and certain related provisions) of the Capital Requirements Regulation ("**EU CRR**") that further strengthens the criteria for covered bonds that benefit from preferential capital treatment under the EU CRR regime.

It should be noted that the EU CBD mandates the European Commission to submit several reports to the European Parliament and the Council on the implementation of the EU covered bond framework (and various other related matters, including the introduction of a third country equivalence regime), that may be accompanied with legislative proposals, if appropriate. For these purposes, and in response to a call for advice from the European Commission, the European Banking Authority ("**EBA**") published in September 2025 its report on the review of the EU covered bond framework, advising further harmonisation of various requirements and recommending certain parameters for the introduction of a third country equivalence regime that would result in overseas covered bonds meeting applicable criteria (which include certain conditions on reciprocity) being eligible for preferential regulatory treatment in the EEA. Whether the European Commission will adopt all or any of the EBA recommendations and whether (or when) any further legislative amendments will be introduced to the EU covered bond framework remain to be seen. Whilst the EU covered bond reforms may incentivise the governments and regulators to introduce similar changes in the domestic framework, no assurances or predictions can be made as to the precise effect of any such future reforms on the Covered Bonds, including whether (or when) the third country equivalence regime may be introduced in the EEA and, if such regime is introduced, whether it will benefit the Covered Bonds.

The EU CBD and the EU CRR amendments do not have direct application in the UK. Any further EU covered bond reforms may or may not incentivise the UK government or the UK regulators to introduce similar changes in the UK framework. It should be noted, however, that as part of Basel 3.1 implementation in the UK and the revocation of certain assimilated EU laws, HM Treasury has put forward a new policy and a new legislative initiative relating to the introduction of an overseas prudential requirements regime ("**OPRR**") which will replace existing UK CRR equivalence regimes. Under this initiative it is anticipated that certain overseas covered bonds designated under the OPRR will be subject to preferential regulatory treatment in the UK. There is limited detail available currently on how the OPRR will operate in this context. Further legislative instruments and amendments to the rulebooks of the UK regulators will be necessary to fully implement such new regime. This development is also relevant from the perspective of the assessment of the UK for equivalence in the EEA, if the European Commission takes forward the EBA recommendations on the introduction of the third country covered bond equivalence regime noted above. However, there can be no assurances or predictions made at this stage as to the precise effect of this UK initiative on the Covered Bonds.

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

8.10 *EU CRA Regulation and UK CRA Regulation*

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

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

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

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

8.11 *Pensions Act 2004*

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

direction. Principality is an employer under an occupational scheme and also a member of the LLP. On this basis, the LLP is likely to be treated as "connected to" the Society.

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

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

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

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

8.12 *Volcker Rule*

Section 13 of the U.S. Bank Holding Company Act of 1956, as amended (the "**BHC Act**"), as implemented by final regulations (together known as the "**Volcker Rule**") generally prohibits "banking entities" (defined broadly to include U.S. banks, bank holding companies and non-U.S. banking organisations that are subject to the BHC Act, in each case, together with their respective subsidiaries and other Affiliates) from: (a) engaging in proprietary trading, (b) acquiring or retaining an ownership interest in, or sponsoring, a "covered fund" and (c) entering into certain transactions with a "covered fund" for which the banking entity or an Affiliate acts as investment manager, investment adviser, commodity trading adviser, or sponsor, such as, among others, loans and other types of extensions of credit, guarantees, letters of credit and derivative transactions giving rise to "credit exposure" to a covered fund, in each case, subject to certain exemptions and exclusions. A "covered fund" is defined broadly in the Volcker Rule and includes, among other things, any entity which would be an "investment company" (as defined under Section 3 of the Investment Company Act) but is exempt from registration therefrom solely in reliance on either Section 3(c)(1) or 3(c)(7) of the Investment Company Act. The LLP has not registered, and the LLP believes it is not necessary for it to register, with the U.S. Securities and Exchange Commission as an investment company pursuant to the Investment Company Act in reliance on the exemptions afforded by Section 3(c)(5)(C) of the Investment Company Act, although other exemptions or exclusions may be applicable.

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

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

The derivatives markets are subject to extensive regulation in a number of jurisdictions, including in the UK pursuant to 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 domestic law by virtue of the EUWA ("**UK EMIR**") and in the EU pursuant to Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on over-the-counter ("**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 requirements (the "**Reporting Obligation**"). Prospective investors should also note that uncertainty remains as to the full impact on the Swap Agreements of ongoing reforms to UK EMIR and EU EMIR.

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

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

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

responsible for their own reporting obligations under UK EMIR (although this requirement can be delegated).

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

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

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

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

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

In respect of the Reporting Obligation under UK EMIR, with effect from 30 September 2024, changes have been made to the existing UK EMIR reporting regime and the LLP must comply with the changes from this date (as the LLP remains legally liable and responsible for the Reporting Obligation even if it has delegated the Reporting Obligation to a third party). Amongst other things, all new reports (including any modifications or terminations of derivatives entered into before 30 September 2024) must comply with the amended requirements. In addition to new reports, the reported data for all outstanding derivative contracts have been updated in order to bring them in line with the revised reporting standards by 31 March 2025.

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

Finally, the Bond Trustee shall be obliged, without the consent or sanction of the holders of any of the Covered Bonds or any other Secured Creditor (other than any Secured Creditor party to the relevant Transaction Document to be amended), to concur with the Issuer and/or the LLP, and/or direct the Security Trustee to concur with the Issuer and/or the LLP, in making any modifications to the Transaction Documents and/or Conditions of the Covered Bonds that are requested by the Issuer and/or the LLP in order to enable the Issuer to comply with any requirements which apply to it under EU EMIR or UK EMIR and such modifications may adversely affect your interests (see risk factor "*Risks relating to Structural and Documentation Changes: The Bond Trustee and the Security Trustee may agree to modifications to the Transaction Documents without, respectively, the Covered Bondholders' or Secured Creditors' prior consent*").

8.15 *Potential effects of any additional regulatory changes*

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

FORM OF THE COVERED BONDS

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

Bearer Covered Bonds

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

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

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

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

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

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

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

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

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

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

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

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

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

Registered Covered Bonds

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

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

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

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

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

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

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

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

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

Transfer of Interests

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

General

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

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

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

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

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

FORM OF FINAL TERMS

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

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

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

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

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

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

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

[Date]

Principality Building Society

Legal entity identifier (LEI): 2138003CSNVJEPFZ3U52

Issue of Regulated [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds] irrevocably and unconditionally guaranteed as to payment of principal and interest by Principality Covered Bonds LLP under the €5 billion Global Covered Bond Programme

PART A – CONTRACTUAL TERMS

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

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

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

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

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

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

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

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

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

PROVISIONS RELATING TO REDEMPTION BY THE ISSUER

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

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

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

		nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]/[Rule 144A Global Covered Bond (U.S.$[●] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]]]
22.	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper[4]] and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Covered Bonds are capable of meeting them the Covered Bonds may then be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper.[5]] Note that this does not necessarily mean that the Covered Bonds will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]
23.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[●]/[Not Applicable]
24.	Talons for future Coupons to be attached to Bearer Definitive Covered Bonds (and dates on which such Talons mature):	[Yes, as the Covered Bonds have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupons payments are still to be made]/[No]

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

5 Include this text for Registered Covered Bonds.

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

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

2. RATINGS

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

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

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

4. REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

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

5. DISTRIBUTION

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

6. YIELD (Fixed Rate Covered Bonds only)

Indication of yield:	[●]

7. OPERATIONAL INFORMATION

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

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

9. UNITED STATES TAX CONSIDERATIONS

[Not applicable]/[*For Covered Bonds issued in compliance with Rule 144A*:][For U.S. federal income tax purposes, the Issuer intends to treat the Covered Bonds as [original issue discount Covered Bonds/fixed-rate debt/fixed-rate debt issued with original issue discount/contingent payment debt instruments, [for which purpose, the comparable yield relating to the Covered Bonds will be [●] per cent compounded [semi-annually/quarterly/monthly], and that the projected payment schedule with respect to a Covered Bond consists of the following payments: [●]/for which purpose, the comparable yield and the projected payment schedule are available by contacting [●] at [●]]/variable rate debt instruments/variable rate debt instruments issued with original issue discount/foreign currency Covered Bonds/foreign currency Covered Bonds issued with original issue discount/foreign currency contingent payment debt instruments, [for which purpose, the comparable yield relating to the Covered Bonds will be [●] per cent compounded [semi-annually/quarterly/monthly], and that the projected payment schedule with respect to a Covered Bond consists of the following payments: [●]/for which purpose, the comparable yield and the projected payment schedule are available by contacting [●] at [●]]/short-term Covered Bonds.]]

[*For a Qualified Reopening of Covered Bonds issued in compliance with Rule 144A*:][Qualified Reopening. The issuance of the Covered Bonds should be treated as a "qualified reopening" of the Covered Bonds issued on [●] within the meaning of the Treasury regulations governing original issue discount on debt instruments (the "OID Regulations"). Therefore, for purposes of the OID Regulations, the Covered Bonds issued in this offering should be treated as having the same issue date and the same issue price as the Covered Bonds issued on [●] and should [not] be considered to have been issued with original issue discount for U.S. federal income tax purposes.]

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

TERMS AND CONDITIONS OF THE COVERED BONDS

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

This Covered Bond is one of a Series (as defined below) of Covered Bonds issued by Principality Building Society (the "**Issuer**") constituted by a trust deed (such trust deed as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated 19 December 2025 (the "**Programme Date**") made between the Issuer, Principality Covered Bonds LLP as guarantor (the "**LLP**") and HSBC Corporate Trustee Company (UK) Limited as bond trustee (in such capacity, the "**Bond Trustee**", which expression shall include any successor as Bond Trustee).

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

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

(ii) any Global Covered Bond;

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

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

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

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

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

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

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

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

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

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

Copies of the Trust Deed, the Deed of Charge, the Master Definitions and Construction Agreement (as defined below), the Agency Agreement and each of the other Transaction Documents: (i) are available for inspection during normal business hours at the registered office for the time being of the Bond Trustee being as at the Programme Date at 8 Canada Square, London E14 5HQ and at the specified office of each of the Paying Agents; (ii) are available for inspection electronically on request to the Bond Trustee or any of the Paying Agents; or (iii) can be viewed online at https://www.principality.co.uk/en/about-us/your-principality/treasury-services. Any Covered Bondholder must produce evidence satisfactory to the Issuer and the Bond Trustee or, as the case may be, the relevant Paying Agent as to its holding of Covered Bonds and identity.

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 (i) during normal business hours at the specified office of each of the Paying Agents; (ii) electronically on request to any of the Paying Agents; or (iii) or can be viewed online at https://www.principality.co.uk/en/about-us/your-principality/treasury-services and any Covered Bondholder must produce evidence satisfactory to the Issuer and the Bond Trustee or, as the case may be, the relevant Paying Agent as to its holding of Covered Bonds and identity. The Covered Bondholders and the Couponholders are deemed to have notice of, are bound by and are entitled to the benefit of all the provisions of, and definitions contained in, the Trust Deed, the

Deed of Charge, the Master Definitions and Construction Agreement, the Agency Agreement, each of the other Transaction Documents and the applicable Final Terms which are applicable to them and to have notice of each set of Final Terms relating to each other Series.

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

1. Form, Denomination and Title

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

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

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

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

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

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

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

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

2. Transfers of Registered Covered Bonds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(h) ***Definitions***

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

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

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

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

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

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

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

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

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

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

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

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

(a) *Status of the Covered Bonds*

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

(b) *Status of the Covered Bond Guarantee*

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

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

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

4. Interest

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In these Conditions:

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

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

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

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

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

(i) *Interest Payment Dates*

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

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

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

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

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

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

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

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

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

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

I. a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and

II. in the case of any sum payable, either: (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre); or (2) in relation to any Covered Bonds denominated or payable in euro, a TARGET Day.

(ii) Rate of Interest

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

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

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

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

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

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

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

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

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

(I) ***EURIBOR***

Where the Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, and the Reference Rate in respect of the relevant Series of Floating Rate Covered Bonds is specified in the relevant Final Terms as being EURIBOR, the Rate of Interest for each Interest Period will, subject as provided below, be either:

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

(2) the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of the offered quotations,

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

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

(II) **€STR**

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

"**Compounded Daily €STR**" means, in relation to an Interest Period, the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest Accrual Period (with the daily Euro Short-Term Rate ("**€STR**") as the Reference Rate for the calculation of interest) as calculated by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as set out in the relevant Final Terms) as at the relevant Interest Determination Date in accordance with the following formula (and the resulting percentage will be rounded if necessary to the 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 €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:

(1) 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;

(2) 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

(3) 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_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 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**" has the meaning given to it in the relevant 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.

(III) ***SONIA***

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

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

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

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

or

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

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

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

where:

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

as the Observation Method, the number of calendar days in the relevant Observation Period;

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

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

"**Index Value** means, where "SONIA" is specified as the Reference Rate in the relevant Final Terms, in relation to any London Business Day, the value of the SONIA Compounded Index as published by authorised redistributors on the Relevant Screen Page on the immediately following London Business Day provided, however, that in the event that the value originally published is subsequently corrected and such corrected value is published by authorised re-distributors or the Bank of England, as the administrator of SONIA (or any successor administrator of SONIA) on the original date of publication, then such corrected value, instead of the value that was originally published, shall be deemed the Index Value in relation to such London Business Day;

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

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

"**LBD**" means a London Business Day;

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

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

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

"**p**" means: (i) where "Lag" is specified as the Observation Method in the applicable Final Terms, the number of Business Days included in the SONIA

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

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

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

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

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

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

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

If, in respect of any London Business Day in the relevant Observation Period, the SONIA reference rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA reference rate shall be: (i) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at close of business on the relevant London Business Day; plus (ii) the mean of the spread of the SONIA reference rate to the Bank Rate

over the previous five days on which a SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate.

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

Fallback provisions

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

(A) 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

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

If the relevant Series of Covered Bonds become due and payable in accordance with Condition 9, the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Final Terms, be

deemed to be the date on which such Covered Bonds became due and payable and the Rate of Interest on such Covered Bonds shall, for so long as any such Covered Bond remains outstanding, be that determined on such date.

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

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

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

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

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

The Principal Paying Agent will calculate the amount of interest payable on the Floating Rate Covered Bonds in respect of each Specified Denomination (each an "**Interest Amount**") for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to the Principal Amount Outstanding, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

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

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

(1) in the case of Covered Bonds where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of: (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

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

I. the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins

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

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

(B) if "**Actual/Actual**" or "**Actual/Actual (ISDA)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of: (1) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366; and (2) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

The Principal Paying Agent (in the case of Floating Rate Covered Bonds) will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Bond Trustee and to any stock exchange or other relevant competent authority or quotation system on which the relevant Floating Rate Covered Bonds are for the time being listed, quoted and/or traded or by which they have been admitted to listing and to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth Business Day (as defined in paragraph 4(b)(i)) thereafter by the Principal Paying Agent. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment or alternative arrangements will be promptly notified to the Bond Trustee and each stock exchange or other relevant authority on which the relevant Floating Rate Covered Bonds are for the time being listed or by which they have been admitted to listing and to the Covered Bondholders in accordance with Condition 13.

(vi) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), whether by the Principal Paying Agent or the Bond Trustee, shall (in the absence of wilful default, fraud or manifest error) be binding on the Issuer, the LLP, the Principal Paying Agent, the other Paying Agents, the Bond Trustee and all the Covered Bondholders and Couponholders and (in the absence of wilful default or fraud) no liability to the Issuer, the LLP, the Covered Bondholders or the Couponholders shall attach to the Principal Paying Agent or the Calculation Agent or the Bond Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) ***Accrual of interest***

Interest (if any) will cease to accrue on each Covered Bond (or in the case of the redemption of part only of a Covered Bond, that part only of such Covered Bond) on the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused in which event, interest will continue to accrue as provided in the Trust Deed.

5. Payments

(a) ***Method of payment***

Subject as provided below:

(i) payments in a Specified Currency other than euro will be made by credit or electronic transfer to an account in the relevant Specified Currency (which, in the case of a payment in Yen to a non-resident of Japan, shall be a non-resident account) maintained

by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency; and

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

In the case of Bearer Covered Bonds, payments in U.S. Dollars will be made by transfer to a U.S. Dollar account maintained by the payee with a bank outside of the United States (which expression, as used in this Condition 5, means the United States of America, including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction), or by cheque drawn on a United States bank. In no event will payment in respect of Bearer Covered Bonds be made by a cheque mailed to an address in the United States. All payments of interest in respect of the Bearer Covered Bonds will be made to accounts located outside the United States except as may be permitted by United States tax law in effect at the time of such payment without detriment to the Issuer.

Payments will be subject in all cases to: (i) any fiscal or other laws and regulations applicable thereto in the place of payment but without prejudice to the provisions of Condition 7; and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto. References to Specified Currency will include any successor currency under applicable law. Any such amounts withheld or deducted will be treated as paid for all purposes under the Covered Bonds, and no additional amounts will be paid on the Covered Bonds with respect to any such withholding or deduction.

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

Payments of principal and interest (if any) will (subject as provided below) be made against presentation and surrender of Bearer Definitive Covered Bonds or Coupons, as the case may be, at any specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia)).

Fixed Rate Covered Bonds in definitive bearer form (other than any Long Maturity Covered Bonds) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall include Coupons falling to be issued on exchange of matured Talons), failing which an amount equal to the face value of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 12 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, six years from the date on which such Coupon would otherwise have become due.

Upon amounts in respect of any Fixed Rate Covered Bond in definitive bearer form becoming due and repayable by the Issuer (in the absence of a Notice to Pay) or LLP under the Covered Bond Guarantee prior to its Final Maturity Date (or, as the case may be, Extended Due for

Payment Date), all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the due date for redemption of any Floating Rate Covered Bond or Long Maturity Covered Bond in definitive bearer form, all unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Covered Bond**" is a Fixed Rate Covered Bond (other than a Fixed Rate Covered Bond which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Covered Bond shall cease to be a Long Maturity Covered Bond on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the Principal Amount Outstanding of such Covered Bond. If the date for redemption of any Bearer Definitive Covered Bond is not an Interest Payment Date, interest (if any) accrued in respect of such Covered Bond from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Bearer Definitive Covered Bond.

(c) ***Payments in respect of Bearer Global Covered Bonds***

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

(d) ***Payments in respect of Registered Covered Bonds***

Payments of principal in respect of each Registered Covered Bond (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Covered Bond at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by electronic transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Covered Bond appearing in the register of holders of the Registered Covered Bonds maintained by the Registrar (the "**Register**") at the close of business on the third Business Day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if: (i) a holder does not have a "**Designated Account**"; or (ii) the principal amount of the Covered Bonds held by a holder is less than U.S.$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a "**Designated Bank**" and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial

centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.

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

Holders of Registered Covered Bonds will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Covered Bond as a result of a cheque posted in accordance with this Condition 5(d) arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Covered Bonds.

All amounts payable to DTC or its nominee as a registered holder of a Registered Global Covered Bond in respect of Covered Bonds denominated in a Specified Currency other than U.S. dollars shall be paid by electronic transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer, the LLP, the Bond Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) ***General provisions applicable to payments***

The holder of a Global Covered Bond (or, as provided in the Trust Deed, the Bond Trustee) shall be the only person entitled to receive payments in respect of Covered Bonds represented by such Global Covered Bond and the Issuer or, as the case may be, the LLP will be discharged by payment to, or to the order of, the holder of such Global Covered Bond (or the Bond Trustee, as the case may be) in respect of each amount so paid. Each of the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Covered Bonds represented by such Global Covered Bond must look solely to DTC, Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or the LLP to, or to the order of, the holder of such Global Covered Bond (or the Bond Trustee, as the case may be). No person other than the holder of the relevant Global Covered Bond (or, as provided in the Trust Deed, the Bond Trustee) shall have any

claim against the Issuer or the LLP in respect of any payments due on that Global Covered Bond.

Notwithstanding the foregoing provisions of this Condition 5(e), payments of principal and/or interest in U.S. Dollars in respect of the Bearer Covered Bonds will only be made at the specified office of a Paying Agent in the United States if:

(i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. Dollars at such specified offices outside the United States of the full amount of interest on the Bearer Covered Bonds in the manner provided above when due;

(ii) payment of the full amount of such principal and interest at such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. Dollars; and

(iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the LLP, adverse tax consequences to the Issuer or the LLP.

(f) ***Payment Day***

If the date for payment of any amount in respect of any Covered Bond or Coupon is not a Payment Day (as defined below), the holder thereof shall not be entitled to payment of the relevant amount due until the next following Payment Day and shall not be entitled to any interest or other sum in respect of any such delay. In this Condition 5(f) (unless otherwise specified in the applicable Final Terms), "**Payment Day**" means any day which (subject to Condition 8) is:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(A) the relevant place of presentation;

(B) London; and

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

(ii) either: (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial Centre); or (B) in relation to any sum payable in euro, a TARGET Day; and

(iii) in the case of any payment in respect of a Registered Global Covered Bond denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Covered Bond) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

(g) ***Interpretation of principal and interest***

Any reference in these Conditions to principal in respect of the Covered Bonds shall be deemed to include, as applicable:

(i) any additional amounts which may be payable with respect to principal under Condition 7 or under any undertakings or covenants given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;

(ii) the Final Redemption Amount of the Covered Bonds;

(iii) the Early Redemption Amount of the Covered Bonds;

(iv) the Optional Redemption Amount(s) (if any) of the Covered Bonds;

(v) in relation to Zero Coupon Covered Bonds, the Amortised Face Amount (as defined in Condition 6(e)(iii));

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

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

Any reference in these Conditions to interest in respect of the Covered Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 or under any undertakings given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

(h) ***Definitions***

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

"**Calculation Amount**" has the meaning given in the applicable Final Terms.

"**euro**" means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of Fixed Rate Covered Bonds, Floating Rate Covered Bonds, as determined in, or as determined in the manner specified in, the applicable Final Terms.

"**Treaty**" means the Treaty establishing the European Community, as amended.

6. Redemption and Purchase

(a) ***Final redemption***

Unless previously redeemed or purchased and cancelled as specified below, each Covered Bond will be redeemed by the Issuer at its Final Redemption Amount in the relevant Specified Currency on the Final Maturity Date specified in the applicable Final Terms.

Without prejudice to Condition 9, if an Extended Due for Payment Date is specified as applicable in the Final Terms for a Series of Covered Bonds and the Issuer has failed to pay the Final Redemption Amount on the Final Maturity Date specified in the Final Terms (or after expiry of the grace period set out in Condition 9(a)(i)) and following the service of a Notice to

Pay on the LLP by no later than the date falling one Business Day prior to the Extension Determination Date the LLP has insufficient monies available to apply under the Guarantee Priority of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of the relevant Series of Covered Bonds on the date falling on the earlier of: (i) the date which falls two Business Days after service of such Notice to Pay on the LLP or, if later, the Final Maturity Date (or, in each case, after the expiry of the grace period set out in Condition 9(a)(i)) under the terms of the Covered Bond Guarantee; or (ii) the Extension Determination Date, then (subject as provided below) payment of the unpaid amount by the LLP under the Covered Bond Guarantee shall be deferred until the Extended Due for Payment Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the earlier of (i) and (ii) above may be paid by the LLP on any Interest Payment Date thereafter up to (and including) the relevant Extended Due for Payment Date. The Issuer shall confirm to the Principal Paying Agent as soon as reasonably practicable and in any event at least four Business Days prior to the Final Maturity Date of a Series of Covered Bonds whether: (A) payment will be made in full of the Final Redemption Amount in respect of a Series of Covered Bonds on that Final Maturity Date; or (B) payment will not be made in full of the Final Redemption Amount in respect of a Series of Covered Bonds on that Final Maturity Date. Any failure by the Issuer to notify the Principal Paying Agent shall not affect the validity or effectiveness of the extension.

The LLP shall notify the relevant Covered Bondholders (in accordance with Condition 13), the Rating Agencies, the Bond Trustee, the Security Trustee, the Principal Paying Agent and the Registrar (in the case of Registered Covered Bonds) as soon as reasonably practicable and in any event at least one Business Day prior to the dates specified in (A) and (B) of the preceding paragraph of any inability of the LLP to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of a Series of Covered Bonds pursuant to the Covered Bond Guarantee. Any failure by the LLP to notify such parties shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party.

In the circumstances outlined above, the LLP shall on the earlier of: (i) the date falling two Business Days after the service of a Notice to Pay or if later the Final Maturity Date (or, in each case, after the expiry of the grace period set out in Condition 9(b)(i)); and (ii) the Extension Determination Date, under the Covered Bond Guarantee, apply the monies (if any) available (after paying or providing for payment of higher ranking or *pari passu* amounts in accordance with the Guarantee Priority of Payments) pro rata in part payment of an amount equal to the Final Redemption Amount of each Covered Bond of the relevant Series of Covered Bonds and shall pay Guaranteed Amounts constituting the Scheduled Interest in respect of each such Covered Bond on such date. The obligation of the LLP to pay any amounts in respect of the balance of the Final Redemption Amount not so paid shall be deferred as described above. Such failure to pay by the LLP shall not constitute an LLP Event of Default.

Any discharge of the obligations of the Issuer as the result of the payment of Excess Proceeds to the Bond Trustee shall be disregarded for the purposes of determining the amounts to be paid by the LLP under the Covered Bond Guarantee in connection with this Condition 6(a).

For the purposes of these Conditions:

"**Extended Due for Payment Date**" means, in relation to any Series of Covered Bonds, the date, if any, specified as such in the applicable Final Terms to which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Final Maturity Date will be deferred in the event that the Final Redemption Amount is not paid in full on the Extension Determination Date.

"**Extension Determination Date**" means, in respect of a Series of Covered Bonds, the date falling two Business Days after the expiry of seven days from (and including) the Final Maturity Date of such Series of Covered Bonds.

"**Rating Agency**" means any one of Moody's Investors Service Limited, Fitch Ratings Ltd. and any other credit rating agency that may be appointed by the Issuer from time to time or their successors, to the extent they provide ratings in respect of the Covered Bonds (together, the "**Rating Agencies**").

(b) ***Redemption for taxation reasons***

The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Covered Bond is not a Floating Rate Covered Bond) or on any Interest Payment Date (if this Covered Bond is a Floating Rate Covered Bond), on giving not less than 30 nor more than 60 days' notice to the Bond Trustee and, in accordance with Condition 13, the Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Bond Trustee immediately before the giving of such notice that on the occasion of the next date for payment of interest, the Issuer is or will be required to pay additional amounts as provided in Condition 7. Covered Bonds redeemed pursuant to this Condition 6(b) will be redeemed at their Early Redemption Amount referred to in Condition 6(e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) ***Redemption at the option of the Issuer (Issuer Call)***

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given not less than 30 nor more than 60 days' notice to the Bond Trustee, the Principal Paying Agent, (in the case of the redemption of Registered Covered Bonds) the Registrar and, in accordance with Condition 13, the Covered Bondholders (which notice shall be irrevocable) redeem all or some only (as specified in the applicable Final Terms) of the Covered Bonds then outstanding on any Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date(s). Upon expiry of such notice, the Issuer shall be bound to redeem the Covered Bonds accordingly. In the event of a redemption of some only of the Covered Bonds, such redemption must be for an amount being the Minimum Redemption Amount or a Higher Redemption Amount. In the case of a partial redemption of Covered Bonds, the Covered Bonds to be redeemed (the "**Redeemed Covered Bonds**") will be selected individually by lot, in the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, and in accordance with the rules of DTC, Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of DTC, Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Covered Bonds represented by a Global Covered Bond, in each case, not more than 60 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, a list of the serial numbers of such Redeemed Covered Bonds will be published in accordance with Condition 13 not less than 30 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Covered Bonds represented by Definitive Covered Bonds shall bear the same proportion to the aggregate nominal amount of all Redeemed Covered Bonds as the aggregate nominal amount of Definitive Covered Bonds outstanding bears to the aggregate nominal amount of the Covered Bonds outstanding, in each case on the Selection Dates, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Covered Bonds represented by a Global Covered Bond shall be equal to the balance of the Redeemed Covered

Bonds. No exchange of the relevant Global Covered Bond will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6(c) and notice to that effect shall be given by the Issuer to the Covered Bondholders in accordance with Condition 13 at least 30 days prior to the Selection Date.

(d) ***Redemption due to illegality***

The Covered Bonds of all Series may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bond Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 13, all the Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Bond Trustee immediately before the giving of such notice that it has, or will, before the next Interest Payment Date of any Covered Bond of any Series, become unlawful for the Issuer to make, fund or allow to remain outstanding any Term Advance made by it to the LLP from the Covered Bonds pursuant to the Intercompany Loan Agreement, as a result of any change in, or amendment to, the applicable laws or regulations or any change in the application or official interpretation of such laws or regulations, which change or amendment has become or will become effective before the next such Interest Payment Date.

Covered Bonds redeemed pursuant to this Condition 6(d) will be redeemed at their Early Redemption Amount referred to in Condition 6(e) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(e) ***Early Redemption Amounts***

For the purpose of Conditions 6(b) above and 6(h) below and Condition 9, each Covered Bond will be redeemed at its Early Redemption Amount calculated as follows:

(i) in the case of a Covered Bond with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(ii) in the case of a Covered Bond (other than a Zero Coupon Covered Bond) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Covered Bond is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or

(iii) in the case of a Zero Coupon Covered Bond, at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

Early Redemption Amount = RP x (1 + AY)y

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is the Day Count Fraction specified in the applicable Final Terms which will be either: (A) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the

Covered Bonds to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Covered Bond becomes due and repayable and the denominator will be 360); or (B) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Covered Bonds to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Covered Bond becomes due and repayable and the denominator will be 360); or (C) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Covered Bonds to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Covered Bonds become due and repayable and the denominator will be 365).

(f) ***Purchases***

The Issuer or any of its subsidiaries or the LLP may at any time purchase or otherwise acquire Covered Bonds (provided that, in the case of Bearer Definitive Covered Bonds, all unmatured Coupons and Talons appertaining thereto are attached thereto or surrendered therewith) at any price and in any manner. If purchases are made by tender, tenders must be available to all the Covered Bondholders alike. Such Covered Bonds may be held, reissued, resold or, at the option of the Issuer or the relevant subsidiary, surrendered to any Paying Agent and/or the Registrar for cancellation (except that any Covered Bonds purchased or otherwise acquired by the LLP must immediately be surrendered to any Paying Agent and/or the Registrar for cancellation).

(g) ***Cancellation***

All Covered Bonds which are redeemed will forthwith be cancelled (together with, in the case of Bearer Definitive Covered Bonds, all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Covered Bonds so cancelled and any Covered Bonds purchased and surrendered for cancellation pursuant to Condition 6(f) and cancelled (together with, in the case of Bearer Definitive Covered Bonds, all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be held, reissued or resold.

(h) ***Late payment on Zero Coupon Covered Bonds***

If the amount payable in respect of any Zero Coupon Covered Bond upon redemption of such Zero Coupon Covered Bond pursuant to Conditions 6(a), 6(b) or 6(c) above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Covered Bond shall be the amount calculated as provided in Condition 6(e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Covered Bond becomes due and payable were replaced by references to the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero Coupon Covered Bond have been paid; and

(ii) the date on which the full amount of the monies payable in respect of such Zero Coupon Covered Bonds has been received by the Principal Paying Agent or the Bond Trustee or the Registrar and notice to that effect has been given to the Covered Bondholders either in accordance with Condition 13 or individually.

(i) ***Certification on redemption under Conditions 6(b) and 6(d)***

Prior to the publication of any notice of redemption pursuant to Conditions 6(b) and 6(d), the Issuer shall deliver, to the Bond Trustee, a certificate signed by two Authorised Signatories (as defined in the Master Definitions and Construction Agreement) of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and the Bond Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on all holders of the Covered Bonds and Couponholders, provided that the Bond Trustee may additionally require the provision of an opinion of independent legal advisers of recognised standing satisfactory to the Bond Trustee opining on the relevant change in tax or other law.

7. Taxation

All payments of principal and interest (if any) in respect of the Covered Bonds and Coupons by or on behalf of the Issuer or the LLP, as the case may be, will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom or any political sub-division thereof or by any authority therein or thereof having power to tax unless such withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In the event of a withholding or deduction being made by the Issuer in respect of a payment made by it, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Covered Bondholders or Couponholders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Covered Bonds or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Covered Bond or Coupon:

(a) presented for payment in the United Kingdom;

(b) the holder of which: (i) is able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration of non-residence or other claim for exemption to the relevant taxing authority but fails to do so; or (ii) is liable for such taxes, duties, assessments or governmental charges in respect of such Covered Bonds or Coupons (as the case may be) by reason of his having some connection with the United Kingdom other than merely by reason of the holding of such Covered Bonds or Coupons;

(c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on the last day of such period of 30 days (assuming that day to have been a Payment Day (as defined in Condition 5(f)); or

(d) where the holder is able to avoid such withholding or deduction by presenting an appropriate certificate.

As used herein:

"**Relevant Date**" means the date on which such payment in respect of the Covered Bond or Coupon first becomes due and payable, except that, if the full amount of the monies payable on such date has not been duly received by the Bond Trustee, the Registrar or the Principal Paying Agent on or prior to such date, it means the date on which such monies have been so received,

notice to that effect having been given to the Covered Bondholders in accordance with Condition 13.

Should any payments made by the LLP under the Covered Bond Guarantee be made subject to any withholding or deduction for or on account of taxes or duties of whatever nature imposed or levied by or on account of the United Kingdom or any political sub-division thereof or by any authority therein or thereof having power to tax, the LLP will not be obliged to pay any additional amounts as a consequence.

Notwithstanding any other provision of these Conditions, in no event will the Issuer or LLP be required to pay any additional amounts in respect of the Covered Bonds for, or on account of, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

8. Prescription

The Covered Bonds (whether in bearer or registered form) and Coupons will become void unless presented for payment within 12 years (in the case of principal) and six years (in the case of interest) in each case from the Relevant Date (as defined in Condition 7) therefor, subject in each case to the provisions of Condition 5.

There shall not be included in any Coupon sheet issued on exchange of a Talon, any Coupon the claim for payment in respect of which would be void pursuant to this Condition 8 or Condition 5 or any Talon which would be void pursuant to Condition 5.

9. Events of Default and Enforcement

(a) *Issuer Events of Default*

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds (which for this purpose or the purpose of any Extraordinary Resolution referred to in this Condition 9(a) means the Covered Bonds of this Series together with the Covered Bonds of any other Series constituted by the Trust Deed) then outstanding as if they were a single Series (with the Principal Amount Outstanding of Covered Bonds not denominated in Sterling converted into Sterling at the relevant Covered Bond Swap Rate) or if so directed by an Extraordinary Resolution of all the Covered Bondholders shall, (but in the case of the happening of any of the events mentioned in paragraphs (ii), (iii) and (vi) below, only if the Bond Trustee shall have concluded in its absolute discretion in writing to the Issuer and the LLP that such event is, in its opinion, materially prejudicial to the interests of the Covered Bondholders of any Series, provided that a breach of any obligation of the Issuer to provide notices, reports or other information to the FCA under the RCB Regulations and/or the RCB Sourcebook shall not, in itself, be considered materially prejudicial to the interests of the Covered Bondholders by the Bond Trustee) (subject in each case to the Bond Trustee being indemnified and/or secured and/or pre-funded to its satisfaction), give notice (an "**Issuer Acceleration Notice**") in writing to the Issuer that as against the Issuer (but not, for the avoidance of doubt, against the LLP under the Covered Bond Guarantee) each Covered Bond of each Series is, and each such Covered Bond shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an "**Issuer Event of Default**") shall occur and be continuing:

(i) the Issuer fails to pay any principal or interest in respect of the Covered Bonds within 14 days of the due date; or

(ii) if the Issuer fails to perform or observe any obligations under the Covered Bonds or Coupons of any Series, the Trust Deed or any other Transaction Document to which the Issuer is a party (other than the Programme Agreement and the Subscription Agreement) but excluding any obligation of the Issuer to comply with the Asset Coverage Test or any representation or warranty given by the Issuer in respect of the Asset Coverage Test, and such failure continues for the period of 30 days next following the service by the Bond Trustee on the Issuer of notice requiring the same to be remedied (except in circumstances where the Bond Trustee considers such failure to be incapable of remedy in which case no period of continuation will apply and no notice by the Bond Trustee will be required); or

(iii) if an administrator or other similar official is appointed in relation to the Issuer or any Material Subsidiary or in relation to the whole or a material part of the assets of any of them or if an encumbrancer takes possession of, or an administrative or other receiver is appointed in relation to, the whole or any material part of the assets of the Issuer or a Material Subsidiary or a distress, diligence or execution is levied or enforced upon or sued out against the whole or any material part of the assets of the Issuer or a Material Subsidiary and, in any such case, is not discharged within 60 days; or

(iv) if the Issuer ceases to carry on its business or substantially the whole of its business (except in any case in connection with a substitution pursuant to Condition 14, or for the purpose of or in connection with a reconstruction, union, transfer (of engagements or business), reorganisation, merger, or amalgamation the terms of which have previously been approved in writing by the Bond Trustee or by an Extraordinary Resolution); or

(v) if:

(A) any payment aggregating an amount of at least £10.0 million (or its equivalent in any other currency or currencies) in respect of the principal of or any premium of or interest on any Indebtedness for Moneys Borrowed of the Issuer or any Material Subsidiary is not made on its due date (or by the expiry of any applicable grace period therefor); or

(B) any Indebtedness for Moneys Borrowed of the Issuer or any Material Subsidiary having an outstanding aggregate principal amount of at least £10.0 million (or its equivalent in any other currency or currencies) becomes due and payable prior to its stated maturity by reason of default; or

(C) if any guarantee of or indemnity in respect of any payment aggregating an amount of at least £10.0 million (or its equivalent in any other currency or currencies) in respect of any Indebtedness for Moneys Borrowed of any third party given by the Issuer or any Material Subsidiary is not honoured when due and called upon (or by the expiry of any applicable grace period therefor); or

(vi) if, except for the purposes of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Bond Trustee or by an Extraordinary Resolution of the Covered Bondholders or for the purposes of a solvent winding-up where the assets of a Material Subsidiary attributable directly or indirectly to the Issuer

are distributed to any one or more of the Issuer and the other Subsidiaries which are, or would as a result become, Material Subsidiaries:

(A) a Material Subsidiary stops payment to its creditors generally or, in the opinion of the Bond Trustee, ceases to carry on the whole or substantially the whole of its business; or

(B) an order is made by any competent court or resolution is passed for the winding-up or dissolution of any Material Subsidiary; or

(vii) if an Asset Coverage Test Breach Notice has been served and not revoked (in accordance with the terms of the Transaction Documents) on or before the third Calculation Date after service of such Asset Coverage Test Breach Notice.

"**Indebtedness for Moneys Borrowed**" means any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of: (1) money borrowed; (2) liabilities under or in respect of any acceptance or acceptance credit; or (3) any notes, bonds, debentures, debenture stock, loan stock or other securities offered, issued or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash.

"**Material Subsidiary**" means a Subsidiary of the Issuer whose:

(i) total assets (attributable to the Issuer) are equal to 10 per cent. or more of the consolidated total assets of the Issuer and its Subsidiaries; or

(ii) gross income (attributable to the Issuer) is equal to 10 per cent. or more of the Consolidated Revenue (as defined in the Master Definitions and Construction Agreement),

all as more particularly described in the Trust Deed. A certificate addressed to the Bond Trustee by two Directors or Authorised Signatories of the Issuer that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary may be relied upon by the Bond Trustee without further enquiry or evidence and without liability and shall, in the absence of manifest error, be conclusive and binding on all parties.

Upon the Covered Bonds becoming immediately due and repayable against the Issuer pursuant to this Condition 9(a), the Bond Trustee shall forthwith serve a notice to pay (the "**Notice to Pay**") on the LLP pursuant to the Covered Bond Guarantee and the LLP shall be required to make payments of Guaranteed Amounts when the same shall become Due for Payment in accordance with the terms of the Covered Bond Guarantee.

Following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice, the Bond Trustee may or shall take such proceedings against the Issuer in accordance with the first paragraph of Condition 9(c).

The Trust Deed provides that all monies received by the Bond Trustee from the Issuer or any receiver, liquidator, administrator or other similar official appointed in relation to the Issuer following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice and a Notice to Pay (the "**Excess Proceeds**"), shall be paid by the Bond Trustee on behalf of the Covered Bondholders of the relevant Series to the LLP for its own account, as soon as practicable, and shall be held by the LLP in the LLP Accounts and the Excess Proceeds shall thereafter form part of the Security and shall be used by the LLP in the same manner as

all other monies from time to time standing to the credit of the LLP Accounts pursuant to the Deed of Charge and the LLP Deed. Any Excess Proceeds received by the Bond Trustee shall discharge *pro tanto* the obligations of the Issuer in respect of the payment of the amount of such Excess Proceeds under the Covered Bonds and Coupons. However, the obligations of the LLP under the Covered Bond Guarantee are (following service of a Notice to Pay) unconditional and irrevocable and the receipt by the Bond Trustee of any Excess Proceeds and payments to the LLP of such Excess Proceeds shall not reduce or discharge any of such obligations.

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

(b) ***LLP Events of Default***

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds (which for this purpose and the purpose of any Extraordinary Resolution referred to in this Condition 9(b) means the Covered Bonds of this Series together with the Covered Bonds of any other Series constituted by the Trust Deed) then outstanding as if they were a single Series (with the nominal amount of Covered Bonds not denominated in Sterling converted into Sterling at the relevant Covered Bond Swap Rate) or if so directed by an Extraordinary Resolution of all the Covered Bondholders shall (subject in each case to its being indemnified and/or secured and/or pre-funded to its satisfaction), but in the case of the happening of the default described in paragraph (ii), only if the Bond Trustee shall have concluded in its absolute discretion in writing to the Issuer and the LLP that such event is, in its opinion, materially prejudicial to the interests of the Covered Bondholder of any Series, provided that a breach of any obligation of the LLP to provide notices, reports or other information to the FCA under the RCB Regulations and/or the RCB Sourcebook shall not, in itself, be considered materially prejudicial to the interests of the Covered Bondholders by the Bond Trustee, give notice (the "**LLP Acceleration Notice**") in writing to the Issuer and to the LLP, that: (x) each Covered Bond of each Series is, and each Covered Bond of each Series shall as against the Issuer (if not already due and repayable against it following an Issuer Event of Default), thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest; and (y) all amounts payable by the LLP under the Covered Bond Guarantee shall thereupon immediately become due and payable at the Guaranteed Amount corresponding to the Early Redemption Amount for each Covered Bond of each Series together with accrued interest, in each case as provided in the Trust Deed and thereafter the Security shall become enforceable if any of the following events (each an "**LLP Event of Default**") shall occur and be continuing:

(i) default is made by the LLP for a period of seven days or more in the payment of any Guaranteed Amounts when Due for Payment in respect of the Covered Bonds of any Series except in the case of the payments of a Guaranteed Amount when Due for Payment under Condition 6(a) where the LLP shall be required to make payments of Guaranteed Amounts which are Due for Payment on the dates specified therein; or

(ii) if default is made by the LLP in the performance or observance of any obligation, condition or provision binding on it (other than any obligation for the payment of Guaranteed Amounts in respect of the Covered Bonds of any Series) under the Trust Deed, the Deed of Charge or any other Transaction Document to which the LLP is a party and, except where such default is or the effects of such default are, in the opinion of the Bond Trustee, not capable of remedy when no such continuation and notice as is hereinafter mentioned will be required, such default continues for 30 days after written

notice thereof has been given by the Bond Trustee to the LLP requiring the same to be remedied; or

(iii) an order is made or an effective resolution passed for the liquidation or winding-up of the LLP; or

(iv) if the LLP ceases or threatens to cease to carry on its business or substantially the whole of its business; or

(v) the LLP shall stop payment or shall be unable, or shall admit inability, to pay its debts generally as they fall due or shall be adjudicated or found bankrupt or insolvent; or

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

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

(viii) the Covered Bond Guarantee is not, or is claimed by the LLP not to be, in full force and effect.

Following the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice on the LLP each of the Bond Trustee and the Security Trustee may or shall take such proceedings or steps in accordance with the first and third paragraphs, respectively, of Condition 9(c) and the Covered Bondholders shall have a claim against the LLP, under the Covered Bond Guarantee, for an amount equal to the Early Redemption Amount together with accrued interest and any other amount due under the Covered Bonds (other than additional amounts payable under Condition 7) as provided in the Trust Deed in respect of each Covered Bond.

(c) ***Enforcement***

Save in relation to the Covered Bond Guarantee, the Bond Trustee may at any time, at its discretion and without notice, take such proceedings and/or other steps as it may think fit against, or in relation to the Issuer and the Guarantor to enforce the provisions of the Conditions or any other Transaction Document.

The Bond Trustee may at any time, after the service of a Notice to Pay (following the occurrence of an Issuer Event of Default and the service of an Issuer Acceleration Notice) or, if earlier, following the occurrence of an LLP Event of Default and the service of an LLP Acceleration Notice, at its discretion and without further notice, take such proceedings as it

may think fit against or in relation to the Guarantor to enforce the provisions of the Covered Bond Guarantee.

The Bond Trustee shall not be bound to take any such enforcement proceedings, steps or actions in relation to the Trust Deed, the Covered Bonds, the Coupons or any other Transaction Document as referred to above or give any notice pursuant to Condition 9(a) or 9(b) unless: (i) directed to do so by an Extraordinary Resolution (with the Covered Bonds of all Series taken together as a single Series as provided in Clause 2.7 of the Trust Deed and, if applicable, converted into Sterling at the Relevant Covered Bond Swap Rate); or (ii) requested to do so in writing by the holders of not less than 25 per cent. of the Principal Amount Outstanding of the Covered Bonds then outstanding (with the Covered Bonds of all Series taken together as a single Series as aforesaid and converted into Sterling in accordance with Condition 9(a)) and in either case then only if it shall be indemnified and/or secured and/or prefunded to its satisfaction.

Subject as provided above, the Bond Trustee shall not be bound to take any other action or step under the Conditions or any other Transaction Document unless: (i) directed to do so by an Extraordinary Resolution of the Covered Bondholders of the relevant one or more Series (with the Covered Bonds of each such Series (if more than one) taken together as a single Series); or (ii) requested to do so in writing by the holders of not less than 25 per cent. of the Principal Amount Outstanding of the Covered Bonds of the relevant one or more Series (with the Covered Bonds of each Series (if more than one) taken together as a single Series and converted into Sterling in accordance with Condition 9(a)) and in either case then only if it shall be indemnified and/or secured and/or prefunded to its satisfaction.

In exercising any of its powers, trusts, authorities and discretions the Bond Trustee shall only have regard to the interests of the Covered Bondholders of all Series as a class and shall not have regard to the interests of any other Secured Creditors.

Only the Bond Trustee may enforce the provisions of the Conditions. No Covered Bondholder or Couponholder or other Secured Creditor shall be entitled to proceed directly or take any other steps, including by exercising any right of set-off, against the Issuer or the Guarantor to enforce the performance of any of the provisions of the Conditions or to directly enforce the provisions of the Deed of Charge or any other Transaction Document unless the Bond Trustee or the Security Trustee (pursuant to the Deed of Charge) having become bound as aforesaid to take proceedings fails to do so within a reasonable time and such failure is continuing, in which case each of such Covered Bondholder or Couponholder shall be entitled to take any such steps and proceedings as it shall deem necessary other than the presentation of a petition for the winding-up of, or for an administration order in respect of, the Issuer or the Guarantor.

10. Replacement of Covered Bonds, Coupons and Talons

Should any Covered Bond, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent in London (in the case of Bearer Covered Bonds or Coupons) or the Registrar (in the case of Registered Covered Bonds), or any other place approved by the Bond Trustee of which notice shall have been published in accordance with Condition 13 upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Covered Bonds, Coupons or Talons must be surrendered before replacements will be issued.

11. Principal Paying Agent, Paying Agents, Registrar, Transfer Agent and Exchange Agent

The names of the initial Principal Paying Agent, the other initial Paying Agents, the initial Registrar, the initial Transfer Agent, the initial Exchange Agent and their initial specified offices are set out below.

In the event of the appointed office of any such bank being unable or unwilling to continue to act as the Principal Paying Agent, or failing duly to determine the Rate of Interest, if applicable, or to calculate the Interest Amounts for any Interest Period, the Issuer shall appoint the London office of such other bank as may be approved by the Bond Trustee to act as such in its place. The Principal Paying Agent may not resign its duties or be removed from office without a successor having been appointed as aforesaid.

The Issuer is entitled, with the prior written approval of the Bond Trustee, to vary or terminate the appointment of any Paying Agent or the Registrar and/or appoint additional or other Paying Agents or the Registrar and/or approve any change in the specified office through which any Paying Agent or the Registrar acts, provided that:

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

(b) the Issuer will, so long as any of the Covered Bonds is outstanding, maintain a Paying Agent (which may be the Principal Paying Agent) having a specified office in a city in the UK;

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

(d) so long as any of the Registered Global Covered Bonds payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5(e). Notice of any such variation, termination, appointment or change will be given by the Issuer to the Covered Bondholders as soon as reasonably practicable in accordance with Condition 13.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the LLP and, in certain circumstances specified therein, of the Bond Trustee and do not assume any obligation to, or relationship of agency or trust with, any Covered Bondholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

12. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and

including) the final date for the payment of interest due in respect of the Bearer Covered Bond to which it appertains) a further Talon, subject to the provisions of Condition 8.

13. Notices

All notices regarding the Bearer Covered Bonds will be valid if published in the Financial Times or any other daily newspaper in London approved by the Bond Trustee or, if this is not possible, in one other English language daily newspaper approved by the Bond Trustee with general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the Bearer Covered Bonds are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers or where published in such newspapers on different dates, the last date of such first publication.

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

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

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

The Trust Deed contains provisions for convening meetings (including by way of conference call, which extends to the use of a videoconference platform) of the Covered Bondholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Conditions or the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the LLP or the Bond Trustee at their discretion or shall be convened by the Bond Trustee (subject to its being indemnified and/or secured and/or pre-funded to its satisfaction) at the request in writing of Covered Bondholders holding not less than 25 per cent. in Principal Amount Outstanding of the Covered Bonds for the time being remaining outstanding. The quorum at any such meeting in respect of any Covered Bonds of any Series for passing an Extraordinary Resolution is one or more persons holding or representing not less than a clear majority of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any adjourned meeting one or more persons being or representing the Covered Bondholders whatever the nominal amount of the Covered

Bonds of such Series so held or represented, except that at any meeting the business of which includes the modification of any Series Reserved Matter, the quorum shall be one or more persons holding or representing not less than two-thirds of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Covered Bondholders of a Series shall, subject as provided below, be binding on all the Covered Bondholders of such Series, whether or not they are present at the meeting, and on all Couponholders in respect of such Series of Covered Bonds.

Pursuant to the Trust Deed, the Bond Trustee may convene a single meeting of the holders of Covered Bonds of more than one Series if in the opinion of the Bond Trustee there is no conflict between such Covered Bondholders, in which event the provisions of this paragraph shall apply thereto *mutatis mutandis* and as if references to the Principal Amount Outstanding of a single Series of Covered Bonds is to the aggregate Principal Amount Outstanding of all the relevant Series of Covered Bonds.

Notwithstanding the provisions of the immediately preceding paragraph, any Extraordinary Resolution to direct the Bond Trustee to accelerate the Covered Bonds or take any enforcement action pursuant to Condition 9(c) or to direct the Bond Trustee to direct the Security Trustee to take any enforcement action (each a "**Programme Resolution**") shall only be capable of being passed at a single meeting of the Covered Bondholders of all Series then outstanding. Any such meeting to consider a Programme Resolution may be convened by the Bond Trustee (subject to its being indemnified and/or secured and/or pre-funded to its satisfaction) or the LLP and shall be convened by the Issuer at the request in writing of Covered Bondholders holding not less than 25 per cent. in Principal Amount Outstanding of the Covered Bonds for the time being remaining outstanding. The quorum at any such meeting for passing a Programme Resolution is one or more persons holding or representing at least a clear majority of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series for the time being outstanding or at any adjourned such meeting one or more persons holding or representing Covered Bonds whatever the nominal amount of the Covered Bonds of any Series so held or represented. A Programme Resolution passed at any meeting of the Covered Bondholders of all Series shall be binding on all the Covered Bondholders of all Series, whether or not they are present at the meeting, and on all related Couponholders in respect of such Series of Covered Bonds.

In connection with any meeting of the holders of Covered Bonds of more than one Series where such Covered Bonds are not denominated in Sterling, the nominal amount of the Covered Bonds of any Series not denominated in Sterling shall be converted into Sterling at the relevant Covered Bond Swap Rate.

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

(a) concur with the Issuer and the LLP and any other person; and

(b) direct the Security Trustee to concur with the Issuer and the LLP and any other person,

in making any modification:

(i) to the trusts presents, to the Covered Bonds of one or more Series, the related Coupons and/or any Transaction Document provided that in the sole opinion of the Bond Trustee such modification is not materially prejudicial to the interests of any of the Covered Bondholders of any Series; or

(ii) to the trusts presents, to the Covered Bonds of one or more Series, the related Coupons and/or any Transaction Document which in each case is in the sole opinion of the Bond Trustee of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law.

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

(i) any modifications of the terms and conditions applying to Covered Bonds of any one or more Series (including these Terms and Conditions) and/or Coupons or any Transaction Document as requested by the Issuer and/or the LLP in order to enable the Issuer and/or the LLP to comply with any requirements which apply to it under EU EMIR and/or UK EMIR in accordance with the terms of the Trust Deed, subject to receipt by the Bond Trustee and the Security Trustee of a certificate of two Directors or Authorised Signatories of the Issuer or the LLP certifying to the Bond Trustee and the Security Trustee that the requested amendments are to be made solely for the purpose of enabling the Issuer or the LLP to satisfy the relevant requirements of EU EMIR and/or UK EMIR and have been drafted solely, to such effect; or

(ii) any modification for the purpose of allowing the Issuer to maintain compliance with the RCB Regulations in respect of the Programme and the Covered Bonds provided that two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and to the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or

(iii) the partial termination of any Covered Bond Swap following the redemption in part or cancellation in part of the related Series of Covered Bonds (for the avoidance of doubt, if there is more than one Covered Bond Swap in place in relation to such Series of Covered Bonds, each such Covered Bond Swap may be partially terminated in any amount as determined by the LLP) provided that two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and the Security Trustee that following such partial termination (or partial terminations, as the case may be) the LLP remains adequately hedged in relation to such Series of Covered Bonds and provided further that two Directors or Authorised Signatories of the Issuer and the LLP have certified to the Bond Trustee and the Security Trustee that such partial termination (or partial terminations, as the case may be) will not result in: (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Series of Covered Bonds by any Rating Agency; or (y) any Rating Agency placing any Covered Bonds on rating watch negative (or equivalent); or

(iv) any modifications to an Interest Rate Swap Agreement or a Covered Bond Swap Agreement requested by the LLP or the relevant Interest Rate Swap Provider or Covered Bond Swap Provider, as applicable, for the sole purpose of complying with, or implementing or reflecting updated criteria of one or more Rating Agencies which

may be published after the Programme Date (the "**New Rating Criteria**"), provided: (x) that any conditions precedent to making of such amendments as set out in the relevant Interest Rate Swap Agreement or Covered Bond Swap Agreement have been satisfied immediately prior to the date on which it is proposed that the amendments are effected; and (y) two Directors or Authorised Signatories of the Issuer and the LLP certify in writing to the Bond Trustee and the Security Trustee that such modification is necessary to comply with or to reflect and/or implement the New Rating Criteria. For the avoidance of doubt, such modifications may include, without limitation, modifications which would allow any Interest Rate Swap Provider or Covered Bond Swap Provider not to post collateral in circumstances where it previously would have been obliged to do so, subject to satisfaction of the foregoing conditions; or

(v) any modifications to the Transaction Documents and/or the Conditions (other than those referred to in this Condition 14) that are requested by the Issuer and the LLP to comply with, implement or reflect any New Rating Criteria which may be published after the Programme Date and which two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and the Security Trustee in writing that such modification is necessary to comply with or to reflect and/or implement such New Rating Criteria and are required to avoid a downgrade, withdrawal or suspension of the then current ratings assigned by the relevant Rating Agency to any Series of Covered Bonds and the relevant modifications have been drafted solely to such effect; or

(vi) any modification for the purpose of allowing one or more additional rating agencies to be appointed in respect to one or all Series of Covered Bonds provided that two Directors or Authorised Signatories of the Issuer and the LLP certify in writing to the Bond Trustee and the Security Trustee that: (1) the additions do not dilute any of the current rating criteria published by any existing Rating Agency; (2) any existing Rating Agency has been informed of the proposed modification and the Rating Agency has not indicated that such modification would result in: (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Series of Covered Bonds by such Rating Agency; or (y) such Rating Agency placing any Covered Bonds on rating watch negative (or equivalent); and (3) that the Issuer pays all costs and expenses (including legal fees) incurred by the Issuer, the LLP and the Bond Trustee and the Security Trustee in connection with such modification; or

(vii) the termination of the appointment of any Rating Agency in respect of the Programme and any Covered Bonds then outstanding provided that there shall be at all times at least one rating agency established in the European Union or the United Kingdom and, in either case, registered under the EU CRA Regulation or the UK CRA Regulation, as applicable, providing a rating in respect of the Programme and any Covered Bonds then outstanding; or

(viii) any modification for the purpose of enabling the Covered Bonds to be (or to remain) listed on the London Stock Exchange, provided that two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or

(ix) any modification for the purpose of enabling the Issuer or any of the other transaction parties to comply with FATCA (or any voluntary agreement entered into with a taxing authority in relation thereto), provided that two Directors or Authorised Signatories of the Issuer and the LLP or the relevant transaction party, as applicable, certify to the

Bond Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or

(x) any modification for the purpose of allowing any additional Account Banks to be appointed and/or additional LLP Accounts to be opened provided that: (x) in respect of any additional Transaction Accounts, such additional Account Bank has the Account Bank Ratings; and (y) two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or

(xi) the termination of the appointment of an Account Bank provided that at all times there is at least one Account Bank appointed that has the Account Bank Ratings; or

(xii) any modification for the purpose of appointing a replacement counterparty in respect of any of the Transaction Documents, provided that two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect and any Rating Agency has been informed of the proposed modification and such Rating Agency has not indicated that such modification would result in: (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); or

(xiii) any modification for the purpose of allowing any Back-Up Servicer or Back-Up Cash Manager to be appointed, provided that two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or

(xiv) the accession of any New Seller to the Programme provided that two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and the Security Trustee in writing that the relevant conditions precedent in the Transaction Documents are satisfied at the time of the intended accession; or

(xv) any modification (other than in respect of a Series Reserved Matter, provided that a Base Rate Modification (as defined below) will not constitute a Series Reserved Matter) to the Conditions and/or any Transaction Document (including, for the avoidance of doubt but without limitation, the Covered Bond Swap in relation to the relevant Series of Covered Bonds and subject to the consent only of the Secured Creditors: (x) party to the relevant Transaction Document being amended; or (y) 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 another benchmark rate (each, a "**Reference Rate**") to an alternative base rate (any such rate, an "**Alternative Base Rate**") and make such other amendments as are necessary or advisable in the reasonable judgment of the Issuer to facilitate such change (a "**Base Rate Modification**"), provided that:

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

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

(1) a material disruption to the relevant Reference Rate, an adverse change in the methodology of calculating the relevant Reference Rate or the relevant Reference Rate ceasing to exist or be published; or

(2) a public statement by the administrator of the relevant Reference Rate that it will cease publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator for the Reference Rate has been appointed that will continue publication of the relevant Reference Rate) and such cessation is reasonably expected by the Issuer to occur prior to the Final Maturity Date or the Extended Due for Payment Date, as applicable; or

(3) a public statement by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will be permanently or indefinitely discontinued or will be changed in an adverse manner and such cessation is reasonably expected by the Issuer to occur prior to the Final Maturity Date or the Extended Due for Payment Date, as applicable; or

(4) a public statement by the supervisor of the administrator of the relevant Reference Rate that means such Reference Rate may no longer be used or that its use is subject to restrictions or adverse consequences; or

(5) the reasonable expectation of the Issuer that any of the events specified in paragraphs (1), (2), (3) or (4) will occur or exist within six months of the proposed effective date of such Base Rate Modification,

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

(II) such Alternative Base Rate is:

(1) a base rate published, endorsed, approved or recognised by the Bank of England, any regulator in the United States, the United Kingdom or the European Union or any stock exchange on which the Covered Bonds are listed or any relevant committee (or other body established, sponsored or approved by any of the foregoing); or

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

(3) a base rate utilised in a publicly listed new issue of floating rate covered bonds where the issuer (or in the case of asset

backed securities the originator of the relevant assets) is the Issuer or an Affiliate of the Issuer;

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

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

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

(I) the Issuer obtains from such Rating Agency written confirmation that such Base Rate Modification would not result in: (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the relevant Covered Bonds of any Series by such Rating Agency; or (y) such Rating Agency placing the Covered Bonds of any Series on rating watch negative (or equivalent) and delivers a copy of each such confirmation to the Bond Trustee; or

(II) the Issuer certifies in writing to the Bond Trustee that it has notified such Rating Agency of the Base Rate Modification and, in its opinion, formed on the basis of due consideration and consultation with such Rating Agency (including, as applicable, upon receipt of oral confirmation from an appropriately authorised person at such Rating Agency), such Base Rate Modification would not result in: (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the Covered Bonds of any Series by such Rating Agency; or (y) such Rating Agency placing the Covered Bonds of any Series on rating watch negative (or equivalent);

(E) the Issuer pays (or arranges for the payment of) all documented fees, costs and expenses (including legal fees) properly incurred by the Bond Trustee and the Security Trustee in connection with such Base Rate Modification;

(F) the Issuer has provided at least 30 days' notice to the Covered Bondholders of the relevant Series of Covered Bonds of the Base Rate Modification in accordance with Condition 13 and by publication on Bloomberg on the "Company News" screen relating to the Covered Bonds (in each case specifying the date and time by which Covered Bondholders must respond), and Covered Bondholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds then outstanding have not contacted the Issuer or the Principal Paying Agent in accordance with the then current practice of any applicable Clearing System through which such Covered Bonds may be held by the time specified in such notice that such Covered Bondholders do not consent to the Base Rate Modification.

If Covered Bondholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds then outstanding have notified the Issuer or the Principal Paying Agent in accordance with the then current practice of any applicable Clearing System through which the Covered Bonds may be held by the time specified in such

notice that such Covered Bondholders do not consent to the Base Rate Modification, then the Base Rate Modification will not be made unless an Extraordinary Resolution of the Covered Bondholders of the relevant Series then outstanding is passed in favour of the Base Rate Modification in accordance with this Condition 14.

Objections made other than through the applicable Clearing System must be in writing and accompanied by evidence to the Bond Trustee's satisfaction (having regard to prevailing market practices) of the relevant Covered Bondholder's holding of the relevant Series of Covered Bonds.

(xvi) When implementing any modification pursuant to paragraph (xv) above:

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

(B) neither the Bond Trustee nor the Security Trustee shall be obliged to agree to any modification which, in the sole opinion of the Bond Trustee and/or the Security Trustee would have the effect of: (x) 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 (y) increasing the obligations or duties, or decreasing the rights, powers, authorisations, discretions, indemnification or protections, of the Bond Trustee and/or the Security Trustee in the Transaction Documents and/or these Conditions,

provided that, in implementing any other modification than that which is contemplated by the provisions of paragraph (xv) above: (1) the Bond Trustee and the Security Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Bond Trustee and/or the Security Trustee, as applicable, would have the effect of: (a) exposing the Bond Trustee and/or the Security Trustee, as applicable, to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction; or (b) increasing the obligations or duties, or decreasing the rights or protections, of the Bond Trustee and/or the Security Trustee, as applicable, in the Transaction Documents and/or the Conditions; (2) at least 14 days' prior written notice of any such proposed modification has been given to the Bond Trustee and the Security Trustee; and (3) the consent of each Secured Creditor (other than the Bond Trustee, the Security Trustee and the Covered Bondholders) which is a party to the relevant Transaction Documents has been obtained.

Such modifications: (1) shall be binding on the Covered Bondholders and/or the related Couponholders; and (2) shall be notified by the Issuer or the Guarantor (as the case may be) to the Covered Bondholders in accordance with Condition 13 and other Secured Creditors in accordance with this Condition 14 as soon as practicable thereafter.

The Security Trustee shall, from time to time and at any time without any consent or sanction of the Secured Creditors (other than any Secured Creditor who is a party to the relevant document), concur with any person in making or sanctioning any modification to the Covered Bonds of any one or more Series and/or Coupons or any of the Transaction Documents only if so directed by the Instructing Party.

The Bond Trustee may (other than in respect of a Series Reserved Matter), without the consent of the Covered Bondholders of any Series and/or the related Couponholders, and without prejudice to its rights in respect of any subsequent breach, Issuer Event of Default, Potential Issuer Event of Default, LLP Event of Default or Potential LLP Event of Default from time to time and at any time but only if in so far as in its opinion the interests of the Covered Bondholders of any Series shall not be materially prejudiced thereby:

(a) waive or authorise of any breach or proposed breach by the Issuer or the Guarantor of any of the provisions of the Covered Bonds of any Series or the waiver or authorise any breach or proposed breach of any of the covenants or provisions of any of the Transaction Documents to which it is a party, or determine that any Issuer Event of Default, Potential Issuer Event of Default, LLP Event of Default or Potential LLP Event of Default shall not be treated as such; and

(b) direct the Security Trustee to waive or authorise of any breach or proposed breach by the Issuer or the Guarantor of any of the provisions of the Covered Bonds of any Series, or the waiver or authorise any breach or proposed breach of any of the covenants or provisions of any of the Transaction Documents to which it is a party, or determine that any Issuer Event of Default, Potential Issuer Event of Default, LLP Event of Default or Potential LLP Event of Default shall not be treated as such.

In respect of any proposed modification, waiver, authorisation or determination, prior to the Bond Trustee and/or the Security Trustee agreeing to any such modification, waiver, authorisation or determination pursuant to this Condition 14, any two Directors or Authorised Signatories of the Issuer must send written confirmation to the Bond Trustee that such modification, waiver, authorisation or determination, as applicable, would not result in a breach of the RCB Regulations or the RCB Sourcebook or result in the Issuer, the Programme and/or any Covered Bonds issued under the Programme ceasing to be registered under the RCB Regulations and that either:

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

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

Any such modification, waiver, authorisation or determination may be made on such terms and subject to such conditions (if any) as the Bond Trustee may determine including, but not limited to, the Bond Trustee being indemnified and/or secured and/or pre-funded to its satisfaction, and shall be binding on all the Covered Bondholders of all Series of Covered Bonds for the time being outstanding, the related Couponholders and the other Secured Creditors, and unless the Security Trustee and the Bond Trustee otherwise agree, any such modification shall be notified by the Issuer to the Covered Bondholders of all Series of Covered Bonds for the time being outstanding and the other Secured Creditors in accordance with Condition 13 and other Secured Creditors in accordance with this Condition 14 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Bond Trustee shall have regard to the general interests of the Covered Bondholders of each Series as a class (but shall not have regard to any interests arising from circumstances particular to individual Covered Bondholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Covered Bondholders, the related Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Bond Trustee shall not be entitled to require, nor shall any Covered Bondholder or Couponholder be entitled to claim, from the Issuer, the LLP, the Bond Trustee, the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Covered Bondholder and/or Couponholders, except to the extent already provided for in Condition 7 and/or in any undertaking or covenant given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

Substitution

(a) Subject as provided in the Trust Deed, the Bond Trustee will agree without the consent of the Covered Bondholders or Couponholders to the substitution of any Successor in Business of the Issuer or of a Subsidiary of the Issuer or any such Successor in Business thereof in place of the Issuer as principal debtor under the Covered Bonds and the Trust Deed, provided (in case of the substitution of any company which is a Subsidiary of the Issuer or such Successor in Business) that the obligations of such Subsidiary in respect of the Covered Bonds and the Trust Deed in respect thereof shall be guaranteed by the Issuer or such Successor in Business in such form as the Bond Trustee may require.

(b) The Issuer has covenanted with the Bond Trustee in the Trust Deed that it will not transfer its business to a successor in accordance with Section 97 of the Building Societies Act unless either: (1) the Bond Trustee is satisfied that the successor will be or (as the case may be) will remain an authorised person under the FSMA (or any statutory modification or re-enactment thereof) and the Rating Condition is satisfied in respect of such transfer; or (2) such transfer is approved by the Bond Trustee or by an Extraordinary Resolution of the Covered Bondholders.

(c) If the Issuer shall amalgamate with one or more other building societies pursuant to Section 93 of the Building Societies Act or transfer all of its engagements to another building society pursuant to Section 94 of the Building Societies Act or transfer the whole of its business to a successor in accordance with Sections 97 to 102 of the Building Societies Act or transfer the whole of its business to a subsidiary of a mutual society pursuant to any order made in the future by HM Treasury under Section 3 of the Funding and Mutual Societies Transfers Act, the successor will, pursuant to such provisions and provided that the Issuer has obtained a Rating Agency Confirmation is satisfied in respect of such amalgamation or transfer, automatically be substituted in place of the Issuer as principal debtor under the Trust Deed without any prior approval thereof being required from the Covered Bondholders, the Couponholders or the Bond Trustee (but without prejudice to the provisions of paragraphs (a) and (b) above).

(d) Any substitution pursuant to this Condition 14 shall be binding on the Covered Bondholders and the Couponholders and shall be notified to the Covered Bondholders as soon as practicable thereafter in accordance with Condition 13.

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

(i) the Covered Bond Guarantee shall remain in place or be modified to apply mutatis mutandis and continue in full force and effect in relation to any Successor in Business or any Subsidiary of the Issuer or any other successor entity which is proposed to be substituted for the Issuer as principal debtor under the Covered Bonds and the Trust Deed; and

(ii) any successor to the Issuer, including any Successor in Business or any Subsidiary of the Issuer or of such Successor in Business, is included in the register of issuers pursuant to the RCB Regulations and that all other provisions of the RCB Regulations (including Regulation 20 of the RCB Regulations) are satisfied prior to the substitution of the Issuer.

For the purposes of this Condition 14:

"**Potential Issuer Event of Default**" means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute an Issuer Event of Default;

"**Potential LLP Event of Default**" means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute an LLP Event of Default;

"**Successor in Business**" means:

(a) any building society (not being a building society which is established by the amalgamation of the Society under and in accordance with the terms of Section 93 of the Building Societies Act) which is validly and effectually, in accordance with all enactments, orders and regulations in force from time to time, registered as a successor society to the Issuer and to another building society or other building societies in order to effect the amalgamation of the Issuer with such other society or societies; or

(b) any building society (not being a building society which undertakes under and in accordance with the terms of Section 94 of the Building Societies Act to fulfil the engagements of the Issuer) which validly and effectually, in accordance with all enactments, orders and regulations in force from time to time, undertakes to fulfil the obligations of the Issuer as part of a transfer of engagements by the Issuer to such building society; or

(c) a company or other entity (not being a successor within the meaning of Section 97 of the Building Societies Act or a subsidiary of a mutual society to which the Issuer has transferred the whole of its business pursuant to any order made in the future by HM Treasury under Section 3 of the Funding and Mutual Societies Transfers Act) to which the Issuer validly and effectually, in accordance with all enactments, orders and regulations in force for the time being and from time to time, as part of a transfer of the whole or substantially the whole of its business, undertaking or assets, transfers the whole or substantially the whole of its business, undertaking or assets for the purpose of such other company or entity assuming and conducting the business of the Issuer in its place and which company or other entity undertakes to fulfil the obligations of the Issuer under these presents; or

(d) any other entity (not being a successor within the meaning of Section 93 of the Building Societies Act, a society to which the engagements of the Issuer are transferred under Section 94 of the Building Societies Act or a successor within the meaning of Section 97 of the Building Societies Act or a subsidiary of a mutual society to which the Issuer has transferred the whole of its business pursuant to any order made in the future by HM Treasury under Section 3 of the Funding and Mutual Societies Transfers Act) which in acquiring in any other manner all or a substantial part of the undertaking, property and/or assets of the Issuer or in carrying on as a successor to the Society the whole or a substantial part of the business carried on by the Issuer prior thereto undertakes to fulfil the obligations of the Issuer under these presents,

where, in each of the cases in paragraphs (a) to (d) above the terms of the proposed transaction have been previously approved by the Bond Trustee or by an Extraordinary Resolution of the Covered Bondholders; and

"**Series Reserved Matter**" in relation to Covered Bonds (other than a Base Rate Modification pursuant to this Condition 14) of a Series means: (i) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds; (ii) alteration of the currency in which payments under the Covered Bonds and Coupons are to be made; (iii) alteration of the majority required to pass an Extraordinary Resolution; (iv) any amendment to the Covered Bond Guarantee or the Deed of Charge (except in a manner determined by the Bond Trustee not to be materially prejudicial to the interests the Covered Bondholders of any Series); (v) except in accordance with this Condition 14, the sanctioning of any such scheme or proposal for the exchange or sale of the Covered Bonds for or the conversion of the Covered Bonds into, or the cancellation of the Covered Bonds in consideration of, shares, stock, Covered Bonds, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, bonds, Covered Bonds, debentures, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash and for the appointment of some person with power on behalf of the Covered Bondholders to execute an instrument of transfer of the Registered Covered Bonds held by them in favour of the persons with or to whom the Covered Bonds are to be exchanged or sold respectively; and (vi) alteration of the proviso to paragraph 5 or paragraph 6 of Schedule 4 to the Trust Deed.

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

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

The Trust Deed and the Deed of Charge contain provisions for the indemnification of the Bond Trustee and the Security Trustee and for their relief from responsibility, including provisions relieving them from taking any action unless indemnified and/or secured to their satisfaction.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which each of the Bond Trustee and Security Trustee, respectively, is entitled, among other things: (i) to enter into business transactions with the Issuer, the LLP and/or any of their respective Subsidiaries and affiliates and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the LLP and/or any of their respective Subsidiaries and affiliates; (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Covered Bondholders or Couponholders or the other Secured Creditors; and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

Neither the Bond Trustee nor the Security Trustee will be responsible for any loss, damage, demand, cost, expense or liability, which may be suffered as a result of any Loans or Related Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Bond Trustee and/or the Security Trustee. Neither the Bond Trustee nor the Security Trustee will be responsible for: (i) supervising the performance by the Issuer or any other party to the Transaction Documents of their respective obligations under the Transaction Documents or under the Covered Bonds, Coupons or any other agreement or document relating to the Covered Bonds and the Bond Trustee, and the Security Trustee will be entitled to assume, until they each have written notice to the contrary, that all such persons are properly performing their duties; (ii) considering the basis on which approvals or consents are granted by the Issuer or any other party to the Transaction Documents under the Transaction Documents; (iii) monitoring the Portfolio, including, without limitation to, whether the Portfolio is in compliance with the Asset Coverage Test or the Amortisation Test; or (iv) monitoring whether Loans and Related Security satisfy the Eligibility Criteria. Neither the Bond Trustee nor the Security Trustee will be liable to any Covered Bondholder or other Secured Creditor for any failure to make or to cause to be made on their behalf the searches, investigations and enquiries which would normally be made by a prudent chargee in relation to the Security and have no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Transaction Documents.

16. Limited Recourse

The Covered Bondholders agree with the LLP and the Security Trustee that, notwithstanding any other provision of any Transaction Document, all obligations of the LLP to the Covered Bondholders in respect of the Secured Obligations owing to the Covered Bondholders are limited in recourse to the Charged Property and, upon the Security Trustee giving written notice to the Covered Bondholders that:

(a) it has determined in its sole opinion that there is no reasonable likelihood of there being any further realisations in respect of the Charged Property (whether arising from enforcement of the Security or otherwise) which would be available to pay amounts outstanding under the Transaction Documents; and

(b) all amounts available to be applied to pay amounts owing under the Transaction Documents have been so applied in accordance with the Transaction Documents,

the Covered Bondholders shall have no further claim against the LLP in respect of any amounts owing to them which remain unpaid and such unpaid amounts shall be deemed to be discharged in full.

17. Further Issues

The Issuer shall be at liberty from time to time (but subject always to the provisions of the Trust Deed) without the consent of the Covered Bondholder or the Couponholders to create and issue further Covered Bonds having terms and conditions the same as the Covered Bonds of any Series or the same in all respects save for the amount and the date of the first payment of interest thereon, issue date and/or purchase price and so that the same shall be consolidated and form a single Series with the outstanding Covered Bonds of such Series.

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

18. Non-Responsive Rating Agency

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

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

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

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

19. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of this Covered Bond under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. Governing Law

The Trust Deed, the Agency Agreement, the Corporate Services Agreement, the Covered Bonds, the Coupons and the other Transaction Documents and certain documents to be granted pursuant to the Deed of Charge and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law unless specifically stated to the contrary.

USE OF PROCEEDS

The gross proceeds from each issue of Covered Bonds will be used by the Issuer to make available Term Advances to the LLP pursuant to the terms of the Intercompany Loan Agreement, which in turn shall be used by the LLP (if not denominated in Sterling, after swapping the same into Sterling under the relevant Covered Bond Swap Agreement):

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

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

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

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

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

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

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

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

THE ISSUER

PRINCIPALITY BUILDING SOCIETY

Introduction

Principality Building Society (the "**Issuer**", "**Principality**" or the "**Society**") is the sixth largest building society, ranked by total assets, in the UK with total assets as at 30 June 2025 of £14.1 billion (31 December 2024: £14.1 billion) and a network of 53 branches and 15 agency offices.

The Society

Principality was incorporated in England and Wales for an unlimited duration under the Building Societies Act 1874 as the Principality Benefit Building Society on 11 March 1876 and adopted its present name in 1913. It operates under the Building Societies Act 1986 (as amended) (the "**Act**") and the Rules and Memorandum of the Society. The Society has permission under Part IV of FSMA to carry out all regulated activity as prescribed under the Act and is registered (registered number 155998) as an authorised building society with the Prudential Regulation Authority, and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA).

As a mutual organisation, both retail investors and borrowers have membership rights which include rights to vote at general meetings as prescribed by the Act and the Society's Rules and Memorandum. Members are eligible to vote as an investor or borrower or both, but are only entitled to one vote except where there are separate shareholding members' and borrowing members' resolutions.

The Society is the parent of the Group (defined below); with its registered office and customer support centre located at Principality House, The Friary, Cardiff CF10 3FA, and its telephone number is 0330 333 4000.

Subsidiaries

Details of the Society's investments in subsidiaries (together with the Society, the Group) can be found at Note 21 to the audited consolidated financial statements of the Issuer for the year ended 31 December 2024.

There is one trading subsidiary of the Issuer accounting for additional revenue obtained:

Nemo Personal Finance Limited, a specialist provider of secured residential mortgage loans (see further below).

Board of Directors

The affairs of the Society are conducted and managed by a Board of Directors (the "**Board**") who are elected by Principality members and serve in accordance with the Rules and Memorandum. The Board is responsible to the membership for the proper conduct of affairs of the Society.

The Directors of the Society as at the date of this Prospectus are set out below:

Simon Moore, BA (Hons), Chair, Non-Executive Director;

Jonathan Baum, MBS, MA, Senior Independent Director;

Debra Evans-Williams, Non-Executive Director;

Shimi Shah, BSc, MPhil, Independent Non-Executive Director

Karen Maguire, ACA, Non-Executive Director;

Maria Timon Samra, Non-Executive Director;

Garry Stran, Non-Executive Director; and

Iain Mansfield, LLB (Hons), FCA, Chief Executive Officer.

A list of each director's principal outside directorships as at 31 December 2024 can be found in the Corporate Governance Report provided in the Society's Annual Report & Accounts for the financial year ended 31 December 2024. These outside directorships cover all of the significant principal activities performed by the directors outside of the Principality.

There are no conflicts of interest between any duties of each of the directors under "*Board of Directors*" above to the Society and other duties or private interests of those persons.

The business address of each of the directors is Legal Department, Principality Building Society, Principality House, The Friary, Cardiff CF10 3FA.

Business general

As prescribed by the Act, the Society's core business is the making of mortgage advances to members secured on residential property, and is funded out of shares and deposits subscribed by members and supplemented by funds raised in the wholesale and debt capital markets.

The Society's core purpose is built on helping people to prosper in their own home. The Society's strategy is to continue to grow the prime residential mortgage book by utilising its strong broker network connections to gain a broad geographical distribution throughout the United Kingdom. Additionally, the Society's strategy is to increase commercial lending in line with its strategic purposes which is secured against residential property. Nemo Personal Finance Limited is now closed to new business.

This growth in funding will leverage the Society's strong branch and agency network in Wales and extend its strong franchise into the whole of the United Kingdom by offering a range of savings products online.

Mortgage lending activities

At 30 June 2025, the Society's total loans and advances to customers amounted to £11.8 billion (31 December 2024: £11.3 billion), substantially all of which were fully secured on residential property.

All underwriting decisions are made centrally in accordance with the Board approved lending policy statement drawn up in compliance with FCA regulations. Within agreed policy parameters (including credit scoring), care, prudence and control are exercised by experienced underwriting staff to ensure that the quality of lending is maintained.

20 properties were taken into possession by the Society during 2024 (2023: 11) and arrears of greater than three months represented 0.55 per cent. (2023: 0.56 per cent.) of all mortgage balances. At 30 June 2025, total impairment provisions against loans and advances were £31.2m (31 December 2024: £30.6m).

Mortgage lending activities – Nemo

Nemo Personal Finance Limited is a personal secured lending business operating in the broker and retail markets. The business ceased accepting new business in March 2016. Following a successful transition from lender to servicer, the business continues to focus on delivering good customer outcomes and robust cost management.

Its loan book continues to run off reducing to £42.7 million (31 December 2024: £49.2 million) as at 30 June 2025.

As at 31 December 2024, the percentage of secured personal loans currently in arrears of two months or more by number is 7.96% (31 December 2023: 8.35%), which by value is 11.81% (31 December 2023: 12.77%).

Mortgage lending activities – Commercial

The commercial lending book increased to £838.5m (31 December 2024: £793.2 m) as at 30 June 2025.

The loan book at 30 June 2025 was split across balances as follows:

As at 31 December 2024, there were 2 commercial cases (December 2023: nil) three months or more in arrears. Total arrears of one month or more are £4.8m (31 December 2023: £0.2m). At 30 June 2025, total impairment provisions held against commercial lending activities amounted to £9.5m (31 December 2024: £10.6m).

Capital requirements

The BCBS has approved a series of significant changes to the Basel regulatory capital and liquidity framework in January 2011, January 2014 and December 2017 (such changes referred to colloquially as Basel III in respect of reforms finalised prior to 7 December 2017 and Basel IV or "**Basel 3.1**" in respect of reforms finalised on or following that date), including additional capital requirements, higher capital ratios, more stringent eligibility requirements for capital instruments, a new leverage ratio and liquidity requirements.

The Basel III reform package agreed in 2010 has been implemented in the EEA through a regulation (the "**Capital Requirements Regulation**" or "**CRR**") and an associated directive (the "**Capital Requirements Directive**" or the "**CRD**", together "**CRD IV**") which were adopted by the Council of Ministers on 20 June 2013 and which were published in the Official Journal of the European Union of 27 June 2013. The CRR establishes a single set of harmonised prudential rules which apply directly to all credit institutions in the EEA, with the CRD containing less prescriptive provisions to be transposed into national law. The CRR gives express recognition for Common Equity Tier 1 ("**CET1**") capital instruments for mutual and co-operative entities and permits the use of a cap or restriction on the maximum level of distributions under those instruments to safeguard the interests of members and reserves. Full implementation began from 1 January 2014 (including in the UK), with particular elements being phased in over a period of time, to be fully effective by 2028.

A legislative package implementing a number of the later Basel III proposals was published in the Official Journal of the European Union on 7 June 2019, consisting of Regulation (EU) No 2019/876 (the "**Capital Requirements Regulation II**" or "**CRR II**"), Directive (EU) No 2019/878 (the "**Capital Requirements Directive V**" or "**CRD V**"), Directive (EU) No 2019/879 ("**BRRD II**") and Regulation (EU) No 2019/877 (the "**Single Resolution Mechanism Regulation II**" or "**SRMR II**") and came into force on 27 June 2019 (the "**Banking Reform Package**"), with certain provisions applying from 27 June 2019 and other provisions gradually being phased in and/or subject to national implementation. The Banking Reform Package includes the introduction into EU legislation of a net stable funding ratio, a binding leverage ratio requirement, provisions reflecting the Basel Committee's Fundamental Review

of the Trading Book, incorporating a revised treatment for the calculation of own funds requirements for market risk, the Standardised Approach to Counterparty Credit Risk, and other regulatory measures. Further clarity is also provided in respect of the Pillar 2 supervisory review process, in particular the conditions which can lead to additional capital requirements and the split between Pillar 2 requirements and Pillar 2 guidance.

In relation to the Basel III reforms which were finalised in December 2017 (i.e. Basel IV), the BCBS published a press release in March 2020 deferring the implementation deadline to January 2023 in light of the COVID-19 outbreak. Notwithstanding the 1 January 2023 implementation deadline, the European Commission published its legislative package implementing the outstanding Basel III reforms on 27 October 2021 (the "**Banking Package 2021**"), which indicates that the outstanding Basel III reforms are only to be implemented in the EU from 1 January 2025 (with a further five-year transitional period). The Banking Package 2021 will address, among other things, the manner in which risk-weighted assets ("**RWA**"), should be calculated as well as a number of other reforms finalised in 2017.

On 21 March 2022, the PRA announced its intended timeline for the implementation of the final Basel III standards (which the PRA refers to as 'Basel 3.1') in the UK, also to commence on 1 January 2025.

The implementation of the CRD IV framework introduced significant changes to the calculation of the Group's capital adequacy as well as the introduction of new metrics, for example the leverage ratio. The Group currently satisfies all of the current capital requirements under CRD IV (as amended).

The CRD IV framework, as applicable in the EU as at the end of the transition period relating to the UK's exit from the EU (31 December 2020), has broadly been reflected in the United Kingdom, with the CRR and related EU regulations (which had direct binding effect in the United Kingdom until expiration of the transition period) being retained as domestic UK law, with certain exceptions and adjustments, primarily through the EUWA and ancillary legislation ("**UK CRR**"). Most of the CRR II provisions only applied in the EU from 28 June 2021, which was after the Brexit transition period, and accordingly those CRR II provisions were not on-shored into UK law. To implement those remaining elements of CRR II relating to the Basel Standards in the UK, HM Treasury has revoked a number of on-shored UK CRR articles and the PRA published its Policy Statement 17/21, which was implemented in the UK on 1 January 2022.

Under the terms of the Withdrawal Agreement, the UK was required to transpose CRD V into national law, given that the application date (29 December 2020) fell before the Brexit transition period ended – this Directive, with some exceptions (including those aspects due to enter into force after 31 December 2020), now forms part of retained or onshored EU law in the UK. Equally, those provisions of the CRR II and BRRD II which applied before the end of the transition period also form part of retained EU law, with some exceptions.

Whilst the tools and powers addressed above align with those applicable to relevant financial institutions in the EEA under the BRRD, HM Treasury and the Bank of England have already elected to diverge from the EU prudential and resolution frameworks in certain respects. For example, the following provisions of BRRD do not apply in the UK:

(a) Article 1(6) of BRRD as amended by Directive (EU) No 2019/879 ("**BRRD II**"), which inserted a new Article 16a in BRRD to provide the resolution authority with the power to prohibit an entity from distributing more than the 'maximum distributable amount' relating to the minimum requirement for own funds and eligible liabilities ("**M-MDA**"), where the entity fails to meet the combined buffer requirement, subject to certain conditions;

(b) Article 1(20) of BRRD II, which introduced a new Article 48(7) of BRRD, making changes to priority of debts in insolvency;

(c) Article 1(21) of BRRD II, which updated Article 55 of BRRD on the contractual recognition of bail-in; and

(d) Article 1(30) of BRRD II, which amended the existing in-resolution moratorium power under Article 69 of BRRD.

Furthermore, the PRA has confirmed it intends to make further changes to the prudential regime, including changes to payment restrictions based on maximum distributable amount ("**MDA**") calculations in order to improve firms' ability to use their combined buffers as intended when subject to a severe but plausible stress. The proposed changes include: (i) removing the restriction which precludes firms from making distributions that would cause their CET1 levels to fall into the combined buffer; and (ii) amending the definition of the MDA to include certain profits already recognised as CET1 over the preceding four calendar quarters, net of distributions.

The Financial Services Act 2021 ("**FS Act 2021**") (which largely sought to shape the regulatory framework for UK financial services outside of the EU following Brexit) brought about a number of changes and/or introduced a broad range of measures which will affect firms across the financial sector. The FS Act 2021 enables the implementation of the outstanding Basel III and Basel IV standards by giving HM Treasury the power to repeal elements of UK CRR that need to be updated to reflect the latest Basel standards. Following repeal, many of the updates will be (and, in the case of the CRR II changes discussed above, have been) implemented through rules made by the PRA in the PRA Rulebook. This involves technical changes to the UK prudential framework as it relates to credit risk, market risk, counterparty credit risk, operational risk, large exposures, collective investment units, liquidity standards and reporting, among others.

On 26 September 2022, the PRA published policy statement 8/22, by which the UK Technical Standards for own funds requirements for institutions were transferred into PRA rules, with amendments to reflect revisions to the UK CRR and updates to PRA Supervisory Statement (SS) 7/13 "*Definition of capital (CRR firms)*" to clarify the PRA's expectations of UK CRR firms regarding capital issuances and reductions. The changes came into effect from 1 January 2023.

CRD IV requirements adopted in the UK may change, including as a result of policy developments to reflect regulatory technical standards developed by the EBA notwithstanding that they do not form part of UK law, as well as changes to the way in which the PRA continues to interpret and apply these requirements to UK banks (including as regards individual model approvals or otherwise) and implement the final Basel III standards.

Finance position and liability management

Capital base

As at 30 June 2025 the group had general reserves of £769.6m (December 2024: £753m). The Group's common equity tier 1 ratio is 18.9 per cent. as at 30 June 2025 (31 December 2024: 19.8 per cent.). This includes a post model adjustment (PMA) as a result of regulatory changes which came into effect on 1 January 2022. The model redevelopment is in an advanced stage with consultation ongoing with the PRA, and the PMA applied is based on the expected capital requirement following model completion. The reduction in the period is as a result of the growth in the retail mortgage portfolio and an increase in higher loan to value (LTV) lending, as the Society supports more first time buyers.

A further measure of capital strength is the PRA Leverage ratio, a measure of Tier 1 capital held against total (non-risk-weighted) assets, including certain off-balance sheet commitments. As at 30 June 2025, the Group's PRA Leverage ratio was 5.3 per cent. (31 December 2024: 5.5 per cent.).

Retail funding

Savings from the retail sector amounted to £11.3 billion (31 December 2024: £10.8 billion) as at 30 June 2025 and are the primary source of funding for the Society. Principality offers a range of investment products through e-savings, postal accounts and its branch and agency network.

Members' savings are, and will remain, the most important part of the Society's funding base. However, given the highly competitive nature of the mortgage market and the relative cost of wholesale funding sources, it is important that the Society maintains an appropriate balance between retail and wholesale funding.

Other borrowing

Wholesale funding is sourced from short-term money markets together with longer term notes issued under a Euro Medium Term Note (EMTN) Programme and Residential Mortgage Backed Securities (RMBS) Programmes. The utilisation of wholesale funding furthers the Group's strategic objective of maintaining a diverse and balanced funding base. In 2020-2021, the Issuer made use of measures made available by the Bank of England to financial institutions. This included £900.0 million raised under the TFSME scheme of which £600 million has been repaid with the final payment due in October 2025.

Total wholesale funding as at 30 June 2025 was £1,880.5m (31 December 2024: £2,447.9m).

Liquidity

The Group holds liquid assets to ensure it has sufficient access to funds to meet its financial obligations in both normal and stressed scenarios. The business continues to hold a conservative buffer of high quality liquid assets, with a liquidity ratio of 15.6% (31 December 2024: 18.9%) as at 30 June 2025, the reduction in the period a result of the TFSME liability repayment and liquid asset utilisation ahead of the Covered Bond issuance.

The Group's Liquidity Coverage Ratio ("**LCR**"), a measure of the Group's ability to withstand a short term liquidity stress. As a result of the above , the LCR has fallen to 168% per cent. as at 30 June 2025 (31 December 2024: 231 per cent.), although it remains well above the current regulatory minimum of 100% .

The Group's liquid assets as at 30 June 2025 and 31 December 2024 are set out in the table below:

	June 2025	**December 2024**
	£m	**£m**
Cash and balances with the Bank of England	1,050.6	1,668.8
Loans and advances to credit institutions	291.1	308.4
Debt securities	714.8	528.3
Total	**2,056.5**	**2,505.5**

Other Financial Information

The financial measures presented by the Issuer in this section are not defined in accordance with IFRS accounting standards. However, the Issuer believes that these measures provide useful supplementary information to both investors and the Issuer's management, as they facilitate the evaluation of the Issuer's performance. It is to be noted that, since not all companies calculate financial measurements in the same manner, these are not always comparable to measurements used by other companies (even if similarly labelled). Accordingly, these financial measures should not be seen as a substitute for measures defined according to IFRS. The list below presents alternative performance measures, along with their reconciliation to the extent that such information is not defined according to IFRS and not included in the Issuer's financial statements incorporated by reference into this Prospectus.

The table below provides information at the following dates; 30 June 2025, 31 December 2024 and 31 December 2023:

Financial measure	**30 June 2025** **%**	**31 December 2024** **%**	**31 December 2023** **%**	**Definition**	**Rationale for inclusion**
Net Interest Margin	1.17	1.22	1.52	This ratio calculates the net interest income as a percentage of mean total assets.	Measure of the interest margin being a key indicator of margin performance.
Liquidity Ratio	15.6	18.9	17.3	This ratio represents liquidity (comprising cash in hand, balances with the Bank of England, debt securities (including government investment securities (gilts)), loans to credit institutions and other liquid assets) expressed as a percentage of Share and Deposit Liabilities (SDLs).	Measure of readily available liquidity.
Profit After Tax as a percentage of mean assets	0.2	0.3	0.4	This ratio represents the net amount earned	Measure of the net amount earned after taxation.

				after all taxation-related expenses have been deducted as a percentage of mean total assets.	
Management Expense Ratio	0.84	0.94	0.99	This ratio represents management expenses as a percentage of mean total assets.	Measure of the efficiency of the business.

Net Interest Margin is derived as follows:

	30 June 2025 £m	**31 December 2024 £m**	**31 December 2023 £m**
Total Interest Receivable	356.8	724.4	574.1
Total Interest Payable	(275.2)	(562.4)	(392.8)
Net Interest Receivable as a percentage of mean assets	**81.6**	**162.0**	**181.3**
Assets b/f	14,109.2	12,526.6	11,257.3
Assets c/f	14,102.9	14,109.2	12,526.6
Mean assets	**14,106.1**	**13,317.9**	**11,892**
Net interest margin	**1.17%**	**1.22%**	**1.52%**

Liquidity Ratio is derived as follows:

	30 June 2025 £m	**31 December 2024 £m**	**31 December 2023 £m**
Cash in Hand and Balances with the Bank of England	1,050.6	1,668.8	1,374.9
Loans and Advances to Credit Institutions	291.1	308.4	329.4
Debt Securities	714.8	528.3	317.5
Total Liquid Assets	**2,056.5**	**2,505.5**	**2,021.8**
As a percentage of SDLs:			
Shares	11,340.9	10,798.8	9,084.6
Amounts Owed to Credit Institutions	391.6	744.8	1,129.4
Other Deposits	141.5	250.1	183.6
Debt Securities in Issue	1,347.4	1,453	1,262.1

Total SDLs	**13,221.4**	**13,246.7**	**11,659.7**
Liquidity ratio	**15.6%**	**18.9%**	**17.3%**

Profit After Tax as a percentage of mean assets is derived as follows:

	30 June 2025 £m	**31 December 2024 £m**	**31 December 2023 £m**
Profit after Tax	16.6	36.6	46.4
Mean assets	**14,106.1**	**13,317.9**	11,892.0
Return on Assets	**0.2%**	**0.3%**	**0.4%**

Management Expense Ratio is derived as follows:

	30 June 2025 **£m**	**31 December 2024** **£m**	**31 December 2023** **£m**
Management expenses	59.0	124.6	118.3*
Mean assets	**14,106.1**	**13,317.9**	11,892.0
Management expense ratio	**0.84%**	**0.94%**	**0.99%**

*less social funding

THE LLP

Introduction

The LLP was incorporated in England and Wales on 19 September 2024 as a limited liability partnership (partnership number OC453822) with limited liability under the LLPA 2000 with Principality and the Liquidation Member as its Members. The principal place of business of the LLP is at Principality House, The Friary, Cardiff, CF10 3FA. The LLP has no subsidiaries.

Principal Activities

The principal objects of the LLP are set out in the LLP Deed and include, among other things, the ability to carry on the business of acquiring the Loans and their Related Security pursuant to the terms of the Mortgage Sale Agreement with a view to profit and to do all such things as are incidental or conducive to the carrying on of that business and to borrow money.

The LLP has not engaged since its incorporation, and will not engage whilst the Covered Bonds or any Term Advance remains outstanding, in any material activities other than activities incidental to its incorporation under the LLPA 2000, activities contemplated under the Transaction Documents to which it is or will be a party, filing a notification under the Data Protection Act 2018 and other matters which are incidental or ancillary to the foregoing.

As at the date of this Prospectus, the LLP has yet to commence operations and has produced no financial information.

Members

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

Name	*Principal Office*
Principality Building Society	Principality House, The Friary, Cardiff, CF10 3FA
Liquidation Member	6th Floor, Duo Building, 280 Bishopsgate, London, EC2M 4RB

The LLP has no employees.

Directors of the Members

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

Name	*Business Address*	*Business Occupation*
MaplesFS UK Corporate Director No.1 Limited	6th Floor, Duo Building, 280 Bishopsgate, London, EC2M 4RB	Corporate Director
MaplesFS UK Corporate Director No.2 Limited	6th Floor, Duo Building, 280 Bishopsgate, London, EC2M 4RB	Corporate Director

Shohel Ali	6th Floor, Duo Building, 280 Bishopsgate, London, EC2M 4RB	Vice President

Directors of the corporate directors of the Liquidation Member (MaplesFS UK Corporate Director No.1 Limited and MaplesFS UK Corporate Director No.2 Limited):

Name	*Business Address*	*Business Occupation*
Scott William Somerville	6th Floor, Duo Building, 280 Bishopsgate, London, EC2M 4RB	CEO
Samuel Michael Howard Ellis	6th Floor, Duo Building, 280 Bishopsgate, London, EC2M 4RB	Head of Fiduciary Services (London)

The directors of Principality are set out under "*The Issuer – Board of Directors*" above.

LLP Management Committee

The LLP Management Committee acts on behalf of the LLP to which (other than any decision to approve the audited accounts of the LLP, to make a resolution for the voluntary winding-up of the LLP or to contribute to the losses of the LLP, which require a unanimous decision of the Members) the Members delegate all matters. Any decision by the LLP Management Committee relating to the admission of a New Member, any change in the LLP's business, any change to the LLP's name, and any amendment to the LLP Deed, will be made, whilst any Covered Bonds are outstanding, with the consent of the Security Trustee.

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

SUMMARY OF THE PRINCIPAL DOCUMENTS

Trust Deed

The Trust Deed is the principal agreement governing the Covered Bonds. The Trust Deed contains provisions relating to, among other things:

(a) the constitution of the Covered Bonds and the terms and conditions of the Covered Bonds (as more fully set out under Terms and Conditions of the Covered Bonds above);

(b) the covenants of the Issuer and the LLP;

(c) the terms of the Covered Bond Guarantee (as described below);

(d) the enforcement procedures relating to the Covered Bonds and the Covered Bond Guarantee; and

(e) the appointment, powers and responsibilities of the Bond Trustee and the circumstances in which the Bond Trustee may resign or retire or be removed.

Covered Bond Guarantee

Under the terms of the Covered Bond Guarantee, if the Issuer defaults in the payment on the due date of any monies due and payable under or pursuant to the Trust Deed or the Covered Bonds or any Coupons, or if any other Issuer Event of Default occurs (other than by reason of non-payment) or if an LLP Event of Default occurs, the LLP has agreed (subject as described below) to pay or procure to be paid (following service of an Issuer Acceleration Notice and Notice to Pay or, if applicable, an LLP Acceleration Notice) unconditionally and irrevocably to or to the order of the Bond Trustee (for the benefit of itself and the Covered Bondholders) an amount equal to that portion of the Guaranteed Amounts which shall become Due for Payment but would otherwise be unpaid, as of any Original Due for Payment Date or, if applicable, Extended Due for Payment Date, by the Issuer (or an amount which would have become Due for Payment but for any variation, discharge or release of the Guaranteed Amounts). Under the Covered Bond Guarantee, the Guaranteed Amounts will become due and payable on any earlier date on which an LLP Acceleration Notice is served.

Following the occurrence of an Issuer Event of Default and after the Covered Bonds have been declared due and payable by the Bond Trustee as against the Issuer, following service of an Issuer Acceleration Notice, the Bond Trustee will serve a Notice to Pay on the LLP. Payment by the LLP of the Guaranteed Amounts pursuant to the Covered Bond Guarantee will be made on the later of: (i) the day that is two Business Days following service of a Notice to Pay on the LLP; or (ii) the day on which the Guaranteed Amounts are otherwise Due for Payment.

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

Under the terms of the Covered Bond Guarantee, the LLP agrees that its obligations under the Covered Bond Guarantee shall be as principal debtor and not merely as surety and shall be absolute and unconditional, irrespective of, and unaffected by, any invalidity, irregularity, illegality or

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

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

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

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

The Trust Deed and any non-contractual obligations entered into in connection with it are governed by, and shall be construed in accordance with, English law.

Intercompany Loan Agreement

On each Issue Date, the Issuer will use the proceeds of the Covered Bonds issued under the Programme to lend on that date an amount equal to the Principal Amount Outstanding on the Issue Date of the issue of the related Covered Bonds to the LLP by way of a Term Advance pursuant to the Intercompany Loan Agreement. Each Term Advance will be made in the Specified Currency of the relevant Series or Tranche, as applicable, of the Covered Bonds, as set out in the applicable Final Terms, and will be swapped into Sterling pursuant to the relevant Covered Bond Swap Agreement.

The LLP will use the proceeds of the Term Advances received under the Intercompany Loan Agreement from time to time (if not denominated in Sterling, after swapping the same into Sterling under the relevant Covered Bond Swap Agreement):

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

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

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

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

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

(iii) (subject to satisfying the Asset Coverage Test) to make a Capital Distribution to a Member; and/or

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

(v) to make a deposit in a Transaction Account (including, without limitation, to fund the Reserve Fund in the Transaction Account to an amount not exceeding the Reserve Fund Required Amount).

Each Term Advance will bear interest at a rate of interest equal to the rate of interest payable on the corresponding Series or Tranche, as applicable, of Covered Bonds.

The Issuer will not be relying on repayment of any Term Advance in order to meet its repayment obligations under the Covered Bonds. The LLP will pay amounts due in respect of Term Advances(s) in accordance with the relevant Priorities of Payments. Prior to the service of an Asset Coverage Test Breach Notice (which has not been revoked) or a Notice to Pay on the LLP, amounts due in respect of each Term Advance will be paid by the LLP to, or as directed by, the Issuer on each Interest Payment Date, subject to paying all higher ranking amounts in the Pre-Acceleration Revenue Priority of Payments or, as applicable, the Pre-Acceleration Principal Priority of Payments. The Issuer may use the proceeds of the Term Advances to pay amounts due on the Covered Bonds. However, any failure by the LLP to pay any amounts due on the Term Advances will not affect the liability of the Issuer to pay the relevant amount due on the Covered Bonds. For so long as an Asset Coverage Test Breach Notice is outstanding and has not been revoked, the LLP may not borrow any new Term Advances (and the Issuer may not make any new Term Advances) under the Intercompany Loan Agreement.

The amounts owed by the LLP to the Issuer under the Term Advances will be reduced by: (i) any amounts paid by the LLP under the terms of the Covered Bond Guarantee to repay the Covered Bonds (the proceeds of which were originally applied to make such Term Advances); and (ii) the Principal Amount Outstanding of any Covered Bonds (the proceeds of which were originally applied to make such Term Advances) purchased by the LLP and cancelled in accordance with Condition 6(g).

The Intercompany Loan Agreement will be governed by English law.

Mortgage Sale Agreement

The Seller

Loans and their Related Security will be sold to the LLP from time to time pursuant to the terms of the Mortgage Sale Agreement between Principality (in its capacity as Seller), the LLP and the Security Trustee.

Sale by the Seller of Loans and Related Security

The Portfolio will consist of Loans and their Related Security sold from time to time by the Seller to the LLP in accordance with the terms of the Mortgage Sale Agreement. The types of Loans forming part of the Portfolio will vary over time provided that, at the time the relevant Loans are sold to the LLP, the Eligibility Criteria (as described below) in respect of such Loans are met on the relevant Transfer Date. Accordingly, the Portfolio may, at any time, include Loans with characteristics that were not being offered to Borrowers on previous Transfer Dates.

Prior to the occurrence of an Issuer Event of Default or an LLP Event of Default, the LLP will acquire Loans and their Related Security from the Seller in the three circumstances described below.

(a) First, in relation to the issue of Covered Bonds from time to time in accordance with the Programme, the Issuer will make Term Advances to the LLP, the proceeds of which may be

applied in whole or in part by the LLP to acquire Loans and their Related Security from the Seller. In exchange for the sale of the Loans and their Related Security to the LLP, the Seller will receive an amount equal to the Current Balance of those Loans sold by it as at the Transfer Date, which will be satisfied by a combination of:

(i) a cash payment to be made by the LLP from the proceeds of the relevant Term Advance and/or from Available Principal Receipts; and/or

(ii) the Seller being treated as having made a Capital Contribution in an amount equal to the difference between the Current Balance of the Loans sold by the Seller as at the last day of the Calculation Period immediately preceding the relevant Transfer Date and the cash payment (if any) made by the LLP; and

(iii) Deferred Consideration.

(b) *Second*, prior to service of an Asset Coverage Test Breach Notice on the LLP (which has not been revoked), the LLP will use the Available Principal Receipts to acquire New Loans and their Related Security from the Seller and/or Substitution Assets (in respect of any Substitution Assets, up to the prescribed limit) on each LLP Payment Date.

(c) *Third*, the LLP and the Seller are required to ensure that the Portfolio is maintained at all times in compliance with the Asset Coverage Test (as determined by the Cash Manager on each Calculation Date). If on any Calculation Date there is a breach of the Asset Coverage Test the Seller will use all reasonable endeavours to offer to sell sufficient New Loans and their Related Security to the LLP on or before the next Calculation Date in consideration of the Seller being treated as having made a Capital Contribution (in an amount equal to the Current Balance of the New Loans) sold by the Seller as at the relevant Transfer Date and in consideration of the right to receive the Deferred Consideration.

If Selected Loans and their Related Security are sold by or on behalf of the LLP as described below under "*LLP Deed – Sale of Selected Loans and their Related Security following the service of an Asset Coverage Test Breach* Notice *(which has not been revoked) or a Notice to Pay*", the obligations of the Seller insofar as they relate to those Selected Loans and their Related Security will cease to apply.

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

Eligibility Criteria

The sale of Loans and their Related Security to the LLP will be subject to various conditions (the "**Eligibility Criteria**") being satisfied on the relevant Transfer Date or in respect of Product Switches or Further Advances, on the last day of the Calculation Period in which such Product Switches or Further Advances are made, including:

(a) no Issuer Event of Default or LLP Event of Default under the Transaction Documents shall have occurred which is continuing as at the relevant Transfer Date;

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

(c) the weighted average yield on the Loans in the Portfolio (including the New Loans) is at least 0.30 per cent. greater than the SONIA Spot Rate published for the final London Business Day in the previous Calculation Period after taking into account: (i) the average yield on the Loans;

(ii) the margins on the Interest Rate Swaps and any additional interest rate swaps entered into by the LLP; and (iii) the average yield on any Substitution Assets held by the LLP;

(d) no Loan has a Current Balance of more than £1.0 million;

(e) no Loan which is proposed as a New Loan to be sold on any Transfer Date relates to a Property which is not a residential property;

(f) if the sale of loans which are proposed will be New Loans on the relevant Transfer Date includes the sale of New Loan Types to the LLP, the Rating Condition has been satisfied;

(g) the percentage of Loans in the Portfolio by aggregate Current Balance that are buy-to-let loans (including the Loans which are proposed to be New Loans) will not exceed 15 per cent; and

(h) the percentage of Loans in the Portfolio by aggregate Current Balance that are help-to-buy loans (including the Loans which are proposed to be New Loans) will not exceed 10 per cent.;

PROVIDED THAT, if the Transfer Date is an Issue Date, of the conditions set out in paragraphs (a) to (h) above, only paragraphs (a), (c), (d), (e), (g) and (h) are required to be satisfied to effect an assignment and transfer of the Loans which is proposed will be New Loans.

On the relevant Transfer Date, the Representations and Warranties (described below in - "*Representations and warranties*") will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the LLP.

If the Seller accepts an application from, or makes an offer (which is accepted) to a Borrower for, a Product Switch or Further Advance, then, if the Eligibility Criteria referred to in paragraphs (c), (d), (e), (g) and (h) above relating to the Loan subject to that Product Switch or Further Advance is not satisfied on the last day of the Calculation Period in which the LLP will be entitled to rectify the relevant breach of those Eligibility Criteria (in the event of a breach of the Eligibility Criteria in paragraphs (c), (d), (e), (g) and (h) above) then the Seller shall be required to repurchase the Loans subject to any Product Switch or Further Advance or (in the event of a breach of the Eligibility Criteria in paragraph (c) above) by requiring the Seller to transfer further Loans to the LLP in an amount sufficient to ensure that paragraph (c) above of the Eligibility Criteria is met.

Transfer of Title to the Loans to the LLP

Loans will be sold by the Seller to the LLP by way of equitable assignment. As a result, legal title to all of the Loans and their Related Security will remain with the Seller until legal assignments or assignations (as appropriate) are delivered by the Seller to the LLP and notice of the sale is given by the Seller to the Borrowers.

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

(a) either: (i) the occurrence of an Issuer Event of Default under Conditions 9(a)(i) to (vi) and service on the Issuer of an Issuer Acceleration Notice and the service on the LLP of a Notice to Pay; or (ii) if the Bond Trustee has previously served on the Issuer an Issuer Acceleration Notice and served on the LLP a Notice to Pay in respect of an Issuer Event of Default under Condition 9(a)(vii), then the occurrence of any other Issuer Event of Default;

(b) a written direction is received by the Issuer from the FCA or the PRA requiring the transfer of all of the engagements or the business of the Issuer to another entity in circumstances where

the rights of borrowing members of Principality will cease (provided that, where approval of the transfer from the members of the Issuer is required by either the FCA or the PRA or applicable law, such approval is obtained);

(c) in respect of Selected Loans only, at the request of the LLP following the acceptance of any offer to sell the Selected Loans and their Related Security to any person who is not the Seller;

(d) the Seller and/or the LLP being required: (i) by law; (ii) by an order of a court of competent jurisdiction; (iii) by a regulatory authority which has jurisdiction over the Seller; or (iv) by any organisation of which the Seller is a member, or whose members comprise, but are not necessarily limited to, mortgage lenders and with whose instructions it is customary for the Seller to comply, to perfect legal title to the Loans; and

(e) the Seller requesting a transfer by way of assignment or assignation (as appropriate) by giving notice in writing to the LLP and the Security Trustee.

Pending completion of the transfer, the right of the LLP to exercise the powers of the legal owner of the Loans will be secured by an irrevocable power of attorney granted by the Seller in favour of the LLP and the Security Trustee.

Except where lodged with the relevant registry in relation to any registration or recording which may be pending at the Land Registry, and save in relation to Loans which are Dematerialised Loans, the Title Information Documents and Customer Files relating to the Loans in the Portfolio will be held by or to the order of the Seller or the Servicer, as the case may be, or by solicitors or licensed conveyancers acting for the Seller in connection with the creation of the Loans and their Related Security. The Seller or the Servicer, as the case may be, will undertake that, save in relation to Loans which are Dematerialised Loans, all the Title Information Documents and Customer Files relating to the Loans in the Portfolio which are at any time in their possession or under their control or held to their order will be held to the order of the Security Trustee or as the Security Trustee may direct.

Representations and warranties

None of the LLP, the Security Trustee or the Bond Trustee has made or has caused to be made on its behalf any enquiries, searches or investigations in respect of the Loans and their Related Security to be sold to the LLP. Instead, each is relying entirely on the Representations and Warranties by the Seller contained in the Mortgage Sale Agreement. The parties to the Mortgage Sale Agreement may, with the prior written consent of the Security Trustee (which shall be given if the Rating Condition has been satisfied in respect of the proposed amendment), amend the Representations and Warranties in the Mortgage Sale Agreement. The Representations and Warranties include, but are not limited to, the following and are given: (a) on the relevant Transfer Date in respect of the Loans and Related Security to be sold to the LLP only on that date; and (b) on the last day of the Calculation Period in which any Further Advance or Product Switch (as the case may be) in respect of the Loan to which the Further Advance or Product Switch relates only:

The Loans

(a) The particulars of the Loans as delivered to the Security Trustee or its representative pursuant to the Mortgage Sale Agreement (or, as the case may be, the relevant New Portfolio Notice) are true, complete and accurate in all material respects.

(b) Each Loan was originated or purchased by the Seller in the ordinary course of business and was denominated in pounds Sterling upon origination or purchase, and in respect of Loans purchased by the Seller only: (i) the Rating Condition is satisfied in respect of the purchase of

such Loans by the Seller; and (ii) the amount of Loans purchased by the Seller is less than 20 per cent. of the aggregate Current Balance of all of the Loans in the Portfolio following such sale.

(c) Each Loan was made not earlier than January 2016.

(d) At least one monthly payment due in respect of each Loan has been paid by the relevant Borrower.

(e) No Loan has a Current Balance of more than £1,000,000.

(f) Each Loan has a remaining term of less than 40 years as at the relevant Transfer Date.

(g) Prior to the making of each Initial Advance and Further Advance, the Lending Criteria and all preconditions to the making of any Loan were satisfied in all material respects subject only to such exceptions and waivers as made on a case by case basis as would be acceptable to a Reasonable, Prudent Mortgage Lender.

(h) The Lending Criteria are consistent with the criteria that would be used by a Reasonable, Prudent Mortgage Lender.

(i) The Current Balance on each Loan and its Related Security constitute a legal, valid, binding and enforceable debt due to the Seller from the relevant Borrower and the terms of each Loan and its Related Security constitute valid and binding obligations of the Borrower enforceable in accordance with their terms and non-cancellable except that enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the court's discretion in relation to equitable remedies.

(j) All approvals, consents and other steps necessary to permit a legal or equitable or beneficial transfer, or a transfer of servicing or other disposal as and in the manner contemplated by the Transaction Documents from the Seller to the LLP, of the Loans and their related Mortgages to be sold under this Agreement have been obtained or taken and there is no requirement in order for the transfer to be effective to obtain the consent of the Borrower before, on or after any equitable or beneficial transfer or before any legal transfer of the Loans and their related Mortgages and such transfer or disposal shall not give rise to any claim by the Borrower against the LLP, the Security Trustee or any of their successors in title or assigns.

(k) Each Loan and its Related Security will be "eligible property" for the purposes of Regulation 2 of the RCB Regulations.

(l) To the best of the Seller's knowledge, no Borrower has filed for bankruptcy, been sequestrated, entered into an individual voluntary arrangement, or had a county court judgment or bankruptcy order entered or made against them within six years prior to the making of each advance under a Loan.

(m) (a) Each Loan was made and its Related Security taken or received substantially on the terms of the Standard Documentation without any material variation thereto and nothing has been done subsequently to add to, lessen, modify or otherwise vary the express provisions of any of the same in any material respect.

(n) The brochures, application forms, offers, offer conditions and marketing material distributed by the Seller to the Borrower when offering a Loan to a Borrower:

(i) do not conflict in any material respect with the terms applicable to the relevant Loan and its Related Security at the time that the Loan was entered into;

(ii) do not conflict with and would not prohibit or otherwise limit the terms of, the Transaction Documents or the matters contemplated thereby, including for the avoidance of doubt and without limitation:

(A) the assignment of the Loans and their Related Security to the LLP; and

(B) the administration of the Loans and their Related Security by the Seller or a delegate of the Seller or the appointment of a new Servicer following the occurrence of an Insolvency Event in relation to the Seller.

(o) No Loan is guaranteed by a third party save where the guarantee constitutes legal, valid and binding obligations of the guarantor enforceable in accordance with its terms.

(p) The rate of interest under each Loan is charged in accordance with the Standard Documentation, subject to the terms of any offer letter in relation thereto.

(q) No agreement for any Loan is in whole or in part a regulated agreement or consumer credit agreement (as defined in Section 8 of the Consumer Credit Act 1974 (as amended, extended or re-enacted from time to time) (the "**CCA**")) or, to the extent that any Loan is in whole or in part a regulated agreement or consumer credit agreement, the procedures and requirements set out in the Consumer Credit Act 1974 have been complied with in all material respects.

(r) 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.

(s) No Loan or Related Security consists of "stock" or "marketable securities" within the meaning of the section 125 of the Finance Act 2003, "chargeable securities" (for the purposes of Section 99 of the Finance Act 1986) or a "chargeable interest" (as such term is defined for the purposes of section 48 of the Finance Act 2003) or a "chargeable interest" (as such term is defined for the purposes of section 4 of the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017).

(t) Save in respect of Product Switches none of the material provisions of the Loans have been waived, altered or modified in any way by the Seller other than:

(i) any variation agreed with a Borrower to control or manage arrears on a Loan;

(ii) any variation in the maturity date of a Loan;

(iii) any variation imposed by statute or any variation in the frequency with which the interest payable in respect of the Loan is charged;

(iv) any variation to the interest rate as a result of the Borrowers switching to a different rate;

(v) any change to a Borrower under the Loan or the addition of a new Borrower under a Loan; or

(vi) any change in the repayment method of the Loan.

(u) So far as the Seller is aware, no Loan is a Staff Mortgage, save where the relevant Borrower may have been advanced a loan prior to his or her commencing employment with the Seller or any Subsidiary of the Seller.

(v) Each Loan in the relevant Portfolio is either:

(i) a Variable Rate Loan, Tracker Rate Loan, a Capped Rate Loan, Fixed Rate Loan or a combination thereof; or

(ii) a New Loan Type which each of the Rating Agencies has confirmed in writing would not if included in the relevant New Portfolio adversely affect the then current ratings of the Covered Bonds.

The Mortgages

(w) The whole of the Current Balance on each Loan is secured by a Mortgage over a residential property.

(x) Each Mortgage is substantially in the form of the relevant pro forma contained in the Standard Documentation which was applicable at the time the Mortgage was executed.

(y) Subject in certain appropriate cases to the completion of an application for registration or recording at the Land Registry, each Mortgage constitutes a valid and subsisting first charge by way of legal mortgage over the relevant Property.

The Properties

(z) All of the Properties are located in England or Wales.

(aa) Each Property constitutes a separate dwelling unit and is either freehold, leasehold or commonhold.

(bb) Every person who, at the date upon which a Mortgage over Property was granted, and was in or about to be in actual occupation of the relevant property, other than: (i) in the case of a Loan originated for the purpose of a purchase, where such person is under the age of 17; (ii) where the Borrowers are joint borrowers acting in their capacity as trustees; or (iii) where the Seller has acted as a Reasonable, Prudent Mortgage Lender in respect of owner occupied mortgage loans in making such Loan, is either named as a Borrower or has signed a Deed of Consent in the form of the pro forma contained in the Standard Documentation.

(cc) No Property has been let by the Borrower at the point of origination and, after that, as far as the Seller is aware, otherwise than by way of:

(i) an assured shorthold tenancy which meets the requirements of Section 19A or Section 20 of the Housing Act 1988 (in England and Wales);

(ii) an assured tenancy; or

(iii) some other form of tenancy acceptable to a Reasonable, Prudent Mortgage Lender which does not grant security of tenure beyond the contractual expiry of the tenancy,

in each case which meets the Seller's Policy in connection with lettings to non-owners.

Valuers' and Solicitors' Reports

(dd) Not more than six months (or a longer period as may be acceptable to a Reasonable, Prudent Mortgage Lender) prior to the granting of each Mortgage, the Seller received a Valuation Report on the relevant Property (or another form of report concerning the valuation of the relevant Property as would be acceptable to a Reasonable, Prudent Mortgage Lender), the contents of which were such as would be acceptable to a Reasonable, Prudent Mortgage Lender.

(ee) Other than in relation to a remortgage, prior to the inception of each Mortgage, the Seller:

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

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

(ff) The benefit of all Valuation Reports any other valuation report referred to in paragraph 4.1 and Certificates of Title which were provided to the Seller not more than two years prior to the date of this Agreement or the relevant Transfer Date (as applicable) can be validly assigned to the LLP without obtaining the consent of the relevant Valuer, solicitor or licensed conveyancer.

Insurance Policies

(gg) Each Property was at the time of inception of the Mortgage under:

(i) a Buildings Insurance Policy arranged by the Borrower in accordance with the Mortgage Conditions; or

(ii) with respect to leasehold or long lease Properties, a Buildings Insurance Policy arranged by the relevant landlord,

and in all cases: (A) against risks usually covered by a comprehensive building insurance policy; and (B) the Seller has received no notice from the Borrower that any Property has ceased to be insured.

The Seller's Title

(hh) Immediately prior to the purchase of any Loan and the Related Security by the LLP, and subject to registration or recording at the Land Registry, the Seller has good title to, and is the absolute unencumbered legal and beneficial owner of, all property, interests, rights and benefits in relation to the Loans and Related Security agreed to be sold and/or assigned by the Seller to the LLP pursuant to this Agreement free and clear of all Security Interests, claims and equities

(including, without limitation, rights of set-off or counterclaim and overriding interests within the meaning of either Section 3(xvi) of the Land Registration Act 1925) subject in each case only to this Agreement and the Borrower's equity of redemption and the Seller is not in breach of any covenant or warranty implied by reason of its selling the relevant Portfolio with full title guarantee.

(ii) All steps necessary to perfect the Seller's title to the Loans and the Related Security were duly taken at the appropriate time or are in the process of being taken, in each case (where relevant) within any applicable priority periods or time limits for registration with all due diligence and without undue delay.

(jj) Save in relation to Loans which are Dematerialised Loans, the Customer Files relating to each of the Loans and their Related Security are held by, or are under the control of:

(i) the Seller; or

(ii) the relevant Servicer.

(kk) Neither the entry by the Seller into this Agreement nor any transfer, assignment or creation of trust contemplated by this Agreement affects or will adversely affect any of the Loans and their Related Security and the Seller may freely assign and enter into trust arrangements in respect of all its rights, title, interests and benefits therein as contemplated in this Agreement without breaching any term or condition applying to any of them.

(ll) The Seller has not knowingly waived or acquiesced in any breach of any of its rights in respect of a Loan or its Related Security, other than waivers and acquiescence such as a Reasonable, Prudent Mortgage Lender might make on a case by case basis.

If New Loan Types are to be sold to the LLP, then the Representations and Warranties in the Mortgage Sale Agreement will be modified as required to accommodate these New Loan Types. The prior consent of the Covered Bondholders to the requisite amendments will not be required to be obtained.

Repurchase of Loans

The Seller has agreed in the Mortgage Sale Agreement to repurchase any of the Loans together with their Related Security sold by it to the Issuer in the circumstances described below.

If any of the Representations and Warranties given by the Seller are materially breached in respect of any Loan and/or its Related Security (save for any breach which is of a formal or technical nature) or any representation or warranty proves to be materially untrue (save for any untruth which is of a formal or technical nature) as at the relevant Transfer Date or last day of the Calculation Period in which a Product Switch or a Further Advance is made (in the case of such Further Advance or Product Switch) and this (where capable of remedy) has not been remedied within 30 Business Days of receipt by the Seller of notice from the LLP in relation thereto, the Seller will, upon receipt of a Repurchase Notice, purchase any such Loan and its Related Security (and any other Loans secured or intended to be secured by that Related Security or any part of it) from the Issuer no later than 30 days after the date on which such Repurchase Notice was given. Consideration for such repurchase shall be an amount equal to the aggregate of the Current Balance of the relevant Loan or Loans as at the last day of the Calculation Period prior to the completion date for such repurchase (together with Accrued Interest (if any) as at the date of such repurchase), which shall be payable by the Seller to a Transaction Account (or to any account as the LLP shall direct) on a date falling no later than: (i) 30 days after receipt by the Seller of such Loan Repurchase Notice; or (ii) where the Seller is required to repurchase a Loan in respect of which it intends to make an offer to a Borrower for a Product Switch or Further Advance which would

result in the LLP being required to be regulated by the FCA, the repurchase must occur prior to the Servicer causing the LLP to be required to be regulated by the FCA in relation to the relevant application or offer. Completion of such repurchase shall take place upon receipt by the LLP of such consideration.

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

(a) a Further Advance is made in respect of a Loan and on the last day of the Calculation Period in which the Further Advance is made, the Further Advance: (i) results in certain Eligibility Criteria being breached; or (ii) the relevant Loan does not materially comply with the Representations and Warranties; or

(b) a Product Switch occurs and on the last day of the Calculation Period in which the Product Switch is made the Product Switch: (i) results in certain Eligibility Criteria being breached; or (ii) the relevant Loan does not materially comply with the Representations and Warranties; or

(c) a proposed Product Switch or Further Advance would result in the LLP being required to be regulated by the FCA by reason of it entering into a Regulated Mortgage Contract. In these circumstances, the Servicer will notify the LLP of the application as soon as it becomes aware that the application may result in the LLP, for the purposes of the FSMA, entering into or arranging a Regulated Mortgage Contract.

Defaulted Loans

If a Seller receives a Defaulted Loans Notice from the Cash Manager identifying any Defaulted Loan, then that Defaulted Loan will be attributed a reduced weighting in the calculation of the Asset Coverage Test and the Amortisation Test as at the relevant Calculation Date. In addition, the Seller may, at its option, repurchase a Defaulted Loan and its Related Security from the LLP for an amount equal to the aggregate of the Current Balance of the relevant Defaulted Loan or Defaulted Loans as at the last day of the Calculation Period prior to the completion date for such repurchase (together with Accrued Interest (if any) as at the date of such repurchase).

General ability to repurchase

Prior to the occurrence of an Issuer Event of Default, the Seller may from time to time offer to repurchase a Loan and its Related Security from the LLP for a purchase price of not less than the aggregate Current Balance of the relevant Loan or Loans as at the last day of the Calculation Period prior to the completion date for such repurchase (together with any Accrued Interest (if any) as at the date of such repurchase). The LLP may accept such offer at its discretion.

Right of Pre-emption

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

The LLP will serve on the Seller a Selected Loan Offer Notice offering to sell those Selected Loans and their Related Security for an offer price equal to the greater of the then Current Balance of the Selected Loans and the Adjusted Required Redemption Amount, subject to the offer being accepted by the Seller within ten Business Days. If an Issuer Event of Default has occurred but no liquidator or administrator has been appointed to the Seller, the Seller's right to accept the offer (and therefore its right of pre-emption) will be conditional upon the delivery by the Seller of a solvency certificate to the LLP and the Security Trustee. If the Seller rejects the LLP's offer or fails to accept it in accordance with the foregoing, the LLP will offer to sell the Selected Loans and their Related Security to other Purchasers (as described under "*LLP Deed – Method of sale of Selected Loans*" below).

If the Seller validly accepts the LLP's offer to sell the Selected Loans and their Related Security, the LLP will, within three Business Days of such acceptance, serve a Selected Loan Repurchase Notice on the Seller. The Seller will sign and return a duplicate copy of the Selected Loan Repurchase Notice and will repurchase from the LLP free from the Security created by and pursuant to the Deed of Charge the relevant Selected Loans and their Related Security (and any other Loan secured or intended to be secured by that Related Security or any part of it) referred to in the relevant Selected Loan Repurchase Notice. Completion of the purchase of the Selected Loans and their Related Security by the Seller will take place upon receipt by the LLP of the consideration for such repurchase (provided that such date is not later than the earlier to occur of the date which is: (a) ten Business Days after returning the Selected Loan Repurchase Notice to the LLP; and (b) the Final Maturity Date of the Earliest Maturing Covered Bonds).

For the purposes hereof:

"**Adjusted Required Redemption Amount**" means the Sterling Equivalent of the Required Redemption Amount, plus the Sterling Equivalent of any swap termination amounts payable by the LLP or minus the Sterling Equivalent of any swap termination amounts payable to the LLP under the Covered Bond Swap Agreements in respect of the relevant Series of Covered Bonds less (where applicable) amounts standing to the credit of the LLP Accounts and the Sterling Equivalent of the principal balance of any Authorised Investments and Substitution Assets (excluding all amounts to be applied on the next following LLP Payment Date to repay higher ranking amounts in the Guarantee Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds) plus the Sterling Equivalent of any swap termination amounts payable by the LLP or minus the Sterling Equivalent of any swap termination amounts payable to the LLP under the Interest Rate Swap Agreements.

"**Required Redemption Amount**" means, in respect of a Series of Covered Bonds, the amount calculated as follows:

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

Further Advances, Product Switches

The Seller is solely responsible for funding all Further Advances in respect of Loans sold by the Seller to the LLP, if any. The amount of the Seller's Capital Contribution will increase by the amount of the funded Further Advances. No variations may be made to the Loans and no Further Advances or Product Switches may be made in relation to the Loans, where this would result in the LLP arranging, advising on, administering or entering into a Regulated Mortgage Contract or agreeing to carry on any of these activities, if the LLP would be required to be authorised under the FSMA to do so.

New Sellers

In the future, any New Seller that wishes to sell loans and their Related Security to the LLP will accede to, among other things, the Mortgage Sale Agreement. The sale of New Loans and their Related Security by New Sellers to the LLP will be subject to certain conditions, including the following:

(a) each New Seller accedes to the terms of the LLP Deed as a Member (with such subsequent amendments as may be agreed by the parties thereto) so that it has, in relation to those New Loans and their Related Security to be sold by the relevant New Seller, substantially the same rights and obligations as the Seller had in relation to those Loans and their Related Security comprised in the Initial Portfolio under the LLP Deed;

(b) each New Seller accedes to the terms of the Mortgage Sale Agreement (with such subsequent amendments and additional documents as may be agreed by the parties thereto) or enters into a new mortgage sale agreement with the LLP and the Security Trustee, in each case so that it has, in relation to those New Loans and their Related Security to be sold by the relevant New Seller, substantially the same rights and obligations as the Seller had in relation to those Loans and their Related Security comprised in the Initial Portfolio under the Mortgage Sale Agreement (and Transaction Documents entered into pursuant thereto);

(c) each New Seller accedes to the Programme Agreement and enters into such other documents as may be required by the Security Trustee and/or the LLP (acting reasonably) to give effect to the addition of a New Seller to the transactions contemplated under the Programme;

(d) any New Loans and their Related Security sold by a New Seller to the LLP comply with the Eligibility Criteria set out in the Mortgage Sale Agreement;

(e) either the Servicer services the New Loans and their Related Security sold by a New Seller on the terms set out in the Servicing Agreement (with such subsequent amendments as may be agreed by the parties thereto) or the New Seller (or its nominee) enters into a servicing agreement with the LLP and the Security Trustee which sets out the servicing obligations of the New Seller (or its nominee) in relation to the New Loans and their Related Security and which is on terms substantially similar to the terms set out in the Servicing Agreement (fees payable to the Servicer or the New Seller (or its nominee) acting as servicer of such New Loans and their Related Security would be determined on the date of the accession of the New Seller to the Programme); and

(f) the Issuer or the LLP certifies in writing to the Security Trustee that: (i) the accession of such New Seller will not prejudice the Asset Coverage Test; and (ii) that the Rating Condition has been satisfied.

If the above conditions are met, the consent of the Covered Bondholders will not be obtained to the accession of a New Seller to the Programme.

Governing law

The Mortgage Sale Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

Servicing Agreement

Pursuant to the terms of the Servicing Agreement entered into on the Programme Date between the LLP, Principality (in its capacity as Seller, Servicer and Cash Manager), the Back-Up Servicer Facilitator and the Security Trustee, the Servicer has agreed to service on behalf of the LLP the Loans and their Related Security sold by the Seller to the LLP.

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

(a) as if the Loans and their Related Security sold by the Seller to the LLP had not been sold to the LLP but remained with the Seller; and

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

The Servicer may sub-contract or delegate the performance of its duties under the Servicing Agreement provided that it meets the conditions set out in the Servicing Agreement.

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

The Servicer's actions in servicing the Loans in accordance with the Seller's procedures will be binding on the LLP and the Secured Creditors.

The Servicer will have the power to exercise the rights, powers and discretions and to perform the duties of the LLP in relation to the Loans and their Related Security that it is servicing pursuant to the terms of the Servicing Agreement, and to do anything which it reasonably considers necessary or convenient or incidental to the administration of those Loans and their Related Security.

Undertakings of the Servicer

Pursuant to the terms of the Servicing Agreement, the Servicer will undertake in relation to those Loans and their Related Security that it is servicing, among other things, to:

(a) keep records and accounts on behalf of the LLP in relation to the Loans;

(b) keep the Customer Files and Title Information Documents in its possession or under its control in safe custody and maintain records necessary to enforce each Mortgage and to provide the LLP and the Security Trustee with access to the Title Information Documents (other than Title Information Documents in relation to Loans which are Dematerialised Loans) and other records relating to the administration of the Loans and their Related Security;

(c) maintain a register in respect of the Portfolio;

(d) make available upon request to the LLP and the Security Trustee a report on a monthly basis containing information about the Loans and their Related Security comprised in the Portfolio;

(e) provide to the FCA such information about the Loans and their Related Security contained in the Portfolio and/or such other information as the FCA may direct pursuant to the RCB Regulations;

(f) assist the Cash Manager in the preparation of a monthly asset coverage report in accordance with the Cash Management Agreement; and

(g) subject to the provisions of the Servicing Agreement, take all reasonable steps to recover all sums due to the LLP, including, without limitation, by the institution of proceedings and/or the enforcement of any Loan sold by the Seller to the LLP comprised in the Portfolio or its Related Security, using the discretion of a Reasonable, Prudent Mortgage Lender in applying the enforcement procedures forming part of the Seller's policy.

Setting of discretionary rates and margins

The Servicer has undertaken in the Servicing Agreement to determine and set any discretionary rates and margins in relation to all the Loans in the Portfolio. Both the LLP's and the Servicer's ability to set such rates and margins are subject to the Mortgage Conditions applicable to the Loans.

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

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

(b) any discretionary rate or margin in respect of the Loans which the Servicer proposes to set under the Servicing Agreement for the Relevant LLP Payment Period; and

(c) the other resources available to the LLP, including the Interest Rate Swap Agreement, the relevant Covered Bond Swap Agreements and the Reserve Fund,

whether the LLP would receive an amount of income during the Relevant LLP Payment Period which, when aggregated with the funds otherwise available to it, is less than the amount which is the aggregate of: (1) the amount of interest which would be payable (or provisioned to be paid) under the Intercompany Loan or, if a Notice to Pay has been served, the Covered Bond Guarantee on each LLP Payment Date falling at the end of the Relevant LLP Payment Period and relevant amounts payable (or provisioned to be paid) to the Covered Bond Swap Providers under the Covered Bond Swap Agreements in respect of all Covered Bonds on each LLP Payment Date of each Series of Covered Bonds falling at the end of the Relevant LLP Payment Period; and (2) the other senior expenses payable by the LLP ranking in priority thereto in accordance with the relevant Priority of Payments applicable prior to an LLP Event of Default and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security (the "**Interest Rate Shortfall Test**").

If the Servicer determines that there will be a shortfall in the foregoing amounts (an "**Interest Rate Shortfall**"), it will give written notice to the LLP and the Security Trustee, within one Business Day following such determination, of the amount of the Interest Rate Shortfall. If the LLP or the Security Trustee notifies the Servicer and the Seller that, having regard to the obligations of the LLP and the amount of the Interest Rate Shortfall, further Loans and their Related Security should be sold by the Seller to the LLP pursuant to the Mortgage Sale Agreement, the Seller will use all reasonable endeavours to offer to sell New Loans and their Related Security to the LLP on or before the next Calculation Date which have discretionary rates or margins sufficient to avoid such Interest Rate Shortfall on future Calculation Dates. In consideration of such sale, the Seller will be treated as having made a Capital Contribution (in an amount equal to the Current Balance of the New Loans) sold by the Seller as at the relevant Transfer Date and will be entitled to receive the Deferred Consideration.

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

(i) any discretionary rate or margin in respect of the Loans which the Servicer proposes to set under the Servicing Agreement for the Relevant LLP Payment Period; and

(ii) the other resources available to the LLP under the Interest Rate Swap Agreement,

whether the LLP would receive an aggregate amount of interest on the Loans and amounts under the Interest Rate Swap Agreements during the Relevant LLP Payment Period which would give a yield on the Loans of at least 0.30 per cent. plus the SONIA Spot Rate published for the final London Business Day in the previous Calculation Period (the "**Yield Shortfall Test**").

If the Servicer determines that the Yield Shortfall Test will not be met, it will give written notice to the LLP and the Security Trustee, within one Business Day, of the amount of the shortfall and the discretionary rates or margins which would, in the Servicer's opinion, need to be set in order for no shortfall to arise, and the Yield Shortfall Test to be met, having regard to the date(s) on which the change to the discretionary rates or margins would take effect and at all times acting in accordance with the standards of a Reasonable Prudent Mortgage Lender. If the LLP or the Security Trustee notifies the Servicer that, having regard to the obligations of the LLP, the discretionary rates or margins should be increased, the Servicer or replacement Servicer, as the case may be, will take all steps which are necessary to increase the discretionary rates or margins, including publishing any notice which is required in accordance with the Mortgage Conditions.

The LLP and the Security Trustee may terminate the authority of the Servicer to determine and set any discretionary rates or margins on or after the occurrence of a Servicer Event of Default as defined under

"*Removal or resignation of the Servicer*", in which case the LLP shall appoint a replacement Servicer to set the discretionary rates or margins.

Compensation

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

Removal or resignation of the Servicer

If any of the following events (each a "**Servicer Termination Event**" and, each of the first three events set out below, a "**Servicer Event of Default**") occurs:

- default is made by the Servicer in the payment on the due date of any payment due and payable by it under the Servicing Agreement and such default continues unremedied for a period of seven Business Days after the earlier of the Servicer becoming aware of the default and receipt by the Servicer of written notice from the Security Trustee or the LLP requiring the same be remedied;

- default is made by the Servicer in the performance or observance of any of its other covenants and obligations under the Servicing Agreement, and: (i) the Bond Trustee, having received express written notice from the Servicer or the LLP of such default, notifies the Security Trustee in writing that in the Bond Trustee's sole opinion such default is materially prejudicial to the interests of the Covered Bondholders (which determination shall be conclusive and binding on all other Secured Creditors); or (ii) if there are no Covered Bonds then outstanding, all the other Secured Creditors confirm in writing to the Security Trustee that such default is materially prejudicial to their interests, and in each such case, such default continues unremedied for a period of 20 Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the LLP or the Security Trustee requiring the same to be remedied, PROVIDED THAT where the relevant default and receipt of notice of such default occurs as a result of a default by any person to whom the Servicer has subcontracted or delegated part of its obligations hereunder, such default shall not constitute a Servicer Termination Event if, within such period of 20 Business Days, the Servicer terminates the relevant sub-contracting or delegation arrangements and takes such steps as the Security Trustee or the LLP may in its absolute discretion specify to remedy such default or to indemnify the Security Trustee and/or the LLP against the consequences of such default;

- an Insolvency Event occurs in relation to the Servicer; or

- the LLP resolves, after due consideration and acting reasonably, that the appointment of the Servicer should be terminated,

then the LLP may (subject to the prior written consent of the Security Trustee) at once or at any time thereafter whilst such default continues (or, in the case of the fourth bullet above, upon such decision) by notice in writing to the Servicer (with a copy to the Security Trustee) terminate its appointment as Servicer under the Servicing Agreement with effect from a date (not earlier than the date of the notice) specified in the notice.

Subject to the fulfilment of a number of conditions, the Servicer may voluntarily resign by giving not less than 12 months' notice to the Security Trustee, the LLP and the Back-Up Servicer Facilitator. The

resignation of the Servicer is conditional on, among other things: (a) the LLP and the Security Trustee consenting in writing to such termination; (b) a substitute servicer with experience of servicing mortgages of residential property in the United Kingdom being appointed; and (c) the resignation having no adverse effect on the then current ratings of the Covered Bonds unless the Covered Bondholders agree otherwise by Extraordinary Resolution.

The Servicing Agreement will terminate at such time as the LLP has no further interest in any of the Loans or their Related Security sold to the LLP and serviced under the Servicing Agreement that have been comprised in the Portfolio.

If the appointment of the Servicer is terminated, the Servicer must forthwith deliver (and in the meantime hold on trust for, and to the order of, the Security Trustee) to the LLP or as it shall direct the title information documents and customer files, all books of account, papers, records, registers, correspondence and documents in its possession or under its control relating to the affairs of or belonging to the LLP and the Loans.

Back-up Servicer Facilitator

For so long as Principality is acting as Servicer, upon the Servicer ceasing to be assigned both a long-term counterparty risk assessment by Moody's of at least Baa3(cr) and a long-term issuer default rating by Fitch of at least BBB-, the LLP, with the assistance of the Back-Up Servicer Facilitator, will require the Servicer to use best efforts to appoint a back-up servicer (the "**Back-Up Servicer**") acceptable to the Security Trustee who would be willing to replace the Servicer on terms substantially similar to those set out in the Servicing Agreement, provided that where the LLP and, prior to the occurrence of a Servicer Termination Event, the Servicer, determine that it is not practicable, taking into account the then prevailing market conditions, to agree terms substantially similar to those set out in the Servicing Agreement with such Back-Up Servicer, the LLP and, prior to the occurrence of a Servicer Termination Event, the Servicer, shall have certified in writing to the Security Trustee and the Bond Trustee that, to the extent the terms are not substantially similar as aforementioned, such terms are fair and commercial terms taking into account the then prevailing current market conditions, which certificate may be relied upon by the Security Trustee and the Bond Trustee without liability and without further enquiry and shall be conclusive and binding on all parties and the Secured Creditors.

If the Servicer does not appoint a Back-Up Servicer within 60 days of being required to do so by the LLP, the Servicer shall immediately upon notice from the LLP appoint as Back-Up Servicer such person as may be specified by the LLP (provided such person is acceptable to the Security Trustee).

Governing law

The Servicing Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

Asset Monitor Agreement

Under the terms of the Asset Monitor Agreement entered into on the Programme Date between the Asset Monitor, the LLP, the Cash Manager and the Security Trustee, the Asset Monitor has agreed, subject to due receipt of the information to be provided by the Cash Manager to the Asset Monitor, to report on the arithmetic accuracy of the calculations performed by the Cash Manager on the Calculation Date immediately prior to each anniversary of the Programme Date with a view to confirmation of compliance by the LLP with the Asset Coverage Test or the Amortisation Test, as applicable, on that Calculation Date.

If an Asset Coverage Test Breach Notice has been served and has not been revoked or, for so long as Principality is acting as Cash Manager, upon the Cash Manager ceasing to be assigned both a long-term counterparty risk assessment by Moody's of at least Baa3(cr) and a long-term issuer default rating by Fitch of at least BBB-, the Asset Monitor will, subject to receipt of the relevant information from the Cash Manager, be required to report on such arithmetic accuracy following each Calculation Date and, following a determination by the Asset Monitor of any errors in the calculations performed by the Cash Manager such that the Asset Coverage Test has been failed on the applicable Calculation Date (where the Cash Manager had recorded it as being satisfied) or the Adjusted Aggregate Loan Amount or the Amortisation Test Aggregate Loan Amount is mis-stated by an amount exceeding 1 per cent. of the Adjusted Aggregate Loan Amount or the Amortisation Test Aggregate Loan Amount, as applicable (as at the date of the relevant Asset Coverage Test or the relevant Amortisation Test), the Asset Monitor will be required to conduct such tests following each Calculation Date for a period of six months thereafter.

The Asset Monitor is entitled, in the absence of manifest error, to assume that all information provided to it by the Cash Manager for the purpose of reporting on the arithmetic accuracy is true and correct and not misleading, and is not required to report as such or otherwise take steps to verify the accuracy of any such information. The Asset Monitor Report will be delivered to the Cash Manager, the LLP, the Issuer, the Bond Trustee and the Security Trustee.

The LLP may, at any time, only with the prior written consent of the Security Trustee, terminate the appointment of the Asset Monitor by giving at least 60 days' written notice to the Asset Monitor, provided that such termination may not be effected unless and until a replacement has been appointed by the LLP (such replacement to be approved by the Security Trustee unless the replacement is an accountancy firm of international standing) which agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in the Asset Monitor Agreement.

The Asset Monitor may, at any time, resign from its appointment upon providing the LLP, the Issuer and the Security Trustee (copied to the Rating Agencies) with at least 60 days' written notice. Upon receiving notice of resignation, the LLP shall immediately use its best endeavours to appoint a replacement (such replacement to be approved by the Security Trustee) which agrees to perform the duties of the Asset Monitor set out in the Asset Monitor Agreement. If a replacement is not appointed by the date which is 30 days prior to the date when tests are to be carried out in accordance with the terms of the Asset Monitor Agreement, then the LLP shall use all reasonable endeavours to appoint an accountancy firm of international standing to carry out the relevant tests on a one-off basis, provided that such appointment is approved by the Security Trustee.

The Asset Monitor has also been appointed as the "Asset Pool Monitor" (as defined in the RCB Regulations) for the purposes of the RCB Regulations, as to which see further "*Description of the UK Regulated Covered Bond Regime*".

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

The Asset Monitor Agreement and any non-contractual obligation arising out of or in connection with it are governed by English law.

LLP Deed

The Members of the LLP have agreed to operate the business of the LLP in accordance with the terms of the LLP Deed.

Members

As at the Programme Date, each of Principality 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. Principality and the Liquidation Member are designated members (each a "**Designated Member**", and together with any other designated members from time to time, the "**Designated Members**") of the LLP. The Designated Members shall have such duties as are specified in the LLPA 2000 or otherwise at law and in the LLP Deed. The LLP Deed requires that there will at all times be at least two Designated Members of the LLP.

For so long as Covered Bonds are outstanding, if an administrator or a liquidator is appointed to Principality, the Liquidation Member may, by written notice to the LLP, appoint another Member as a Designated Member or may, at its sole discretion (acting on behalf of itself and the other Members), admit a New Member to the LLP (in each case with the prior written consent of the Security Trustee).

No New Member may be otherwise appointed without the consent of the Security Trustee and the Rating Condition being satisfied.

Capital Contributions

From time to time Principality (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 Principality shall be calculated in Sterling on each Calculation Date as the difference between: (a) the Current Balance of the Portfolio as at the last day of the immediately preceding Calculation Period plus Principal Receipts standing to the credit of the LLP Accounts plus the principal amount of Substitution Assets and Authorised Investments as at the last day of the immediately preceding Calculation Period; and (b) the Sterling Equivalent of the aggregate Principal Amount Outstanding under the Covered Bonds as at the last day of the preceding Calculation Period.

If at any time Principality is acting as the Cash Manager and a Cash Manager Relevant Event occurs and is continuing, Principality will:

(a) within three London Business Days of such Cash Manager Relevant Event notify the LLP, the Bond Trustee, the Security Trustee or the Account Bank, as applicable, and each Covered Bond Swap Provider of such event;

(b) within ten London Business Days of such Cash Manager Relevant Event make a Cash Capital Contribution to the LLP in an aggregate amount equal to:

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

  (ii) (in the case of a Term Advance where a Covered Bond Swap is in place) the Required Coupon Amount payable on the next date on which the LLP is due to make a payment under the relevant Covered Bond Swap) (other than those amounts due in respect of an Interim Exchange Date or Final Exchange Date (each as defined in the relevant Covered Bond Swap Agreement)) relating to each Term Advance; and/or

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

(c) thereafter, make a Cash Capital Contribution to the LLP not less than one London Business Day after in an aggregate amount equal to:

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

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

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

Any such Cash Capital Contribution representing Required Coupon Amounts will be treated as a revenue item but will not form part of Available Revenue Receipts.

The LLP will procure that the Cash Capital Contribution it receives from the Seller is paid into the Transaction Account and credited to the Coupon Payment Ledger. On the date on which it receives such payment the LLP will, on the direction of the Issuer, deliver an irrevocable payment instruction (specifying the ISIN Code and/or CUSIP as applicable or the relevant Series of Covered Bonds) to the Account Bank to pay such amounts to the Principal Paying Agent or the relevant Covered Bond Swap Provider, as applicable, on the dates referred to above.

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

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

Asset Coverage Test

Under the terms of the LLP Deed, the LLP and the Members (other than the Liquidation Member) must ensure that, on each Calculation Date prior to the service of a Notice to Pay, 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 at the end of the immediately preceding Calculation Period as calculated on the relevant Calculation Date.

If on any such Calculation Date, the Adjusted Aggregate Loan Amount is less than the Sterling Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds at the end of the immediately preceding Calculation Period as calculated on the relevant Calculation Date, then the LLP (or the Cash Manager on its behalf) will immediately notify the Members, the Bond Trustee and the Security Trustee thereof and the Members (other than the Liquidation Member) will use all reasonable endeavours to sell sufficient further Loans and their Related Security to the LLP in accordance with the Mortgage Sale Agreement (see "*Summary of the Principal Documents – Mortgage Sale Agreement – Sale by the Seller of Loans and Related Security*") or provide Cash Capital Contributions to ensure that the Asset Coverage Test is met on the next following Calculation Date. If the Adjusted Aggregate Loan Amount is less than the aggregate Principal Amount Outstanding of all Covered Bonds on the next following Calculation Date, the Asset Coverage Test will be breached and the LLP (or the Cash Manager on its behalf) shall immediately notify in writing the Members, the Bond Trustee and the Security Trustee of such breach and the Bond Trustee will (subject to the Bond Trustee having express notice in writing of such breach) serve an Asset Coverage Test Breach Notice on the LLP and the LLP shall send notice of the same to the FCA pursuant to the RCB Regulations. The Bond Trustee (subject to the Bond Trustee having express notice in writing of such subsequent satisfaction of the Asset

Coverage Test (and, for such purpose, the LLP (or the Cash Manager on its behalf) shall notify in writing the Bond Trustee upon becoming aware of such subsequent satisfaction)) shall revoke an Asset Coverage Test Breach Notice if, on any Calculation Date falling on or prior to the third Calculation Date following the service of an Asset Coverage Test Breach Notice, the Asset Coverage Test is subsequently satisfied (and it has express notice in writing of the same) and neither a Notice to Pay nor an LLP Acceleration Notice has been served.

Following service of an Asset Coverage Test Breach Notice (which has not been revoked):

(a) the LLP will be required to sell Selected Loans (as described further under "*LLP Deed – Sale of Selected Loans and their Related Security following the service of an Asset Coverage Test Breach Notice (which has not been revoked) or a Notice to Pay*");

(b) prior to the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice or, if earlier, the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice, the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments will be modified as more particularly described in "*Allocation and distribution of Available Revenue Receipts and Available Principal Receipts following service of an Asset Coverage Test Breach Notice*" below; and

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

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

For the purposes hereof:

"**Adjusted Aggregate Loan Amount**" means the amount calculated on each Calculation Date for the last day of the immediately preceding Calculation Period (without double counting) as follows:

$$A + B + C + D - (X + Y)$$

where

A = the lower of paragraphs (i) and (ii), where:

(i) = the sum of the "**Adjusted Current Balance**" of each Loan in the Portfolio, which shall be the lower of: (1) the Current Balance of the relevant Loan on the last day of the immediately preceding Calculation Period; and (2) the Indexed Valuation relating to that Loan multiplied by M (where for all Loans that are less than three months in arrears or not in arrears, M = 0.75, for all Loans that are three months or more in arrears and have a Current Balance to Indexed Valuation ratio of less than or equal to 75 per cent., M = 0.40 and for all Loans that are three months or more in arrears and have a Current Balance to Indexed Valuation ratio of more than 75 per cent., M = 0.25),

minus

the aggregate sum of the following deemed reductions to the aggregate Adjusted Current Balance of the Loans in the Portfolio if any of the following occurred:

(a) a Loan or its Related Security was, in the immediately preceding Calculation Period, in breach of the Representations and Warranties contained in the Mortgage Sale Agreement or subject to any other obligation of the Seller to repurchase the relevant Loan and its Related Security, and in each case the Seller has not repurchased the Loan or Loans of the relevant Borrower and its or their Related Security to the extent required by the terms of the Mortgage Sale Agreement. In this event, the aggregate Adjusted Current Balance of the Loans in the Portfolio (as calculated as at the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the Adjusted Current Balance of the relevant Loan or Loans (as calculated as at the last day of the immediately preceding Calculation Period) of the relevant Borrower; and/or

(b) the Seller, in any preceding Calculation Period, was in breach of any other material warranty under the Mortgage Sale Agreement and/or the Servicer was, in any preceding Calculation Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate Adjusted Current Balance of the Loans in the Portfolio (as calculated as at the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the resulting financial loss incurred by the LLP in the immediately preceding Calculation Period (such financial loss to be calculated by the Cash Manager without double counting and to be reduced by any amount paid (in cash or in kind) to the LLP by the Seller to indemnify the LLP for such financial loss);

and

(ii) = the aggregate "**Arrears Adjusted Current Balance**" of the Loans in the Portfolio which in relation to each Loan shall be the lower of: (1) the Current Balance of the relevant Loan as calculated on the last day of the immediately preceding Calculation Period; and (2) the Indexed Valuation relating to that Loan multiplied by N (where for all Loans that are less than three months in arrears or not in arrears, N = 1, for all Loans that are three months or more in arrears and have a Current Balance to Indexed Valuation ratio of less than or equal to 75 per cent., N = 0.40 and for all Loans that are three months or more in arrears and have a Current Balance to Indexed Valuation ratio of more than 75 per cent., N = 0.25);

minus

the aggregate sum of the following deemed reductions to the aggregate Arrears Adjusted Current Balance of the Loans in the Portfolio if any of the following occurred:

(a) a Loan or its Related Security was, in the immediately preceding Calculation Period, in breach of the Representations and Warranties contained in the Mortgage Sale Agreement or subject to any other obligation of the Seller to repurchase the relevant Loan and its Related Security, and in each case the Seller has not repurchased the Loan or Loans of the relevant Borrower and its or their Related Security to the extent required by the terms of the Mortgage Sale Agreement. In this event, the aggregate Arrears Adjusted Current Balance of the Loans in the Portfolio (as calculated as at the last day of the immediately

preceding Calculation Period) will be deemed to be reduced by an amount equal to the Arrears Adjusted Current Balance of the relevant Loan or Loans (as calculated as at the last day of the immediately preceding Calculation Period) of the relevant Borrower; and/or

(b) the Seller, in any preceding Calculation Period, was in breach of any other material warranty under the Mortgage Sale Agreement and/or the Servicer was, in the immediately preceding Calculation Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate Arrears Adjusted Current Balance of the Loans in the Portfolio (as calculated as at the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the resulting financial loss incurred by the LLP in the immediately preceding Calculation Period (such financial loss to be calculated by the Cash Manager without double counting and to be reduced by any amount paid (in cash or in kind) to the LLP by the Seller to indemnify the LLP for such financial loss),

the result of the calculation in this paragraph (ii) above being multiplied by the Asset Percentage (as defined below);

B = the aggregate amount of any Principal Receipts on the Loans in the Portfolio up to the end of the immediately preceding Calculation Period (as recorded in the Principal Ledger) which have not been applied as at the relevant Calculation Date to acquire further Loans and their Related Security or otherwise applied in accordance with the LLP Deed and/or the other Transaction Documents;

C = the aggregate amount of any Cash Capital Contributions made by the Members (as recorded in the Capital Account Ledger of each Member) or proceeds of Term Advances which have not been applied as at the relevant Calculation Date to acquire further Loans and their Related Security or otherwise applied in accordance with the LLP Deed and/or the other Transaction Documents;

D = the aggregate outstanding principal balance of any Substitution Assets;

X = either:

(i) for so long as the Issuer's long-term counterparty risk assessment by Moody's is at least A3(cr) and the Issuer's long-term default rating by Fitch is at least A or the Issuer's short-term default rating by Fitch is at least F1, zero; or

(ii) either:

(a) where the Seller monitors deposit account balances on a monthly basis, the sum of the Deposit Set-off Balance for each Loan (as at the close of business on the last Business Day of the immediately preceding Calculation Period), where the "**Deposit Set-off Balance**" equals

(1) in respect of each Loan where the aggregate amount of the relevant Borrowers' deposit account balances exceeds the FSCS Limit, but the Current Balance of the relevant Loan does not exceed the FSCS Limit, the lower of:

(A) the Current Balance of the relevant Loan; and

(B) the aggregate amount of deposit account balances of the relevant Borrower minus the FSCS Limit, each as calculated on the relevant Calculation Date and notified to the Rating Agencies; or

(2) in respect of each Loan where the aggregate amount of the relevant Borrowers' deposit account balances exceeds the FSCS Limit and the Current Balance of the relevant Loan also exceeds the FSCS Limit, the lower of:

(A) the Current Balance of the relevant Loan; and

(B) the aggregate amount of deposit account balances; or

(3) in respect of each Loan where the aggregate amount of the relevant Borrower's deposit account balances is below the FSCS Limit, nil; or

(b) if the aggregate amount of deposit account balances of such Borrower is not available, or is not monitored on a monthly basis, the Deposit Set-off Balance for that Loan shall be 2 per cent. of the Current Balance of that Loan on the relevant Calculation Date;]

Y = the weighted average remaining maturity of all Covered Bonds then outstanding multiplied by the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds ***multiplied by*** the Negative Carry Factor where the "**Negative Carry Factor**" is: (i) 0.5 per cent. if the weighted average margin of the interest rate payable on the Covered Bonds is less than or equal to 0.1 per cent. per annum; or (ii) 0.5 per cent. plus that margin minus 0.1 per cent., if that margin is greater than 0.1 per cent. per annum (provided that if the weighted average remaining maturity is less than one, the weighted average remaining maturity shall be deemed, for the purposes of this calculation, to be one).

"**FSCS Limit**" means the current applicable limit established by the Financial Services Compensation Scheme.

"**Asset Percentage**" means:

(a) 92.5 per cent.; or

(b) such lesser percentage figure as determined from time to time in accordance with the terms of the LLP Deed, being the asset percentage that is necessary to ensure the Covered Bonds maintain the then current rating assigned to them by Fitch; or

(c) such lesser percentage figure as determined from time to time in accordance with the terms of the LLP Deed being the figure as selected by the LLP (or the Cash Manager acting on its behalf) and notified to Moody's and the Security Trustee on such Calculation Date or, where the LLP (or the Cash Manager acting on its behalf) has not notified Moody's and the Security Trustee of the minimum percentage figure on the relevant Calculation Date, on the last date of such notification, being the difference between 100 per cent. and the amount of credit enhancement required to support the then current ratings of the Covered Bonds under Moody's expected loss methodology PROVIDED THAT in the event that any of the Covered Bonds are not then currently rated Aaa, for as long as any Covered Bonds remain outstanding whose ratings have been downgraded at any point since their relevant original Issue Date and until they have been

subsequently upgraded to at least the rating as at their original Issue Date, the Asset Percentage may not be greater than the higher of: (a) the Asset Percentage specified in the most recently delivered Asset Percentage notification form prior to the first such downgrade; or (b) the lowest value for (X) in respect of each downgrade where (X) in respect of each downgrade is equal to the respective Attributed Moody's Asset Percentage specified in the relevant Investor Reports most recently delivered prior to such downgrade,

where "**Attributed Moody's Asset Percentage**" means the percentage figure as set out in each Investor Report notwithstanding the percentage figure that may be selected by the LLP or the Cash Manager on its behalf from time to time and notified to the Security Trustee and Moody's, is the percentage as at each Calculation Date, being the difference between 100 per cent. and the amount of credit enhancement required to support the then current ratings of the Covered Bonds under Moody's expected loss methodology.

Save where otherwise agreed with the Rating Agencies, the Asset Percentage will be adjusted in accordance with various Rating Agency methodologies to ensure that sufficient credit enhancement will be maintained. Notwithstanding the above, the Asset Percentage may not, at any time, exceed 92.5 per cent. unless otherwise agreed with the Rating Agencies.

In addition, the LLP or the Cash Manager acting on its behalf may, from time to time, send notification to the Rating Agencies and the Security Trustee of the percentage figure selected by it.

Amortisation Test

The LLP and the Members (other than the Liquidation Member) must ensure that on each Calculation Date following service of a Notice to Pay on the LLP (but prior to service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security) the Amortisation Test Aggregate Loan Amount will be in an amount at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date.

Following service of Notice to Pay on the LLP, if on any Calculation Date the Amortisation Test Aggregate Loan Amount is less than the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date, then the Amortisation Test will be deemed to be breached and an LLP Event of Default will occur. The LLP or the Cash Manager, as the case may be, will immediately notify the Members, the Security Trustee and (whilst Covered Bonds are outstanding) the Bond Trustee of any breach of the Amortisation Test and the Bond Trustee shall be entitled to serve an LLP Acceleration Notice in accordance with the Conditions.

The "**Amortisation Test Aggregate Loan Amount**" will be calculated on each Calculation Date as follows:

$$A + B + C - Z$$

where:

A = the aggregate "**Amortisation Test Current Balance**" of each Loan, which shall be the lower of: (1) the Current Balance of the relevant Loan on the last day of the immediately preceding Calculation Period multiplied by M; and (2) 100 per cent. of the Indexed Valuation multiplied by M.

Where for all the Loans that are less than three months in arrears or not in arrears M = 1 or for all the Loans that are three months or more in arrears M = 0.7;

B = the sum of the amount of any cash standing to the credit of the LLP Accounts (excluding any Swap Collateral Accounts) and the principal amount of any Authorised Investments (excluding any Revenue Receipts received in the immediately preceding Calculation Period);

C = the aggregate outstanding principal balance of any Substitution Assets;

Z = the weighted average remaining maturity of all Covered Bonds then outstanding ***multiplied by*** the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds at the end of the immediately preceding Calculation Period ***multiplied by*** the Negative Carry Factor.

Sale of Selected Loans and their Related Security following the service of an Asset Coverage Test Breach Notice (which has not been revoked) or a Notice to Pay

After service of an Asset Coverage Test Breach Notice (which has not been revoked) or the service of a Notice to Pay and prior to service of an LLP Acceleration Notice, the LLP will be obliged to sell Selected Loans and their Related Security in the Portfolio in accordance with the LLP Deed (as described below), subject to the rights of pre-emption enjoyed by the Seller to buy the Selected Loans and their Related Security pursuant to the Mortgage Sale Agreement and subject to any Cash Capital Contribution made by the Members. The proceeds from any such sale or refinancing will be credited to the Transaction Account and applied as set out in the Priorities of Payments (see "*Allocation and distribution of Available Revenue Receipts and Available Principal Receipts following service of an Asset Coverage Test Breach Notice*" below).

Method of sale of Selected Loans

If the LLP is required to sell Selected Loans and their Related Security to Purchasers following either the service of an Asset Coverage Test Breach Notice (if not revoked) or a Notice to Pay, the LLP will be required to ensure that before offering Selected Loans for sale:

(a) the Selected Loans have been selected from the Portfolio on a random basis as described in the LLP Deed; and

(b) the Selected Loans have an aggregate Current Balance in an amount (the "**Required Current Balance Amount**") which is as close as possible to the amount calculated as follows:

(i) following the Service of an Asset Coverage Test Breach Notice (but prior to service of a Notice to Pay), such amount that would ensure that, if the Selected Loans were sold at their Current Balance plus the Arrears of Interest and Accrued Interest thereon, the Asset Coverage Test would be satisfied on the next Calculation Date taking into account the payment obligations of the LLP on the LLP Payment Date following that Calculation Date (assuming for this purpose that the Asset Coverage Test Breach Notice is not revoked on the next Calculation Date); or

(ii) following service of a Notice to Pay:

$$N \times \frac{\text{Current Balance of all the Loans in the Portfolio}}{\text{the Sterling Equivalent of the Required Redemption Amount in respect of each Series of Covered Bonds then outstanding less any amounts standing to the credit of the Transaction Account available to redeem the Earliest Maturing Covered Bonds and the principal amount of any Authorised Investments}}$$

where "N" is an amount equal to the Sterling Equivalent of the Required Redemption Amount of the Earliest Maturing Covered Bonds less amounts standing to the credit of the Transaction Account and the principal amount of any Authorised Investments.

The LLP will offer the Selected Loans and their Related Security for sale to Purchasers for the best price reasonably available but in any event:

(A) following the service of an Asset Coverage Test Breach Notice (but prior to the service of a Notice to Pay), for an amount not less than the Current Balance of the Selected Loans; and

(B) following service of a Notice to Pay, for an amount not less than the Adjusted Required Redemption Amount.

Following the service of a Notice to Pay, if the Selected Loans and their Related Security have not been sold (in whole or in part) in an amount equal to the Adjusted Required Redemption Amount by the date which is six months prior to, as applicable, the Extended Due for Payment Date in respect of the Earliest Maturing Covered Bonds (after taking into account all payments, provisions and credits to be made in priority thereto), then the LLP will offer the Selected Loans for sale for the best price reasonably available notwithstanding that such amount may be less than the Adjusted Required Redemption Amount.

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

The LLP is also permitted to offer for sale to Purchasers a Partial Portfolio. Except in circumstances where the portfolio of Selected Loans is being sold within six months of, as applicable, the Final Maturity Date or the Extended Due for Payment Date in respect of the Series of Covered Bonds to be repaid from such proceeds, the sale price of the Partial Portfolio (as a proportion of the Adjusted Required Redemption Amount) shall be at least equal to the proportion that the Partial Portfolio bears to the relevant portfolio of Selected Loans.

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

In respect of any sale or refinancing of Selected Loans and their Related Security following service of an Asset Coverage Test Breach Notice (if not revoked) or a Notice to Pay, the LLP will instruct the Portfolio Manager to use all reasonable endeavours to procure that Selected Loans are sold as quickly as reasonably practicable (in accordance with the recommendations of the portfolio manager) taking into account the market conditions at that time and the scheduled repayment dates of the Covered Bonds and the terms of the LLP Deed.

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

Loans from the Security unless the conditions relating to the release of the Security (as described under – "*Deed of Charge – Release of Security*" below) are satisfied.

Following the service of a Notice to Pay, if Purchasers accept the offer or offers from the LLP so that some or all of the Selected Loans shall be sold prior to the next following Final Maturity Date or the next following Extended Due for Payment Date in respect of the Earliest Maturing Covered Bonds, then the LLP will, subject to the foregoing paragraph, enter into a sale and purchase agreement with the relevant Purchasers which will require among other things a cash payment from the relevant Purchasers. Any such sale will not include any Representations and Warranties from the LLP in respect of the Loans or the Related Security unless expressly agreed by the Security Trustee or otherwise agreed upon with the Seller.

Covenants of the LLP and the Members

Each of the Members covenants that, subject to the terms of the Transaction Documents, it will not sell, transfer, convey, create or permit to arise any security interest on, declare a trust over, create any beneficial interest in or otherwise dispose of its interest in the LLP without the prior written consent of the LLP and, whilst the Covered Bonds are outstanding, the Security Trustee. Whilst any amounts are outstanding in respect of the Covered Bonds, each of the Members undertakes not to terminate or purport to terminate the LLP or institute any winding-up, administration, insolvency or similar proceedings against the LLP.

The LLP covenants that it will not, save with the prior written consent of the LLP Management Committee (and, for so long as any Covered Bonds are outstanding, the consent of the Security Trustee) or as envisaged by the Transaction Documents:

(a) create or permit to subsist any security interest over the whole or any part of its assets or undertakings, present or future (unless arising by operation of law);

(b) transfer, sell, lend, part with or otherwise dispose of, deal with or grant any option or present or future right to acquire any of its assets or undertakings or any interest therein or thereto;

(c) have an interest in a bank account other than as set out in the Transaction Documents;

(d) incur any indebtedness or give any guarantee or indemnity in respect of any such indebtedness;

(e) consolidate or merge with or transfer its properties or assets substantially as an entirety to any other person;

(f) have any employees, premises or subsidiaries;

(g) acquire assets other than pursuant to the Mortgage Sale Agreement, the Cash Management Agreement and the LLP Deed;

(h) engage in any activities or derive income from any activities within the United States or hold any property if doing so would cause it to be engaged or deemed to be engaged in a trade or business within the United States;

(i) enter into any contracts, agreements or other undertakings;

(j) compromise, compound or release any debt due to it;

(k) commence, defend, settle or compromise any litigation or other claims relating to it or any of its assets; or

(l) be a member of any VAT Group.

The LLP and each of the Members further covenants that it will:

(i) ensure that the Asset Pool will only comprise those assets set out in items (a) to (h) of Regulation 3(1) (*Asset Pool*) of the RCB Regulations;

(ii) ensure that the Loans and the Related Security, the Substitution Assets and the Authorised Investments contained in the Asset Pool comply with the definition of "eligible property" in Regulation 2 (*Eligible Property*) of the RCB Regulations;

(iii) keep a record of those assets that form part of the Asset Pool (which, for the avoidance of doubt, shall not include any Swap Collateral) as prescribed by Regulation 3(2) of the RCB Regulations; and

(iv) at all times comply with its obligations under the RCB Regulations and/or the RCB Sourcebook.

Limit on Investing in Substitution Assets

Prior to the service of an Asset Coverage Test Breach Notice (if not revoked) or a Notice to Pay on the LLP, the LLP will be permitted to invest Available Revenue Receipts, Available Principal Receipts and the proceeds of Term Advances standing to the credit of the LLP Accounts in Substitution Assets, provided that the aggregate amount so invested in Substitution Assets does not exceed 10 per cent. of the total assets of the LLP at any one time and provided that such investments are made in accordance with the terms of the Cash Management Agreement. Depositing such amounts in any LLP Account will not constitute an investment in Substitution Assets for these purposes.

Following service of an Asset Coverage Test Breach Notice (if not revoked) or a Notice to Pay on the LLP, all Substitution Assets must be sold by the LLP (or the Cash Manager on its behalf) as quickly as reasonably practicable and the proceeds credited to a Transaction Account and the LLP will be permitted to invest all available monies in Authorised Investments, provided that such investments are made in accordance with the terms of the Cash Management Agreement.

There is no limit on the amounts that the LLP shall be entitled to invest in Authorised Investments.

Other Provisions

The allocation and distribution of Revenue Receipts, Principal Receipts and all other amounts received by the LLP is described under "*Cashflows*" below.

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

For so long as any Covered Bonds are outstanding, each Member has agreed that it will not dissolve or purport to dissolve the LLP or institute any winding-up, administration, insolvency or other similar proceedings against the LLP. Furthermore, the Members have agreed among other things not to demand or receive payment of any amounts payable by the LLP (or the Cash Manager on its behalf) or the

Security Trustee unless all amounts then due and payable by the LLP to all other creditors ranking higher in the relevant Priorities of Payments have been paid in full.

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

Following the appointment of a liquidator to any Member (other than the Liquidation Member), any decisions of the LLP that are reserved to the Members in the LLP Deed shall be made by the Liquidation Member only.

The LLP Deed and any non-contractual obligations arising out of or in connection with it are governed by English law.

Cash Management Agreement

The Cash Manager will provide certain cash management services to the LLP pursuant to the terms of the Cash Management Agreement entered into on the Programme Date between the LLP, Principality in its capacity as the Cash Manager and the Security Trustee.

The Cash Manager's services include but are not limited to:

(a) maintaining the Ledgers on behalf of the LLP;

(b) maintaining records of all Authorised Investments and/or Substitution Assets, as applicable in accordance with Regulation 3(2) of the RCB Regulations;

(c) distributing the Revenue Receipts and the Principal Receipts in accordance with the Priorities of Payment described under "*Cashflows*" below;

(d) determining whether the Asset Coverage Test is satisfied on each Calculation Date in accordance with the LLP Deed, as more fully described under "*Credit Structure – Asset Coverage Test*" below;

(e) determining whether the Amortisation Test is satisfied on each Calculation Date following an Issuer Event of Default in accordance with the LLP Deed, as more fully described under "*Credit Structure – Amortisation Test*" below;

(f) providing the FCA with information on the composition of any Substitution Assets and/or Authorised Investments comprised in the assets of the LLP and/or such other information as may be required by the FCA in accordance with the RCB Regulations;

(g) preparation of Investor Reports for the Covered Bondholders, the Rating Agencies and the Bond Trustee;

(h) making the necessary notifications and procuring the necessary payments with respect to any Cash Capital Contributions which are to be credited to the Coupon Payment Ledger; and

(i) opening additional cash and/or securities accounts on behalf of the LLP in accordance with the terms of the Transaction Documents.

In relation to each Series of Covered Bonds that: (a) does not have monthly Interest Payment Dates; and (b) does not have a Covered Bond Swap in place (each such Series, an "**Accumulation Series of Covered Bonds**"), the Cash Manager shall maintain the Interest Accumulation Ledger, to which the

LLP Monthly Interest Amount will (prior to the occurrence of a Cash Manager Relevant Event) be credited on each LLP Payment Date. Amounts standing to the credit of the Interest Accumulation Ledger which have accumulated in respect of a Series of Covered Bonds will be applied: (i) prior to the service of a Notice to Pay, on the immediately following Term Advance Interest Payment Date or where the Term Advance Interest Payment Date is also an LLP Payment Date, on such LLP Payment Date in making interest payments, in accordance with the terms of the Intercompany Loan Agreement and the Cash Management Agreement; or (ii) following the service of a Notice to Pay, on the immediately following Interest Payment Date, or where the Interest Payment Date is also an LLP Payment Date on that Interest Payment Date (together with any applicable Available Revenue Receipts) in making payments in respect of interest due on the Covered Bonds.

In certain circumstances the LLP and the Security Trustee will each have the right to terminate the appointment of the Cash Manager in which event the LLP will appoint a substitute (the identity of which will be subject to the Security Trustee's written approval). Any substitute cash manager will have substantially the same rights and obligations as the Cash Manager (although the fee payable to the substitute cash manager may be higher).

Back-up Cash Manager

For so long as Principality is acting as Cash Manager, upon the Cash Manager ceasing to be assigned both a long-term counterparty risk assessment by Moody's of at least Baa3(cr) and a long-term issuer default rating by Fitch of at least BBB- (a "**Back-Up Cash Manager Event**"), Principality will use best efforts to appoint a back-up cash manager (the "**Back-Up Cash Manager**") acceptable to the Security Trustee who would be willing to replace the Cash Manager on terms substantially similar to those set out in the Cash Management Agreement, provided that where the LLP and, prior to the occurrence of a Cash Manager Termination Event, the Cash Manager determine that it is not practicable, taking into account the then prevailing market conditions, to agree terms substantially similar to those set out in the Cash Management Agreement with such Back-Up Cash Manager, the LLP and, prior to the occurrence of a Cash Manager Termination Event, the Cash Manager shall have certified in writing to the Security Trustee and the Bond Trustee that, to the extent the terms are not substantially similar as aforementioned, such terms are fair and commercial terms taking into account the then prevailing current market conditions, which certificate may be relied upon by the Security Trustee and the Bond Trustee without liability and without further enquiry and shall be conclusive and binding on all parties and the Secured Creditors.

If the Cash Manager does not appoint a Back-Up Cash Manager within 60 days of being required to do so by the LLP, the Cash Manager shall immediately upon notice from the LLP appoint as Back-Up Cash Manager such person as may be specified by the LLP (provided such person is acceptable to the Security Trustee).

Governing law

The Cash Management Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

Interest Rate Swap Agreement

Sterling payments to be made by the LLP under the Covered Bond Swaps or under the Intercompany Loan Agreement (prior to the service of a Notice to Pay on the LLP) and under the Covered Bond Guarantee in respect of Covered Bonds (after the service of a Notice to Pay on the LLP) for which there are no Covered Bond Swaps are based on a compounded daily SONIA rate. Some of the Loans in the Portfolio pay a variable rate of interest for a period of time that may be linked either to the Seller's Standard Variable Rate or to an interest rate other than the Seller's Standard Variable Rate, such as a

rate that tracks the Bank of England base rate. Other Loans pay a fixed rate of interest for a period of time. To provide a hedge against some or all of the possible variances between:

(a) the rates of interest payable on some or all of the Loans in the Portfolio; and

(b) a compounded daily SONIA rate,

the LLP may enter into one or more Interest Rate Swaps with one or more Interest Rate Swap Providers from time to time, which may cover some or all of the rates of interest payable on the Loans in the Portfolio.

On the Programme Establishment Date, the LLP and Principality Building Society (in its capacity as an Interest Rate Swap Provider) entered into an Interest Rate Swap Agreement and an Interest Rate Swap which has a notional amount which covers the fixed rate Loans. As at the date of this Base Prospectus, the LLP will not enter into interest rate swaps referencing variable rate Loans in the Cover Pool. On each LLP Payment Date (subject to the amounts being paid net of one another), the LLP will pay an amount equal to the product of:

(i) the principal balance of the fixed rate Loans which are Performing Loans in the Portfolio for the related Calculation Period; and

(ii) the weighted average interest rate in respect of the fixed rate Loans which are Performing Loans for the related Calculation Period,

and the relevant Interest Rate Swap Provider will pay an amount equal to the product of:

(i) the principal balance of the fixed rate Loans which are Performing Loans in the Portfolio for the related Calculation Period; and

(ii) GBP_SONIA_COMPOUND (as defined in the relevant Interest Rate Swap Agreement) plus a spread,

in each case multiplied by a day count fraction.

Each Interest Rate Swap is scheduled to terminate on the earliest of:

(a) the date on which the notional amount of the relevant Interest Rate Swap reduces to zero; and

(b) the date on which the number of Loans in the Portfolio is reduced to zero.

If the ratings of an Interest Rate Swap Provider fall below a specified ratings level, such Interest Rate Swap Provider may be required to post collateral for its obligations under the relevant Interest Rate Swap Agreement, transfer its obligations under the relevant Interest Rate Swap Agreement to an appropriately rated entity, obtain a guarantee of its obligations under the relevant Interest Rate Swap Agreement from an appropriately rated guarantor and/or take such other action (which may include no action) which will result in the ratings assigned to the Covered Bonds being maintained at, or restored to, the level at which the Covered Bonds were rated immediately prior to the date on which the Interest Rate Swap Provider downgrade occurred. A failure to take such steps will allow the LLP to terminate the Interest Rate Swaps entered into under that Interest Rate Swap Agreement.

The Interest Rate Swaps may be terminated early in certain circumstances (each referred to as an "**Interest Rate Swap Early Termination Event**"), as more fully set out in the relevant Interest Rate Swap Agreement, including, without limitation:

(a) if there is a failure by a party to pay any amounts due by that party under such Interest Rate Swap Agreement; and

(b) upon the occurrence of the insolvency of the Interest Rate Swap Provider, or any credit support provider of the Interest Rate Swap Provider, and certain insolvency-related events in respect of the LLP, or the merger of the Interest Rate Swap Provider without an assumption of the obligations under the Interest Rate Swap Agreement.

The Interest Rate Swap Early Termination Events described in paragraphs (a) and (b) above will constitute Events of Default under (and as defined in) the relevant Interest Rate Swap Agreement.

Upon the termination of an Interest Rate Swap pursuant to an Interest Rate Swap Early Termination Event, the LLP or the Interest Rate Swap Provider may be liable to make a termination payment to the other in accordance with the provisions of the Interest Rate Swap Agreement.

If there is a default by an Interest Rate Swap Provider under an Interest Rate Swap Agreement, or an Interest Rate Swap is terminated early, the LLP shall use its reasonable efforts to enter into a replacement Interest Rate Swap in respect of the rates of interest payable on the relevant Loans in the Portfolio.

Any such replacement swap must be entered into after termination of the relevant Interest Rate Swap(s) and on terms acceptable to the LLP and the Security Trustee and subject to the Rating Condition being satisfied.

Any Swap Collateral Excluded Amounts and amounts payable in respect of Tax Credits will be paid to the Interest Rate Swap Provider directly and not via the Priorities of Payments.

If withholding taxes are imposed on payments made by the Interest Rate Swap Provider under the Interest Rate Swap Agreement, the Interest Rate Swap Provider shall always be obliged to gross up these payments.

If withholding taxes are imposed on payments made by the LLP to the Interest Rate Swap Provider under the Interest Rate Swap Agreement, the LLP shall not be obliged to gross up those payments.

If the LLP is required to sell Selected Loans in the Portfolio in order to provide liquidity in respect of the Earliest Maturing Covered Bonds following an Issuer Event of Default and service of a Notice to Pay on the LLP, then, to the extent practicable and desirable, either:

(a) the Interest Rate Swap in respect of such Loans will partially terminate and any breakage costs payable by or to the LLP in connection with such termination will be taken into account in calculating the Adjusted Required Redemption Amount for the sale of the Selected Loans; or

(b) such Interest Rate Swap will be partially novated to the purchaser of such Loans, and such purchaser will thereby become party to a separate interest rate swap transaction with the relevant Interest Rate Swap Provider.

Under the Interest Rate Swap Agreement, the LLP's obligations are limited in recourse to the Charged Property.

The Interest Rate Swap Agreement and any non-contractual obligation arising in, out of or in relation to the Interest Rate Swap Agreement are governed by English law.

Covered Bond Swap Agreements

The LLP will enter into one or more Covered Bond Swaps with one or more Covered Bond Swap Providers. Each Covered Bond Swap will provide a hedge against certain interest rate and currency risks in respect of amounts received by the LLP under the Loans and the relevant Interest Rate Swap and amounts payable by the LLP under the Intercompany Loan Agreement (prior to the service of a Notice to Pay on the LLP) and under the Covered Bond Guarantee in respect of Covered Bonds (after the service of a Notice to Pay on the LLP).

Where required to hedge such risks, there will be one (or more) Covered Bond Swap Agreement(s) and Covered Bond Swap(s) in relation to each Series or Tranche, as applicable, of Covered Bonds. Under the Covered Bond Swaps on the relevant Issue Date, the LLP will pay to the Covered Bond Swap Provider the amount received by the LLP under the applicable Term Advance (being an amount equal to the gross proceeds of the issue of such Series or Tranche, as applicable, of Covered Bonds) and in return the Covered Bond Swap Provider will pay an amount equal to the Sterling Equivalent of the applicable Term Advance. Thereafter, the Covered Bond Swap Provider will pay to the LLP on each Interest Payment Date amounts equivalent to the amounts that would be payable by the LLP under either the applicable Term Advance in accordance with the terms of the Intercompany Loan Agreement or the Covered Bond Guarantee in respect of interest and principal payable under the relevant Series or Tranche of Covered Bonds. In return, the LLP will pay monthly to the Covered Bond Swap Provider an amount in Sterling calculated by reference to a compounded daily SONIA rate for the relevant calculation period plus a spread and the Sterling Equivalent of any principal due in respect of the relevant Term Advance in accordance with the Intercompany Loan Agreement or the Covered Bond Guarantee.

If prior to the Final Maturity Date in respect of the relevant Series or Tranche of Covered Bonds or (if an Extended Due for Payment Date is specified as applicable in the Final Terms for a Series of Covered Bonds and the payment of the amount corresponding to the Final Redemption Amount or any part of it by the LLP under the Covered Bond Guarantee is deferred until the relevant Extended Due for Payment Date pursuant to Condition 6(a) of the Terms and Conditions of the Covered Bonds) any Interest Payment Date thereafter up to (and including) the relevant Extended Due for Payment Date, the LLP notifies (pursuant to the terms of the Covered Bond Swap) the relevant Covered Bond Swap Provider of the amount in the Specified Currency to be paid by the Covered Bond Swap Provider on such Final Maturity Date or Interest Payment Date (such amount being equal to the Final Redemption Amount or the relevant portion thereof payable by the LLP on such Final Maturity Date or Interest Payment Date under the Covered Bond Guarantee in respect of the relevant Series or Tranche of Covered Bonds), the Covered Bond Swap Provider will pay the LLP such amount and the LLP will pay the Covered Bond Swap Provider the Sterling Equivalent of such amount. Further, if on any day an Early Redemption Amount is payable pursuant to Condition 9(b), the Covered Bond Swap Provider will pay the LLP such Amount (or the relevant portion thereof) and the LLP will pay the Covered Bond Swap Provider the Sterling Equivalent thereof, following which the notional amount of the relevant Covered Bond Swaps will reduce accordingly.

Each Covered Bond Swap will terminate (in the absence of a Covered Bond Swap Early Termination Event or a Covered Bond Swap Rating Termination Event (as defined below)) on the earlier of:

(a) the date on which the relevant Series or Tranche of Covered Bonds is redeemed pursuant to Condition 9(b);

(b) the Final Maturity Date or, if the LLP notifies the Covered Bond Swap Provider, prior to the Final Maturity Date, of the inability of the LLP to pay in full Guaranteed Amounts corresponding to the Final Redemption Amount, the final Interest Payment Date on which an amount representing the Final Redemption Amount is paid (but in any event not later than the Extended Due for Payment Date); and

(c) the final date on which the Security Trustee distributes the proceeds of the Security in accordance with the Post-Enforcement Priority of Payments, following the enforcement of the Security pursuant to Condition 9(b).

Under the terms of each Covered Bond Swap Agreement, in the event that the relevant rating of the Covered Bond Swap Provider is downgraded by a Rating Agency below the rating(s) specified in the relevant Covered Bond Swap Agreement for the Covered Bond Swap Provider, and, where applicable, as a result of the downgrade, the then current ratings of the Covered Bonds would or may, as applicable, be adversely affected, the Covered Bond Swap Provider will, in accordance with the relevant Covered Bond Swap Agreement, be required to take certain remedial measures which may include providing collateral for its obligations under the Covered Bond Swap Agreement, arranging for its obligations under the Covered Bond Swap Agreement to be transferred to an entity with the ratings specified in the Covered Bond Swap Agreement, procuring another entity with the rating(s) specified in the Covered Bond Swap Agreement to become co-obligor in respect of its obligations under the Covered Bond Swap Agreement, or taking such other action (which may include no action) as may be specified in current rating agency criteria published by or as otherwise agreed upon with the Rating Agencies as being sufficient to maintain the current ratings of the Covered Bonds or restore the ratings of the Covered Bonds to the level they were at immediately prior to the downgrade of the Covered Bond Swap Provider. A failure to take such steps will allow the LLP to terminate the Covered Bond Swaps entered into under that Covered Bond Swap Agreement (a "**Covered Bond Swap Rating Termination Event**").A Covered Bond Swap Agreement may also be terminated in certain other circumstances (each referred to as a "**Covered Bond Swap Early Termination Event**"), which may include, without limitation:

(a) at the option of any party to that Covered Bond Swap Agreement, if there is a failure by the other party to pay any amounts due under such Covered Bond Swap Agreement; and

(b) upon the occurrence of the insolvency of the relevant Covered Bond Swap Provider or any guarantor, and certain insolvency-related events in respect of the LLP or the merger of the Covered Bond Swap Provider without an assumption of the obligations under the relevant Covered Bond Swap Agreement.

Upon the termination of a Covered Bond Swap Agreement, the LLP or the relevant Covered Bond Swap Provider may be liable to make a termination payment to the other in accordance with the provisions of the relevant Covered Bond Swap Agreement. The amount of this termination payment will be calculated and made either in Sterling, or in respect of some Covered Bond Swap Agreements, in the same currency as the Series or Tranche of Covered Bonds to which such Covered Bond Swap Agreement relates.

Any termination payment made by the Covered Bond Swap Provider to the LLP in respect of a Covered Bond Swap Agreement will first be used to the extent necessary (prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security) to pay a replacement Covered Bond Swap Provider (or replacement Covered Bond Swap Providers) to enter into a replacement Covered Bond Swap with the LLP, unless a replacement Covered Bond Swap Agreement (or replacement

Covered Bond Swap Agreements) has already been entered into on behalf of the LLP. Any premium received by the LLP from a replacement Covered Bond Swap Provider in respect of a replacement Covered Bond Swap will first be used to make any termination payment due and payable by the LLP with respect to the previous Covered Bond Swap Agreement, unless such termination payment has already been made on behalf of the LLP.

If the LLP receives any Tax Credits in respect of a Swap prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice, such Tax Credits will be used to reimburse the relevant Swap Provider for any gross-up in respect of any withholding or deduction made under the relevant Swap. Prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice, any Swap Collateral Excluded Amounts in respect of a Swap will be returned to the relevant Swap Provider subject to the terms of the relevant Swap Agreement.

If withholding taxes are imposed on payments made by any Covered Bond Swap Provider to the LLP under a Covered Bond Swap Agreement, such Covered Bond Swap Provider shall always be obliged to gross up those payments, save where such payments are imposed pursuant to FATCA. If withholding taxes are imposed on payments made by the LLP to the Covered Bond Swap Provider under a Covered Bond Swap Agreement, the LLP shall not be obliged to gross up those payments.

In the event that the Covered Bonds are redeemed and/or cancelled in accordance with the Conditions, the Covered Bond Swap(s) in connection with such Covered Bonds will terminate or partially terminate, as the case may be. Any breakage costs payable by or to the LLP in connection with such termination will be taken into account in calculating:

(a) the Adjusted Required Redemption Amount for the Sale of Selected Loans; and

(b) the purchase price to be paid for the relevant Covered Bonds purchased by the LLP in accordance with Condition 6(e).

The Covered Bond Swap Agreements and any non-contractual obligations arising out of or in connection with them will be governed by English law.

Bank Account Agreement

Pursuant to the terms of the Bank Account Agreement entered into on the Programme Date between the LLP, the Account Bank, the Cash Manager and the Security Trustee, the LLP will maintain the Transaction Account and the Swap Collateral Account with the Account Bank into which amounts may be deposited by the LLP.

Monies standing to the credit of the Transaction Account will be applied by the Cash Manager in accordance with the Priorities of Payments described below under "*Cashflows*". The Transaction Account will be operated in accordance with the Bank Account Agreement and the Cash Management Agreement, the LLP Deed and the Deed of Charge.

Amounts standing to the credit of the Transaction Account may be required to be transferred to an alternative bank in certain circumstances, including if the Account Bank fails to have any of the Account Bank Ratings (unless an unconditional and unlimited guarantee of the Account Bank's obligations under the Bank Account Agreement is obtained from a financial institution that has the Account Bank Ratings or such other action as may be deemed appropriate by the Rating Agencies in order to maintain the then current ratings of the Covered Bonds is taken).

The Bank Account Agreement and any non-contractual obligations arising out of or in respect of it are governed by English law.

Corporate Services Agreement

The Liquidation Member and Holdings have entered into a Corporate Services Agreement with, *inter alios*, Maples Fiduciary Services (UK) Limited, (as Corporate Services Provider) on the Programme Date, pursuant to which the Corporate Services Provider has agreed to provide corporate services to the Liquidation Member and Holdings respectively.

The Corporate Services Agreement and any non-contractual obligations arising out of or in respect of it are governed by English law.

Issuer-ICSDs Agreement

The Issuer has entered into an agreement with Euroclear Bank SA/NV and Clearstream Banking SA (the "**ICSDs**") in respect of any Covered Bonds issued in NGCB form (the "**Issuer-ICSDs Agreement**"). The Issuer-ICSDs Agreement provides that the ICSDs will, in respect of any such NGCBs, maintain their respective portion of the issue outstanding amount through their records.

The Issuer-ICSDs Agreement and any non-contractual obligations arising out of or in respect of it are governed by English law.

Deed of Charge

Pursuant to the terms of the Deed of Charge, the Secured Obligations of the LLP and all other obligations of the LLP under or pursuant to the Transaction Documents to which it is a party are secured, among other things, by the following security (the "**Security**") over the following property, assets and rights (the "**Charged Property**"):

(a) a first fixed charge (which may take effect as a floating charge) over the LLP's interest in the Loans and their Related Security and other related rights comprised in the Portfolio;

(b) an assignment by way of first fixed security over the rights of the LLP in and to the Insurance Policies;

(c) an assignment by way of first fixed security over all of the LLP's interests, rights and entitlements under and in respect of any Transaction Document to which it is a party (and, in respect of the Interest Rate Swap Agreements and Covered Bond Swap Agreements, after giving effect to all applicable netting provisions therein);

(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 any Excess Proceeds) and any other account of the LLP and all amounts standing to the credit of the LLP Accounts and such other accounts;

(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 all the assets and undertakings of the LLP.

Release of Security

In the event of any sale of Loans (including Selected Loans) and their Related Security by the LLP pursuant to and in accordance with the Transaction Documents, such Loans and their Related Security will be deemed automatically released from the Security created by and pursuant to the Deed of Charge on the date of such sale but only if, in the case of the Sale of Selected Loans, the Selected Loans being

sold have been selected on a random basis. In the event of the repurchase of a Loan and its Related Security by the Seller pursuant to and in accordance with the Transaction Documents, the Loan and its Related Security will be deemed automatically released from the Security created by and pursuant to the Deed of Charge on the date of the repurchase.

Enforcement

If an LLP Acceleration Notice is served on the LLP, the Security Trustee shall be entitled to appoint a Receiver and/or enforce the Security constituted by the Deed of Charge (including selling the Portfolio), and/or take such steps as it shall deem necessary, subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction. All proceeds (other than any Third Party Amount, Swap Collateral Excluded Amounts or amounts payable in respect of Tax Credits) received by the Security Trustee from the enforcement or realisation of the Security will be applied in accordance with the Post-Enforcement Priority of Payments described under "*Cashflows*".

The Deed of Charge and any non-contractual obligations arising out of or in respect of it are governed by English law.

CREDIT STRUCTURE

The Covered Bonds will be direct, unsecured and unconditional obligations of the Issuer. The LLP has no obligation to pay the Guaranteed Amounts under the Covered Bond Guarantee until the occurrence of an Issuer Event of Default, service by the Bond Trustee on the Issuer of an Issuer Acceleration Notice and on the LLP of a Notice to Pay or, if earlier, following the occurrence of an LLP Event of Default, service by the Bond Trustee of an LLP Acceleration Notice. The Issuer will not be relying on payments by the LLP in respect of the Term Advances or receipt of Revenue Receipts or Principal Receipts from the Portfolio in order to pay interest or repay principal under the Covered Bonds.

There are a number of features of the Programme which enhance the likelihood of timely and, as applicable, ultimate payments to the Covered Bondholders, as follows:

(a) the Covered Bond Guarantee provides credit support to the Issuer;

(b) the Asset Coverage Test is intended to test the asset coverage of the LLP's assets in respect of the Covered Bonds at all times;

(c) the Amortisation Test is intended to test the asset coverage of the LLP's assets in respect of the Covered Bonds following the occurrence of an Issuer Event of Default, service of an Issuer Acceleration Notice on the Issuer and service of a Notice to Pay on the LLP; and

(d) a Reserve Fund (unless Principality's short-term unsecured, unsubordinated and unguaranteed debt obligations are assigned a rating of at least F1+ by Fitch and Principality's short-term counterparty risk assessment is at least P-1(cr) by Moody's) will be established by the LLP in the Transaction Account to trap Available Revenue Receipts.

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

In addition, the Issuer is required to comply with the terms of the Regulated Covered Bonds Regulations, as to which see further "*Description of the UK Regulated Covered Bond Regime*" below.

Guarantee

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

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

Asset Coverage Test

The Asset Coverage Test is intended to ensure that the LLP can meet its obligations under the Covered Bond Guarantee and senior ranking expenses which will include costs relating to the maintenance, administration and winding-up of the Asset Pool whilst the Covered Bonds are outstanding. Under the LLP Deed, the LLP and its Members (other than the Liquidation Member) must ensure that on each Calculation Date the Adjusted Aggregate Loan Amount will be in an amount equal to or in excess of

the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date. If on any Calculation Date the Asset Coverage Test is not satisfied and such failure is not remedied on or before the next following Calculation Date, the Asset Coverage Test will be breached and the LLP (or the Cash Manager on its behalf) shall immediately notify in writing the Members, the Bond Trustee and the Security Trustee and the Bond Trustee will serve an Asset Coverage Test Breach Notice on the LLP. The Asset Coverage Test is a formula which adjusts the Current Balance of each Loan in the Portfolio and has further adjustments to take account of set-off on a Borrower's savings accounts held with the Seller and failure by the Seller, in accordance with the Mortgage Sale Agreement, to repurchase Defaulted Loans or Loans that do not materially comply with the Representations and Warranties on the relevant Transfer Date.

See further "*Summary of the Principal Documents – LLP Deed – Asset Coverage Test*" above.

An Asset Coverage Test Breach Notice will be revoked if, on any Calculation Date falling on or prior to the third Calculation Date following the service of the Asset Coverage Test Breach Notice, the Asset Coverage Test is satisfied and neither a Notice to Pay nor an LLP Acceleration Notice has been served.

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

The Issuer is additionally required to ensure that the principal amount of the eligible property in the Asset Pool is greater than 108 per cent. of the Principal Amount Outstanding of the Covered Bonds in accordance with the RCB Regulations. See further "*Description of the UK Regulated Covered Bond Regime*" below.

Amortisation Test

The Amortisation Test is intended to ensure that if, following an Issuer Event of Default, service of an Issuer Acceleration Notice on the Issuer and the service of a Notice to Pay on the LLP (but prior to service on the LLP of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security), the assets of the LLP available to meet its obligations under the Covered Bond Guarantee fall to a level where the Covered Bondholders may not be repaid, an LLP Event of Default will occur and all amounts owing under the Covered Bonds may be accelerated. Under the LLP Deed, the LLP and its Members (other than the Liquidation Member) must ensure that, on each Calculation Date following an Issuer Event of Default and the service of a Notice to Pay on the LLP, the Amortisation Test Aggregate Loan Amount will be in an amount at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date. The Amortisation Test is a formula which adjusts the Current Balance of each Loan in the Portfolio and has further adjustments to take account of Loans in arrears. See further "*Summary of the Principal Documents – LLP Deed – Amortisation Test*" above.

Reserve Fund

A Reserve Fund (unless Principality's short-term unsecured, unsubordinated and unguaranteed debt obligations are assigned a rating of at least F1+ by Fitch and Principality's short-term counterparty risk assessment by Moody's is at least P-1(cr)) will be established by the LLP in the Transaction Account to trap Available Revenue Receipts. The LLP will not be required to maintain the Reserve Fund following the occurrence of an Issuer Event of Default.

Prior to the occurrence of an Issuer Event of Default, if the short-term counterparty risk assessment of the Issuer by Moody's is lower than P-1(cr) and/or the short-term issuer default rating of the Issuer by Fitch is lower than F1+, the LLP will be required to credit Available Revenue Receipts to the Reserve Fund up to an amount equal to the Reserve Fund Required Amount. The LLP will not be required to maintain the Reserve Fund following the occurrence of an Issuer Event of Default and service of a Notice to Pay.

The Reserve Fund will be funded from Available Revenue Receipts after the LLP has paid all of its obligations in respect of items ranking higher than the Reserve Ledger in the Pre-Acceleration Revenue Priority of Payments on each LLP Payment Date.

A Reserve Ledger will be maintained by the Cash Manager to record the balance from time to time of the Reserve Fund. Following the occurrence of an Issuer Event of Default and service of a Notice to Pay on the LLP, amounts standing to the credit of the Reserve Fund will be added to certain other income of the LLP in calculating Available Revenue Receipts.

Coupon Payments

If Principality is acting as Cash Manager pursuant to the Cash Management Agreement and a Cash Manager Relevant Event occurs and is continuing, the Seller will:

(a) within ten London Business Days of such Cash Manager Relevant Event make a Cash Capital Contribution to the LLP in an aggregate amount equal to:

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

  (ii) (in the case of a Term Advance where a Covered Bond Swap is in place) the Required Coupon Amount payable on the next date on which the LLP is due to make a payment under the relevant Covered Bond Swap) (other than those amounts due in respect of an Interim Exchange Date or Final Exchange Date (each as defined in the relevant Covered Bond Swap Agreement)) relating to each Term Advance; and/or

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

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

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

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

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

If a Cash Manager Relevant Event has occurred and is continuing, the LLP will not be required to hold amounts in respect of the LLP Monthly Interest Amount against the relevant Interest Accumulation Ledger in respect of an Accumulation Series of Covered Bonds, and may apply the amounts that would otherwise be paid into the Transaction Account and credited to the relevant Interest Accumulation Ledger, in accordance with the relevant Priority of Payments to credit the Coupon Payment Ledger. Any surplus over and above the amount to be deposited as described above will credited to the Interest Accumulation Ledger.

The LLP will procure that the Cash Capital Contribution it receives from the Seller is paid into a Transaction Account and credited to the Coupon Payment Ledger. On the date of receiving such Cash Capital Contribution the LLP will, on the direction of the Issuer, deliver an irrevocable payment instruction (specifying the ISIN Code and/or CUSIP as applicable or the relevant Series of Covered Bonds) to an Account Bank to pay such amounts to the Principal Paying Agent (where there is no Covered Bond Swap in place) or the relevant Covered Bond Swap Provider (where there is a Covered Bond Swap in place), as applicable, on the dates referred to above.

Interest Accumulation Ledger

In relation to each Accumulation Series of Covered Bonds, the Cash Manager shall maintain an Interest Accumulation Ledger in the Transaction Account, to which the LLP Monthly Interest Amount will be credited on each LLP Payment Date. Amounts standing to the credit of the Interest Accumulation Ledger in respect of each such Accumulation Series of Covered Bonds will be applied on the relevant Term Advance Interest Payment Date, together with Available Revenue Receipts (applied in accordance with the relevant Priorities of Payments), to make payments under the Term Advances or Covered Bonds, as applicable.

CASHFLOWS

As described above under "*Credit Structure*", until a Notice to Pay or LLP Acceleration Notice is served on the LLP, the Covered Bonds will be obligations of the Issuer only. The Issuer is liable to make payments when due on the Covered Bonds, whether or not it has received any corresponding payment from the LLP.

This section summarises the Priorities of Payments of the LLP, as to the allocation and distribution of amounts standing to the credit of the LLP Accounts and their order of priority:

(a) prior to service on the LLP of an Asset Coverage Test Breach Notice (which has not been revoked), a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security;

(b) following service of an Asset Coverage Test Breach Notice (and for so long as it has not been revoked);

(c) following service of a Notice to Pay; and

(d) following service of an LLP Acceleration Notice, realisation of the Security and/or the commencement of winding-up proceedings against the LLP.

LLP Payment Dates will occur monthly.

Allocation and distribution of Available Revenue Receipts prior to the service of an Asset Coverage Test Breach Notice (which has not been revoked), a Notice to Pay or an LLP Acceleration Notice

Prior to service of an Asset Coverage Test Breach Notice (which has not been revoked), a Notice to Pay or an LLP Acceleration Notice on the LLP and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, Available Revenue Receipts will be allocated and distributed as described below.

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

Pre-Acceleration Revenue Priority of Payments

Prior to service on the LLP of an Asset Coverage Test Breach Notice that has not been revoked, a Notice to Pay or service of an LLP Acceleration Notice on the LLP and/or the commencement of winding-up proceedings against the LLP and/or the realisation of the Security and whilst amounts are outstanding in respect of the Covered Bonds, Available Revenue Receipts will be applied by or on behalf of the LLP on each LLP Payment Date (except for amounts due to the Bond Trustee, the Security Trustee or other third parties under item (a) or (b) below or Third Party Amounts, which shall be paid when due) in making the following payments and provisions (the "**Pre-Acceleration Revenue Priority of Payments**") (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

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

(i) all amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Bond Trustee or any Appointee (including

remuneration payable to it) under the provisions of the Trust Deed together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein; and

(ii) all amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Security Trustee or any Appointee (including remuneration payable to it) under the provisions of the Deed of Charge together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein;

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

(i) any amounts then due and payable or to become due and payable (including costs) in the immediately succeeding LLP Payment Period to the Agents under the provisions of the Agency Agreement and the Account Bank under the Bank Account Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and

(ii) any amounts then due and payable by the LLP to third parties and incurred without breach by the LLP of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere in the relevant Priorities of Payments) and to provide for any such amounts expected to become due and payable by the LLP in the immediately succeeding LLP Payment Period and to pay or discharge any liability of the LLP for taxes;

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

(i) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due and payable or to become due and payable to the Servicer pursuant to the terms of the Servicing Agreement in the immediately succeeding LLP Payment Period, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(ii) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due and payable or to become due and payable to the Cash Manager pursuant to the terms of the Cash Management Agreement in the immediately succeeding LLP Payment Period, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(iii) amounts (if any) then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to any Custodian (including costs) pursuant to the terms of any Custody Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(iv) 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;

(v) 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;

(vi) amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to any Back-Up Cash Manager pursuant to the terms of any Back-Up Cash Management Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(vii) amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to any Back-Up Servicer pursuant to the terms of any Back-Up Servicing Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and

(viii) amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Asset Monitor pursuant to the terms of the Asset Monitor Agreement (other than the amounts referred to in item (i) below), together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(d) *fourth*, in or towards payment *pro rata* and *pari passu* of any amount due and payable to each Interest Rate Swap Provider (including any termination payment due and payable by the LLP under the relevant Interest Rate Swap Agreement (but excluding any Excluded Swap Termination Amount)) (except to the extent that such amounts have been paid out of any premium received from the replacement Interest Rate Swap Provider) pursuant to the terms of the relevant Interest Rate Swap Agreement;

(e) *fifth*, in or towards payment *pro rata* and *pari passu* on the LLP Payment Date or to provide for payment on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine (and in the case of any such payment or provision, after taking into account any provisions previously made and any amounts received or receivable from an Interest Rate Swap Provider under the relevant Interest Rate Swap Agreement and, if applicable, any amounts (other than principal) received or receivable from a Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement on the LLP Payment Date or such date in the future as the Cash Manager may reasonably determine), of:

(i) taking into account any amounts paid from amounts credited to the Coupon Payment Ledger, in respect of any Term Advance with a Covered Bond Swap in place, any amounts due and payable or to become due and payable to the relevant Covered Bond Swap Providers (other than in respect of principal) *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment (other than a termination payment solely in respect of principal) due and payable by the LLP under the relevant Covered Bond Swap Agreement, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Covered Bond Swap Provider) pursuant to the terms of the relevant Covered Bond Swap Agreements;

(ii) taking into account any amounts paid from amounts credited to the Coupon Payment Ledger and, in respect of any Term Advance that relates to an Accumulation Series of Covered Bonds, any amount credited to the Interest Accumulation Ledger in respect of that Term Advance, in each case in respect of any Term Advance without a Covered Bond Swap in place, any amounts due to become due and payable (excluding principal amounts), *pro* rata and *pari passu* in respect of each relevant Term Advance to the Issuer pursuant to the terms of the Intercompany Loan Agreement; and

(iii) in respect of any Accumulation Series of Covered Bonds, where the amount is not due and payable in respect of any related Term Advance, to, if applicable, make a credit to the Interest Accumulation Ledger in respect of that Term Advance in an amount equal to the LLP Monthly Interest Amount;

(f) *sixth*, if a Servicer Event of Default has occurred, all remaining Available Revenue Receipts to be credited to the Transaction Account (with a corresponding credit to the Revenue Ledger) until such Servicer Event of Default is either remedied by the Servicer or a new servicer is appointed to service the Portfolio (or the relevant part thereof);

(g) *seventh*, in or towards a credit to the Reserve Ledger of an amount up to but not exceeding the amount by which the Reserve Fund Required Amount exceeds the existing balance on the Reserve Ledger as calculated on the immediately preceding Calculation Date;

(h) *eighth*, in or towards payment *pro rata* and *pari passu* in accordance with the respective amounts thereof of any Excluded Swap Termination Amounts due and payable by the LLP to each Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement and to the Interest Rate Swap Provider under the Interest Rate Swap Agreement;

(i) *ninth*, in or towards payment *pro rata* and *pari passu* in accordance with the respective amounts thereof of any indemnity amount due to the Asset Monitor pursuant to the Asset Monitor Agreement, and any indemnity amount due to the Members pursuant to the LLP Deed;

(j) *tenth*, in or towards repayment to the Seller of any Cash Capital Contributions made by Principality and deemed as revenue items or otherwise made to credit the Coupon Payment Ledger;

(k) *eleventh*, in or towards payment of Deferred Consideration due to the Seller for the transfer of the Loans and their Related Security to the LLP, to pay all remaining Available Revenue Receipts (except for an amount equal to the fee payable to the Liquidation Member in accordance with item (l) below and an amount equal to the profit to be paid to the Members in accordance with item (m) below) to the Seller;

(l) *twelfth*, in or towards payment of the fee due to the Liquidation Member; and

(m) *thirteenth*, towards payment *pro rata* and *pari passu* to the Members of a certain sum (specified in the LLP Deed) as their profit for their respective interests as Members of the LLP.

Any amounts (other than Swap Collateral Excluded Amounts) received by the LLP under an Interest Rate Swap Agreement on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payments made on any preceding LLP Payment Date, to make payments (other than in respect of principal) due and payable *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap to each relevant Covered Bond Swap Provider under each relevant Covered Bond Swap Agreement or, as the case may be, in respect of each relevant Term Advance under the Intercompany Loan Agreement unless an Asset Coverage Test Breach Notice has been served and has not been revoked or otherwise to make provision for such payments on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine.

Any amounts (other than in respect of principal and other than Swap Collateral Excluded Amounts) received by the LLP under a Covered Bond Swap on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payments made on any preceding LLP Payment Date, to make payments (other than principal) due and payable *pro rata*

and *pari passu* in respect of each relevant Term Advance under the Intercompany Loan Agreement or otherwise to make provision for such payments on such date in the future in such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine unless an Asset Coverage Test Breach Notice has been served and has not been revoked.

Any amounts (other than Swap Collateral Excluded Amounts) received under an Interest Rate Swap Agreement and any amounts (other than in respect of principal and other than Swap Collateral Excluded Amounts) received under the Covered Bond Swap Agreements on the LLP Payment Date or on any date prior to the next succeeding LLP Payment Date which are not put towards a payment or provision in accordance with item (e) above or the preceding two paragraphs will be credited to the Revenue Ledger on the relevant LLP Account and applied as Available Revenue Receipts on the next succeeding LLP Payment Date.

Pursuant to the Intercompany Loan Agreement and the LLP Deed, the Issuer requires the LLP to direct each Covered Bond Swap Provider to pay any amounts due to the LLP under a Covered Bond Swap, the proceeds of which would otherwise be applied by the LLP directly towards payment to the Issuer in satisfaction of amounts outstanding under any relevant Term Advance (in respect of which there is a Covered Bond Swap in place), and the LLP is required to pay certain other amounts otherwise to be applied directly towards payment to the Issuer in accordance with item (e)(ii) of the Pre-Acceleration Revenue Priority of Payments or item (c)(ii) of the Pre-Acceleration Principal Priority of Payments below, directly to the Principal Paying Agent, in each case, unless: (i) the Issuer has paid or discharged the corresponding payment under the relevant Series of Covered Bonds (in which case, the relevant amount shall be paid by the LLP to such account of the Issuer as is notified to the LLP by the Issuer for this purpose); or (ii) (in respect of a Term Advance where there is not a Covered Bond Swap in place) following a Cash Manager Relevant Event and for so long as a Cash Manager Relevant Event is continuing, the corresponding payment under the relevant Series of Covered Bonds has been paid, at the direction of the LLP from amounts standing to the credit of the Coupon Payment Ledger.

Amounts (if any) standing to the credit of any Transaction Account which are not available to be applied in accordance with items (a) to (m) of the Pre-Acceleration Revenue Priority of Payments above or items (a) to (d) of the Pre-Acceleration Principal Priority of Payments below will be credited to the appropriate ledger on the LLP Payment Date.

Allocation and Distribution of Principal Receipts prior to service of a Notice to Pay, service of an Asset Coverage Test Breach Notice and service of an LLP Acceleration Notice

Prior to service on the LLP of an Asset Coverage Test Breach Notice which has not been revoked, a Notice to Pay, the service of an LLP Acceleration Notice on the LLP and/or the commencement of winding-up proceedings against the LLP and/or the realisation of the Security and whilst amounts are outstanding in respect of the Covered Bonds, Available Principal Receipts will be allocated and distributed as described below.

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

If an LLP Payment Date is the same as an Interest Payment Date, then the distribution of Available Principal Receipts under the Pre-Acceleration Principal Priority of Payments will be delayed until the Issuer has made scheduled interest and/or principal payments on that Interest Payment Date unless payment is made by the LLP directly to the Bond Trustee (or the Principal Paying Agent at the direction of the Bond Trustee).

Pre-Acceleration Principal Priority of Payments

Prior to service on the LLP of an Asset Coverage Test Breach Notice (which has not been revoked), a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, all Available Principal Receipts (other than Cash Capital Contributions made from time to time by the Seller in its capacity as a Member), as calculated on the immediately preceding Calculation Date, will be applied by or on behalf of the LLP on each LLP Payment Date in making the following payments and provisions (the "**Pre-Acceleration Principal Priority of Payments**"):

(a) *first*, to acquire New Loans and their Related Security offered to the LLP by the Seller in accordance with the terms of the Mortgage Sale Agreement in an amount sufficient to ensure that taking into account the other resources available to the LLP, the LLP will be in compliance with the Asset Coverage Test on the next Calculation Date and thereafter to acquire Substitution Assets;

(b) *second*, to deposit the remaining Principal Receipts in the Transaction Account (with a corresponding credit to the Principal Ledger) in an amount sufficient to ensure that taking into account the other resources available to the LLP, the LLP will be in compliance with the Asset Coverage Test on the next Calculation Date;

(c) *third*, in or towards repayment *pro rata* and *pari passu* on the LLP Payment Date (or to provide for repayment on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine) of the corresponding Term Advance related to such Series of Covered Bonds by making the following payments:

(i) the amounts (in respect of principal) due or to become due and payable to the relevant Covered Bond Swap Providers *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment (relating solely to principal) due and payable by the LLP under the relevant Covered Bond Swap Agreements, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Swap Providers) in accordance with the terms of the relevant Covered Bond Swap Agreement; and

(ii) (where appropriate, after taking into account any amounts in respect of principal receivable from a Covered Bond Swap Provider on the LLP Payment Date or such date in the future as the Cash Manager may reasonably determine) the amounts (in respect of principal) due or to become due and payable to the Issuer *pro rata* and *pari passu* in respect of each relevant Term Advance; and

(d) *fourth*, subject to complying with the Asset Coverage Test, to make a Capital Distribution *pro rata* and *pari passu* to each Member (other than the Liquidation Member) in proportion to each such Member's Capital Contribution Balance as calculated on the immediately preceding Calculation Date in the LLP, in an amount equal to any remaining Available Principal Receipts, provided that only Available Principal Receipts that are specifically attributable to Loans sold or Cash Contributions made by a specific Member (in its capacity as Seller) shall be paid to that Member.

Unless an Asset Coverage Test Breach Notice has been served and not been revoked, any amounts in respect of principal received by the LLP under a Covered Bond Swap on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payments made on any preceding LLP Payment Date (provided that all principal amounts outstanding under the related Series of Covered Bonds which have fallen due for repayment on such date have been repaid in full by the Issuer), to make payments in respect of principal due and payable to the Issuer in

respect of the corresponding Term Advance under the Intercompany Loan Agreement or otherwise to make provision for such payments on such date in the future of such proportion of the relevant payment falling in the future as the Cash Manager may reasonably determine.

Any amounts of principal (other than Swap Collateral Excluded Amounts) received under the Covered Bond Swap Agreements on the LLP Payment Date or any date prior to the next succeeding LLP Payment Date which are not put towards a payment or provision in accordance with item (c) of the Pre-Acceleration Principal Priority of Payments or the preceding paragraph will be credited, on or before the LLP Payment Date, to the Principal Ledger and applied as Available Principal Receipts on the next succeeding LLP Payment Date.

Allocation and distribution of Available Revenue Receipts and Available Principal Receipts following service of an Asset Coverage Test Breach Notice

At any time after service on the LLP of an Asset Coverage Test Breach Notice (which has not been revoked), but prior to service of a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, all Available Revenue Receipts and Available Principal Receipts will continue to be applied in accordance with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments save that, whilst any Covered Bonds remain outstanding, no monies (including, for the avoidance of doubt, any monies then standing to the credit of the Interest Accumulation Ledger) will: be applied under item (e)(ii) (unless they are paid directly by the LLP to the Principal Paying Agent), (i) (to the extent only that such amounts are payable to the Members), (j), (k), (l) or (m) of the Pre-Acceleration Revenue Priority of Payments or item (a), (c)(ii) (unless they are paid directly by the LLP to the Principal Paying Agent) or (d) of the Pre-Acceleration Principal Priority of Payments.

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

At any time after the service of a Notice to Pay on the LLP, but prior to service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or the realisation of the Security and whilst amounts are outstanding in respect of the Covered Bonds, all Available Revenue Receipts and Available Principal Receipts (other than Third Party Amounts) will be applied as described below under "*Guarantee Priority of Payments*".

On each LLP Payment Date, the LLP or the Cash Manager on its behalf will transfer Available Revenue Receipts and Available Principal Receipts from the Revenue Ledger, the Reserve Ledger, the Principal Ledger or the Capital Account Ledger, as the case may be, to the Coupon Payment Ledger on the LLP Accounts, in an amount equal to the lower of: (a) the amount required to make the payments set out in the Guarantee Priority of Payments; and (b) the amount of all Available Revenue Receipts and Available Principal Receipts standing to the credit of such ledgers on the LLP Accounts.

The LLP will create and maintain ledgers for each Series of Covered Bonds and record amounts allocated to such Series of Covered Bonds in accordance with item (e) of the Guarantee Priority of Payments below, and such amounts, once allocated, will only be available to pay amounts due under the Covered Bond Guarantee and amounts due under the Covered Bond Swap in respect of the relevant Series of Covered Bonds on the scheduled repayment dates thereof.

Guarantee Priority of Payments

On each LLP Payment Date after the service on the LLP of a Notice to Pay (but prior to the service on the LLP of an LLP Acceleration Notice and/or the commencement of winding-up proceedings in respect of the LLP and/or realisation of the Security), the LLP (or the Cash Manager on its behalf) will apply

Available Revenue Receipts and Available Principal Receipts as calculated on the immediately preceding Calculation Date to make the following payments and provisions in the following order of priority (the "**Guarantee Priority of Payments**") (in each case only if and to the extent that payments of a higher priority have been made in full):

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

(i) all amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Bond Trustee or any Appointee (including remuneration payable to it) under the provisions of the Trust Deed together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein; and

(ii) all amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Security Trustee (including remuneration payable to it) under the provisions of the Deed of Charge or any Appointee together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein;

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

(i) any amounts then due and payable or to become due and payable (including costs) in the immediately succeeding LLP Payment Period to the Agents pursuant to the terms of the Agency Agreement and the Account Bank under the Bank Account Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and

(ii) any amounts then due and payable by the LLP to third parties and incurred without breach by the LLP of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere in the relevant Priorities of Payments) and to provide for any such amounts expected to become due and payable by the LLP in the immediately succeeding LLP Payment Period and to pay or discharge any liability of the LLP for taxes;

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

(i) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due and payable or to become due and payable to the Servicer pursuant to the terms of the Servicing Agreement in the immediately succeeding LLP Payment Period together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(ii) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due and payable or to become due and payable to the Cash Manager pursuant to the terms of the Cash Management Agreement in the immediately succeeding LLP Payment Period, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(iii) amounts (if any) then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to any Custodian (including costs) pursuant to the

terms of any Custody Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(iv) amounts due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Corporate Services Provider pursuant to the terms of the Corporate Services Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(v) 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;

(vi) amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to any Back-Up Cash Manager pursuant to the terms of any Back-Up Cash Management Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(vii) amounts then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to any Back-Up Servicer pursuant to the terms of any Back-Up Servicing Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and

(viii) amounts due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Asset Monitor pursuant to the terms of the Asset Monitor Agreement (other than the amounts referred to in item (j)), together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(d) *fourth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof, of any amounts due and payable to each Interest Rate Swap Provider (including any termination payment due and payable by the LLP under the relevant Interest Rate Swap Agreement but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premium received from the replacement Interest Rate Swap Provider) pursuant to the terms of the relevant Interest Rate Swap Agreements;

(e) *fifth*, to pay *pro rata* and *pari passu* according to the respective amounts thereof, of:

(i) taking into account any amounts paid from amounts credited to the Coupon Payment Ledger, in respect of any Term Advances with a Covered Bond Swap in place, any amounts due and payable, (or to become due and payable in the immediately succeeding LLP Payment Period) to the relevant Covered Bond Swap Providers (other than in respect of principal) *pro rata* and *pari passu* in respect of each relevant Covered Bond 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 Provider)) in accordance with the terms of the relevant Covered Bond Swap Agreement;

(ii) taking into account any amounts paid from amounts credited to the Coupon Payment Ledger and, in respect of any Term Advance that related to an Accumulation Series of Covered Bonds, any amounts credited to the Interest Accumulation Ledger in respect of that Series of Covered Bonds, in each case in respect of any Term Advance without a Covered Bond Swap in place, any amounts due and payable to the Bond Trustee or

(if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the Covered Bondholders *pro rata* and *pari passu* in respect of the Scheduled Interest that is Due for Payment (or will become Due for Payment in the immediately succeeding LLP Payment Period) under the Covered Bond Guarantee in respect of each Series of Covered Bonds; and

(iii) in respect of any Accumulation Series of Covered Bonds, where the amount is not due and payable in respect of any related Series of Covered Bonds, to, if applicable, make a credit to the Interest Accumulation Ledger in respect of that Series of Covered Bonds in an amount equal to the LLP Monthly Interest Amount,

but, in the case of any such payment or provision, after taking into account any amounts received or receivable from an Interest Rate Swap Provider in respect of the relevant Interest Rate Swap Agreement and, if applicable, any amounts (other than in respect of principal) received or receivable from a Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement on the relevant LLP Payment Date or in the immediately succeeding LLP Payment Period, provided that if the amount available for distribution under this item (e) (excluding any amounts received or to be received from the relevant Covered Bond Swap Provider) would be insufficient to pay the Sterling Equivalent of the Scheduled Interest that is Due for Payment in respect of each Series of Covered Bonds under item (e)(ii) above, the shortfall shall be divided among all such Series of Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider in respect of each relevant Covered Bond Swaps under item (e)(i) above shall be reduced by the amount of the shortfall applicable to the Series of Covered Bonds in respect of which such payment is to be made;

(f) *sixth*, to pay or provide for *pro rata* and *pari passu* according to the respective amounts thereof, of:

(i) the amounts (in respect of principal) due and payable (or to become due and payable in the immediately succeeding LLP Payment Period) to the relevant Covered Bond Swap Provider *pro rata* and *pari passu* in respect of each relevant Series of Covered Bonds but, for the avoidance of doubt, excluding any Excluded Swap Termination Amount pursuant to the terms of the relevant Covered Bond Swap Agreement; and

(ii) to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the Covered Bondholders *pro rata* and *pari passu* in respect of the Scheduled Principal that is Due for Payment (or will become Due for Payment in the immediately succeeding LLP Payment Period) under the Covered Bond Guarantee in respect of each Series of Covered Bonds,

but, in the case of any such payment or provision, after taking into account any principal amounts received or receivable from a Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement on the relevant LLP Payment Date or in the immediately succeeding LLP Payment Period, provided that if the amount available for distribution under this item (f) (excluding any amounts received or to be received from the relevant Covered Bond Swap Provider) in respect of the amounts referred to in item (f)(i) above would be insufficient to pay the Sterling Equivalent of the Scheduled Principal that is Due for Payment in respect of each relevant Series of Covered Bonds under item (f)(ii) above, the shortfall shall be divided among all such Series of Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider in respect of each relevant Covered Bond Swaps under item (f)(i) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

(g) *seventh*, in respect of any Series of Covered Bonds to which an Extended Due for Payment Date applies and whose Final Redemption Amount was not paid in full by the Extension Determination Date (the "**Extended Covered Bonds**") where the Extended Due for Payment Date is one year or less from the relevant LLP Date and any relevant Covered Bond Swap in respect thereof, on a *pro rata* and *pari passu* basis according to the respective amounts thereof, of:

(i) the amounts (in respect of principal) due and payable to each relevant Covered Bond Swap Provider (or to become due and payable in the immediately succeeding LLP Payment Period) *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (but, for the avoidance of doubt, excluding any Excluded Swap Termination Amount) pursuant to the terms of the relevant Covered Bond Swap Agreements; and

(ii) to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the Covered Bondholders *pro rata* and *pari passu* in respect of the Final Redemption Amount or the relevant proportion thereof under the relevant Covered Bond Guarantee in respect of each relevant Series of Extended Covered Bonds,

but, in the case of any such payment, after taking into account any amounts (in respect of principal) received or receivable from the relevant Covered Bond Swap Provider in respect of the Covered Bond Swap corresponding to the Extended Covered Bonds on the LLP Payment Date or in the immediately succeeding LLP Payment Period, provided that if the amount available for distribution under this item (g) (excluding any amounts received or to be received from the relevant Covered Bond Swap Provider) would be insufficient to pay the Sterling Equivalent of the Final Redemption Amount in respect of each relevant Series of Extended Covered Bonds under item (g)(ii) above, the shortfall shall be divided among all such Series of Extended Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider under each relevant Covered Bond Swap Agreement in respect of each relevant Series of Extended Covered Bonds under item (g)(i) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

(h) *eighth*, to deposit the remaining monies in the Transaction Account for application on the next following LLP Payment Date in accordance with the priority of payments described in items (a) to (g) (inclusive) above, until the Covered Bonds have been fully repaid or provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds);

(i) *ninth*, in or towards payment *pro rata* and *pari passu* in accordance with the respective amounts thereof of any Excluded Swap Termination Amount due and payable by the LLP to each Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement and to each Interest Rate Swap Provider under the relevant Interest Rate Swap Agreement;

(j) *tenth*, after the Covered Bonds have been fully repaid or provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds), any remaining monies will be applied in and towards repayment in full of amounts outstanding under the Intercompany Loan Agreement;

(k) *eleventh*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any indemnity amount due to the Members pursuant to the LLP Deed and certain costs, expenses and indemnity amounts due by the LLP to the Asset Monitor pursuant to the Asset Monitor Agreement; and

(l) *twelfth*, thereafter any remaining monies will be applied in accordance with the LLP Deed.

Any amounts (other than Swap Collateral Excluded Amounts) received by the LLP under an Interest Rate Swap Agreement on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payment made on any preceding LLP Payment Date, to make payments (other than in respect of principal) due and payable *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap to the relevant Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement or, as the case may be, to the Issuer in respect of Scheduled Interest that is Due for Payment (or will become Due for Payment) under the Covered Bond Guarantee in respect of each relevant Series of Covered Bonds.

Any amounts (other than Swap Collateral Excluded Amounts) received by the LLP under a Covered Bond Swap (whether or not in respect of principal) on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payment made on any preceding LLP Payment Date, to make payments of interest or principal, as the case may be, in respect of the Covered Bond Guarantee *pro rata* and *pari passu* in respect of each relevant Series of Covered Bonds. Any amounts (other than Swap Collateral Excluded Amounts) received under an Interest Rate Swap Agreement or any Covered Bond Swap Agreement which are not put towards a payment or provision in accordance with item (e), (f) or (g) of the Guarantee Priority of Payments or the preceding two paragraphs will be credited to the Revenue Ledger and applied as Available Revenue Receipts, on the next succeeding LLP Payment Date.

On each Interest Payment Date, any amount standing to the credit of the Interest Accumulation Ledger and (without double counting) any amount credited to the Interest Accumulation Ledger on such Interest Payment Date (if such Interest Payment Date is also an LLP Payment Date) in accordance with item (e)(iii) of the Guarantee Priority of Payments in respect of an Accumulation Series of Covered Bonds, shall be applied in paying Scheduled Interest that is Due for Payment in respect of such Accumulation Series of Covered Bonds in accordance with item (e)(ii) of the Guarantee Priority of Payments.

Termination payments received in respect of Swaps, premiums received in respect of replacement Swaps

If the LLP receives any termination payment from a Swap Provider in respect of a Swap Agreement, such termination payment will first be used, to the extent necessary (prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security) to pay a replacement Swap Provider(s) to enter into a replacement Swap Agreement(s) with the LLP, unless a replacement Swap Agreement(s) has already been entered into on behalf of the LLP. If the LLP receives any premium from a replacement Swap Provider in respect of a replacement Swap Agreement, such premium will first be used to make any termination payment due and payable by the LLP with respect to the previous Swap Agreement(s), unless such termination payment has already been made on behalf of the LLP.

Any amounts received by the LLP which are not applied to pay a replacement Swap Provider(s) to enter into a replacement Swap Agreement(s) will be credited to the Revenue Ledger or the LLP Accounts and applied as Available Revenue Receipts on the next succeeding LLP Payment Date.

If the LLP receives any Tax Credits in respect of a Swap prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice, such Tax Credits will be used to reimburse the relevant Swap Provider for any gross-up in respect of any withholding or deduction made under the relevant Swap.

Application of monies received by the Security Trustee following the occurrence of an LLP Event of Default and enforcement of the Security, realisation of the Security and/or the commencement of winding-up proceedings against the LLP

Under the terms of the Deed of Charge, all monies received or recovered by the Security Trustee (or a Receiver appointed on its behalf) (excluding all amounts due or to become due in respect of any Tax Credit, Third Party Amounts or Swap Collateral Excluded Amounts) following the enforcement of the Security, realisation of the Security and/or the commencement of winding-up proceedings against the LLP will be applied in the following order of priority (the "**Post-Enforcement Priority of Payments**") (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

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

(i) all amounts due and payable to:

(A) the Bond Trustee and any Appointee (including remuneration payable to it) under the provisions of the Trust Deed together with interest and applicable VAT (or other similar taxes) thereon as provided therein; and

(B) the Security Trustee and any Appointee (including remuneration payable to it) and/or any Receiver appointed by the Security Trustee under the provisions of the Deed of Charge together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein;

(ii) all remuneration and other amounts (including costs and expenses) then due and payable to the Agents under or pursuant to the Agency Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(iii) amounts in respect of:

(A) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicer pursuant to the terms of the Servicing Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(B) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager pursuant to the terms of the Cash Management Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(C) amounts (if any) due and payable to any Account Bank (including costs) pursuant to the terms of any Bank Account Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(D) amounts (if any) due and payable to any Custodian (including costs) pursuant to the terms of any Custody Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(E) amounts (including costs and expenses) due to the Corporate Services Provider pursuant to the terms of the Corporate Services Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(F) amounts (including costs and expenses) due to the Back-Up Servicer Facilitator pursuant to the terms of the Servicing Agreement together with applicable amounts in respect of VAT (or other similar taxes) thereon to the extent provided therein;

(G) amounts (including costs and expenses) due to any Back-Up Cash Manager pursuant to the terms of any Back-Up Cash Management Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(H) amounts (including costs and expenses) due to any Back-Up Servicer pursuant to the terms of any Back-Up Servicing Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and

(I) amounts overdue to the Asset Monitor pursuant to the terms of the Asset Monitor Agreement, together with applicable VAT (or similar taxes) thereon to the extent provided therein;

(iv) any amounts due and payable to the Interest Rate Swap Providers (including any termination payment due and payable under the relevant Interest Rate Swap Agreement but excluding any Excluded Swap Termination Amounts) pursuant to the terms of the relevant Interest Rate Swap Agreement;

(v) all amounts due and payable:

(A) to the relevant Covered Bond Swap Providers *pro rata* and *pari passu* in respect of each relevant Series of Covered Bonds (including any termination payment due and payable by the LLP under the relevant Covered Bond Swap Agreement (but excluding any Excluded Swap Termination Amount)) in accordance with the terms of the relevant Covered Bond Swap Agreement; and

(B) under the Covered Bond Guarantee, to the Bond Trustee on behalf of the Covered Bondholders *pro rata* and *pari passu* in respect of interest and principal due and payable on each Series of Covered Bonds, provided that if the amount available for distribution under this item (a)(v)(B) (excluding any amounts received from the relevant Covered Bond Swap Provider in respect of amounts referred to in item (A) above) would be insufficient to pay the Sterling Equivalent of the amounts due and payable under the Covered Bond Guarantee in respect of each Series of Covered Bonds under this item (B), the shortfall shall be divided among all such Series of Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider in respect of each relevant Series of Covered Bonds under item (A) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

(b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any Excluded Swap Termination Amounts due and payable by the LLP to each Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement and to each Interest Rate Swap Provider under the relevant Interest Rate Swap Agreement;

(c) *third*, after the Covered Bonds have been fully repaid, any remaining monies shall be applied in or towards repayment in full of all amounts outstanding under the Intercompany Loan Agreement;

(d) *fourth*, *pro rata* and *pari passu* in accordance with the respective amounts thereof towards payment of any indemnity amount due to the Members pursuant to the LLP Deed; and

(e) *fifth*, thereafter any remaining monies shall be applied in or towards payment to the Members pursuant to the LLP Deed.

If the LLP receives any Tax Credits in respect of a Swap following the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice, such Tax Credits will be used to reimburse the relevant Swap Provider for any gross-up in respect of any withholding or deduction made under the relevant Swap. Following the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice, any Swap Collateral Excluded Amounts in respect of a Swap will be returned to the relevant Swap Provider subject to the terms of the relevant Swap Agreement, and any Third Party Amounts will be returned to the Seller.

The Post-Enforcement Priority of Payments is subject to the provisions of Regulations 28 and 29 of the RCB Regulations. In particular, costs properly incurred by an administrator, administrative receiver, receiver, liquidator, provisional liquidator or manager of the LLP in relation to:

(i) persons providing services for the benefit of Covered Bondholders (which pursuant to the RCB Regulations shall include the persons listed in item (a) of the Post-Enforcement Priority of Payments (excluding the Swap Providers));

(ii) the Swap Providers in respect of amounts due to them under item (a) of the Post-Enforcement Priority of Payments; and

(iii) any other persons providing a loan to the LLP to enable it to meet the claims of Covered Bondholders or the costs of the people described in paragraphs (i) and (ii) above (e.g. liquidity loans),

will be expenses which will be payable out of the proceeds of realisation of the Security (in the case of a receivership) or the assets of the LLP (in the case of an administration, winding-up or provisional liquidation), and shall rank equally among themselves in priority to all other expenses (including the claims of Covered Bondholders). See further, "*Risk Factors – Expenses of insolvency officeholders"*.

THE PORTFOLIO

The Initial Portfolio and each New Portfolio acquired by the LLP (the "**Portfolio**") consists (or will consist) of Loans and their Related Security sold by the Seller to the LLP from time to time in accordance with the terms of the Mortgage Sale Agreement, as more fully described under "*Summary of the Principal Documents – Mortgage Sale Agreement*".

For the purposes hereof:

"**Initial Portfolio**" means the portfolio of Loans and their Related Security, particulars of which will be delivered on the Initial Transfer Date pursuant to the Mortgage Sale Agreement (other than any Loans and their Related Security which have been redeemed in full prior to the Initial Transfer Date or which did not otherwise comply with the terms of the original Mortgage Sale Agreement as at the Initial Transfer Date), and all right, title, interest and benefit of the Seller in and to:

(a) subject, where applicable, to the subsisting rights of redemption of Borrowers, all Deeds of Consent, Deeds of Postponement or any collateral security for the repayment of the relevant Loans;

(b) all payments of principal and interest (including, for the avoidance of doubt, all Accrued Interest, Arrears of Interest, Capitalised Interest, Capitalised Expenses and Capitalised Arrears) and other sums due or to become due in respect of such Loans and Related Security including, without limitation, the right to demand, sue for, recover and give receipts for all principal monies, interest and costs and the right to sue on all covenants and any undertakings made or expressed to be made in favour of the Seller under the applicable Mortgage Conditions;

(c) the right to exercise all the powers of the Seller in relation thereto;

(d) all the estate and interest in the Properties vested in the Seller;

(e) to the extent they are assignable, each Certificate of Title and Valuation Report (in each case where available) and any right of action of the Seller against any solicitor, licensed conveyancer, qualified conveyancer, valuer or other person in connection with any report, valuation, opinion, certificate or other statement of fact or opinion given in connection with such Loans and Related Security, or any part thereof or affecting the decision of the Seller to make or offer to make any such Loan or part thereof; and

(f) all rights, title and interests of the Seller (including, without limitation, the proceeds of all claims) to which the Seller is entitled under the Insurance Policies, insofar as such policies relate to the Loans comprised in that portfolio of Loans and their Related Security.

"**New Portfolio**" means, in each case, the portfolio of New Loans and their Related Security (other than any New Loans and their Related Security which have been redeemed in full prior to the Transfer Date or which do not otherwise comply with the terms of the Mortgage Sale Agreement as at the Transfer Date), particulars of which are set out in the relevant New Portfolio Notice or in a document stored upon electronic media, and all right, title, interest and benefit of the Seller in and to:

(a) all payments of principal and interest (including, for the avoidance of doubt, all Accrued Interest, Arrears of Interest, Capitalised Interest, Capitalised Expenses and Capitalised Arrears) and other sums due or to become due in respect of such Loans and their Related Security including, without limitation, the right to demand, sue for, recover and give receipts for all principal monies, 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 or any collateral security for the repayment of the relevant Loans;

(c) the right to exercise all the powers of the Seller in relation thereto;

(d) all the estate and interest in the Properties vested in the Seller;

(e) to the extent they are assignable, each Certificate of Title and Valuation Report (in each case where available) and any right of action of the Seller against any solicitor, licensed conveyancer, qualified conveyancer, valuer or other person in connection with any report, valuation, opinion, certificate or other statement of fact or opinion given in connection with such Loans and their Related Security, or any part thereof or affecting the decision of the Seller to make or offer to make any such Loan or part thereof; and

(f) all rights, title and interests of the Seller (including, without limitation, the proceeds of all claims) to which the Seller is entitled under the Insurance Policies, insofar as such policies relate to the Loans comprised in that portfolio of Loans and their Related Security.

See also the following risk factors under "*Risk Factors – Limited description of the Portfolio*", "*Risk Factors – Maintenance of Portfolio*" and "*Risk Factors – Changes to the Lending Criteria of the Seller*".

FURTHER INFORMATION RELATING TO THE REGULATION OF MORTGAGES IN THE UK

Certain Regulatory considerations

Regulated Mortgage Contracts

In the UK, regulation of residential mortgage businesses under the Financial Services and Markets Act 2000 ("**FSMA**") came into force on 31 October 2004 (the date known as the "**Regulation Effective Date**"). Entering into a regulated mortgage contract as a lender, arranging a regulated mortgage contract or advising in respect of a regulated mortgage contract, and administering a regulated mortgage contract (or agreeing to do any of those activities) are (subject to applicable exemptions) regulated activities under the FSMA and the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) (as amended) (the "**RAO**") requiring authorisation and permission from the FCA.

The original definition of a regulated mortgage contract was such that if a mortgage contract was entered into on or after the Regulation Effective Date but, prior to 21 March 2016, it will be a regulated mortgage contract under the RAO if: (i) the lender provided credit to an individual or to trustees; (ii) the obligation of the borrower to repay was secured by a first legal mortgage in the UK, and (iii) at least 40 per cent. of that land was used, or was intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who was a beneficiary of the trust, or by a related person. A related person is broadly the borrower's spouse, near relative or a person with whom the borrower has a relationship which is characteristic of a spouse.

The current definition of a regulated mortgage contract is such that if the mortgage contract was entered into on or after 21 March 2016, it will be a Regulated Mortgage Contract if it meets the following conditions (when read in conjunction with and subject to certain relevant exclusions): (a) the borrower is an individual or trustee; and (b) the contract provides for the obligation of the borrower to repay is secured by a mortgage on land, at least 40 per cent. of which is used, or is intended to be used: (i) in the case of credit provided to an individual, as or in connection with a dwelling; or (ii) in the case of credit provided to a trustee who is not an individual, as or in connection with a dwelling by an individual who is a beneficiary of the trust, or by a Related Person. In relation to a contract entered into before 11:00 p.m. on 31 December 2020, 'land' means land in the United Kingdom or within the territory of an EEA State, and in relation to a contract entered into on or after 11:00 p.m. 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.

On and from the Regulation Effective Date, subject to any exemption, persons carrying on any specified regulated mortgage-related activities by way of business must be authorised under the FSMA. The specified activities currently are: (a) entering into a Regulated Mortgage Contract as lender; (b) administering a Regulated Mortgage Contract ("**administering**" in this context broadly means notifying borrowers of changes in mortgage payments and/or taking any necessary steps for the purposes of collecting payments due under the mortgage loan); (c) advising in respect of Regulated Mortgage Contracts; and (d) arranging Regulated Mortgage Contracts. Agreeing to carry on any of these activities is also a regulated activity. If requirements as to the authorisation of lenders and brokers are not complied with, a Regulated Mortgage Contract will be unenforceable against the borrower except with the approval of a court and the unauthorised person may commit a criminal offence. An unauthorised person who carries on the regulated mortgage activity of administering a Regulated Mortgage Contract that has been validly entered into may commit an offence, although this will not render the contract unenforceable against the borrower. The regime under the FSMA regulating financial promotions

covers the content and manner of the promotion of agreements relating to qualifying credit and who can issue or approve financial promotions. In this respect, the FSMA regime not only covers financial promotions of Regulated Mortgage Contracts but also promotions of certain other types of secured credit agreements under which the lender is a person (such as an originator) who carries on the regulated activity of entering into a Regulated Mortgage Contract. Failure to comply with the financial promotion regime (as regards who can issue or approve financial promotions) is a criminal offence and will render the Regulated Mortgage Contract or other secured credit agreement in question unenforceable against the borrower except with the approval of a court.

The Servicer is required to hold and does hold authorisation and permission to enter into and to administer Regulated Mortgage Contracts. Brokers are, in certain circumstances, required to hold authorisation and permission to arrange and, where applicable, to advise in respect of Regulated Mortgage Contracts. The LLP is not, and does not propose to be, an authorised person under the FSMA. Under the RAO, the LLP does not require authorisation in order to acquire legal or beneficial title to a Regulated Mortgage Contract. The LLP does not carry on the regulated activity of administering Regulated Mortgage Contracts by having them administered pursuant to a servicing agreement by an entity having the required authorisation and permission under the FSMA. If such a servicing agreement terminates, the LLP will have a period of not more than one month (beginning with the day on which such arrangement terminates) in which to arrange for mortgage administration to be carried out by a replacement servicer having the required FSMA authorisation and permission.

The LLP will only hold beneficial title to the Loans and their Related Security. In the event that legal title is transferred to the LLP, the LLP will have arranged for a servicer to administer these Loans and is not expected to enter into any new Regulated Mortgage Contracts as lender under article 61(1) of the RAO. However, in the event that a mortgage is varied, such that a new contract is entered into and that contract constitutes a Regulated Mortgage Contract, then the arrangement of, advice on, administration of and entering into of such variation would need to be carried out by an appropriately authorised entity.

The FCA's Mortgages and Home Finance: Conduct of Business sourcebook ("**MCOB**"), which sets out the FCA's rules for regulated mortgage activities, came into force on 31 October 2004. These rules cover, among other things, certain pre-origination matters such as financial promotion and pre-application illustrations, pre-contract and start-of-contract and post-contract disclosure, contract changes, charges and arrears and repossessions. 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.

Regulation of buy-to-let mortgages

Buy-to-let mortgage loans can fall under several different regulatory regimes. They can be:

(i) unregulated;

(ii) regulated by the Consumer Credit Act 1974 (the "**CCA**") as a regulated credit agreement – as defined by article 60B of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) (as amended) (the "**RAO**") (a "**Regulated Credit Agreement**");

(iii) regulated by the FSMA as a regulated mortgage contract – as defined by article 61 of the RAO (a "**Regulated Mortgage Contract**"); or

(iv) regulated as a consumer buy-to-let mortgage contract under the consumer buy-to-let regime – as defined by the Mortgage Credit Directive Order 2015 (a "**Consumer Buy to Let Loan**").

The Portfolio comprises Loans the Seller believes are either unregulated, Regulated Mortgage Contracts (as to which, see above), Consumer Buy to Let Loans or Regulated Credit Agreements.

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 some regulated activities that apply to unregulated buy-to-let mortgage loans; the relevant activities in respect of the Loans being debt administration and debt collection. The Servicer and LLP will be excluded as lender from the regulated activities of debt administration and debt collection in respect of any unregulated loan, Consumer Buy to Let Loan or Regulated Credit Agreements.

Consumer Buy to Let loans

The national framework for buy-to-let lending to consumers called 'Consumer buy-to-let' ("**CBTL**") 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 Mortgage Credit Directive Order. The Mortgage Credit Directive 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 registered as a consumer buy-to-let lender, consumer buy-to-let administrator, consumer buy-to-let arranger and consumer buy-to-let adviser.

The Mortgage Credit Directive 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 LLP's ability to make payment in full on the Covered Bond Guarantee when due, particularly if the FCA orders remedial action in respect of past conduct.

Regulated Credit Agreements

Certain buy-to-let mortgages are regulated by the CCA because buy-to-let loans only because exempt from CCA regulation on 31 October 2008. Buy-to-let loans originated prior to 31 October 2008 will be regulated by the CCA if the amount of credit was less than the relevant financial limit in place at the time and no other relevant CCA exemption applied. The financial limit for CCA regulation was abolished on 6 April 2008 in respect of all loans except buy-to-let loans. The financial limit of £25,000 in place at the time for CCA regulated loans was not removed for buy-to-let loans until 31 October 2008. As described above, those buy-to-let mortgages are not caught by the definition of a "consumer credit back book mortgage contract" and so any buy-to-let loans that were regulated by the CCA will continue to be regulated by the CCA notwithstanding the implementation of the Mortgage Credit Directive Order. Non-compliance with certain provisions of the CCA may render a regulated credit agreement totally unenforceable or unenforceable without a court order or an order of the appropriate regulator, or may render the borrower not liable to pay interest or charges in relation to the period of non-compliance.]

The Servicer does not have permission for the regulated activities of debt administration or debt collection which are necessary in respect of servicing unregulated loans, Consumer Buy to Let Loans or Regulated Credit Agreements, however as legal title holder of the Loans, the Servicer is excluded

from the regulated activities of debt administration and debt collection in respect of any unregulated loans as these would be activities carried on by the lender (a person who exercises, or has the right to exercise, the rights and duties of a person who provided credit under the loan agreement). The LLP is excluded as lender from the regulated activities of debt administration and debt collection in respect of any unregulated, Consumer Buy to Let Loans or Regulated Credit Agreements. The Servicer is authorised to exercise or have the right to exercise a lender's rights and duties under a Regulated Credit Agreement which is a necessary permission in respect of a Regulated Credit Agreement. The LLP is exempt from the regulated activity of exercising or having the right to exercise a lender's rights and duties under a Regulated Credit Agreement because it has arranged administration by an authorised person pursuant to article 60I of the RAO.

Energy Efficiency Regulations 2015

From 1 April 2018, landlords of relevant domestic properties in England and Wales may not grant a tenancy to new or existing tenants if their property has an EPC rating of band F or G (as shown on a valid Energy Performance Certificate for the property) and from 1 April 2020, landlords must not continue letting a relevant domestic property which is already let if that property has an EPC rating of band F or G (as shown on a valid Energy Performance Certificate for the property). In both cases described above this is referred to in the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 (the "**Energy Efficiency Regulations 2015**") as the prohibition on letting sub-standard property. Where a landlord wishes to continue letting property which is currently sub-standard, the landlord will need to ensure that energy efficiency improvements are made which raise the EPC rating to a minimum of E. In certain circumstances landlords may be able to claim an exemption from this prohibition on letting sub-standard property; this includes situations where the landlord is unable to obtain funding to cover the cost of making improvements, or where all improvements which can be made have been made, and the property remains below an EPC rating of 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 authority that a property has been let in breach of the Energy Efficiency Regulations 2015 (or an invalid exemption has been registered in respect of it). Where a local authority is satisfied that a property has been let in breach of the Energy Efficiency Regulations 2015, it may serve a notice on the landlord imposing financial penalties. On 4 December 2024, the government launched a consultation with respect to reforming the energy performance of buildings 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.

Matters relating to Help-To-Buy Loans

In March 2013, the UK Government announced the "Help to Buy" Scheme involving two separate proposals to assist home buyers. The first involves a shared equity loan made available by the UK Government to borrowers for the purchase of new homes. The shared equity loans were available from 1 April 2013 to 31 March 2021 (the "**2013-2021 Help to Buy Equity Scheme"**) and this scheme has now closed however in November 2020, the UK Government announced a new "Help to Buy" equity scheme to be made available to eligible borrowers from April 2021 to March 2023 (the "**2021-2023 New Help to Buy Equity Scheme"**).

The second involves a guarantee provided by the UK Government for loans made to the borrowers allowing up to a 95% LTV (each a "**Help to Buy Guarantee Loan**"). This scheme closed to new loans on 31 December 2016 however participating mortgage lenders were able to continue to complete loans into the scheme until 30 June 2017, where they had an application date on or before 31 December 2016.

The guarantee loans allowed lenders to purchase a guarantee on the top-slice of a mortgage meaning that the UK Government will compensate the lender for a proportion of the net losses suffered in the event of repossession. The guarantee will apply down to 80% of the purchase value of the property (i.e. up to 20% of the value is guaranteed). The guarantee will compensate lenders for the same losses and reasonable costs that the lender is entitled to recover from the borrower, in the event of foreclosure but the lenders will take a 5% share of the net losses above the 80% threshold. The Issuer is subject to certain limits in respect of the aggregate amount they can claim under the Help to Buy Scheme for all loans originated by them (regardless of whether such loans have been transferred to the LLP).

In March 2021, the UK Government announced a new mortgage guarantee scheme to be made available to eligible borrowers from 19 April 2021 until 31 December 2022. This scheme involves a guarantee provided by the UK Government for loans made to borrowers with an LTV of between 91 and 95% (the "**Mortgage Guarantee Scheme**") The scheme is similar to the previous scheme outlined above and is available for residential mortgages on properties in the UK with a purchase price of £600,000 or less, where the borrower has a deposit of 5%. The scheme provides lenders with the option to purchase a guarantee on the top-slice of the mortgage and the guarantee applying down to 80% of the purchase value of the guaranteed property. The guarantee will compensate lenders for the same losses and reasonable costs that the lender is entitled to recover from the borrower, in the event of foreclosure but the lenders will take a 5% share of the net losses above the 80% threshold. The guarantee will be valid for up to seven years after the mortgage is originated. The mortgage lender must also offer a five year fixed rate product as part of their range of mortgages offered under the guarantee. None of the Loans in the Portfolio as at the date of this Prospectus benefit from the Mortgage Guarantee Scheme, although such Loans may be included in future.

Characteristically, the Help to Buy Guarantee Loans will have a higher LTV than other loans included in the Portfolio and as such, although the Issuer will pass on some of the benefit of the guarantee to the LLP (although the benefit of the guarantee cannot be assigned to the LLP), given that the maximum amount which may be claimed by the Seller under the guarantee is capped, the guarantee may not cover all amounts in respect of the loss on a specific loan.

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 "consumer credit back book mortgage contracts". If the court makes a determination that the relationship between a lender and a borrower is unfair, then it may make an order, among other things, requiring the relevant originator, or any assignee (such as the Issuer), to repay amounts received from such borrower. In applying the "unfair relationship" test, the courts are able to consider a wider range of circumstances surrounding the transaction, including the creditor's conduct or the conduct of 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 2006 as the intention is for the test to be flexible and subject to judicial discretion and it is therefore difficult to predict whether a court would find a relationship "unfair". However, the word "unfair" is not an unfamiliar term in UK legislation due to the UTCCR and the CRA (each as defined below). The courts may, but are not obliged to, look solely to the CCA for guidance. The principle of "treating customers fairly" under the FSMA, and guidance published by the FSA and, as of 1 April 2013, the FCA on that principle and former guidance by the OFT on the unfair relationship test, may also be relevant. Under the CCA, once the debtor alleges that an "unfair relationship" exists, 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.

If a mortgage loan subject to the unfair relationship test is found to be unfair, the court has a wide range of powers and may require the lender (and any associate or former associate of the lender) to repay sums to the debtor, or to do, not do or cease doing anything in relation to the agreement or any related agreement, and may require the lender to reduce or discharge any sums payable by the debtor or surety, return to a surety any security provided by them, alter the terms of the agreement, direct accounts to be taken or otherwise set aside any duty imposed on the debtor or surety. The term creditor (i.e. lender as defined under section 189 of the CCA) means the person providing the credit under a consumer credit agreement or the person to whom their rights and duties under the agreement have passed by assignment or operation of law.

Distance Marketing of Financial Services

In the UK, the DM Regulations apply to contracts for financial services entered into on or after 31 October 2004 by a "consumer" within the meaning of the DM Regulations and by means of distance communication (i.e. without any substantive simultaneous physical presence of the originator and the borrower).

The DM Regulations (and MCOB in respect of activities related to Regulated Mortgage Contracts) require suppliers of financial services by way of distance communication to provide certain information to consumers. This information generally has to be provided before the consumer is bound by a distance contract for the supply of the financial services in question and includes, but is not limited to, general information in respect of the supplier and the financial service, the contractual terms and conditions, and whether or not there is a right of cancellation.

A Regulated Mortgage Contract under the FSMA, if originated by a UK lender (who is authorised by the FCA) from an establishment in the UK, will not be cancellable under the DM Regulations but will be subject to related pre-contract disclosure requirements in MCOB. Failure to comply with MCOB rules could result in, *inter alia*, disciplinary action by the FCA and possible claims for damages under Section 138D of the FSMA.

Certain other agreements for financial services may be cancellable under the DM Regulations if the borrower does not receive the prescribed information at the prescribed time. Where the credit agreement is cancellable under the DM Regulations, the borrower may send notice of cancellation at any time before the expiry of 14 days beginning with: (i) the day after the day on which the contract is made (where all of the prescribed information has been provided prior to the contract being entered into); or (ii) the day after the day on which the last of the prescribed information is provided (where all of the prescribed information was not provided prior to the contract being entered into).

Compliance with the DM Regulations may be secured by way of injunction, granted on such terms as the court thinks fit to ensure such compliance, and certain breaches of the DM Regulations may render the supplier or intermediaries (and their respective relevant officers) liable to a fine.

If the borrower cancels the credit agreement under the DM Regulations, then: (a) the borrower is liable to repay the principal and any other sums paid by or on behalf of the lender to the borrower under or in relation to the contract within 30 calendar days of cancellation, beginning with the day of the borrower sending notice of cancellation or, if later, the lender receiving notice of cancellation; (b) the borrower is liable to pay interest, early repayment charges and other charges for services actually provided in accordance with the contract only if: (i) the amount is in proportion to the extent of the service provided before cancellation (in comparison with the full coverage of the contract) and is not such that it could be construed as a penalty; (ii) the borrower received certain prescribed information at the prescribed time about the amounts payable; and (iii) the originator did not commence performance of the contract before the expiry of the relevant cancellation period unless requested to do so by the borrower; and (c) any security provided in relation to the contract is to be treated as never having had effect.

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

In the UK, the Unfair Terms in Consumer Contracts Regulations 1999 as amended (the "**1999 Regulations**"), together with (in so far as applicable) the Unfair Terms in Consumer Contracts Regulation 1994 (together with the 1999 Regulations (the "**UTCCR**")), apply to business-to-consumer agreements made on or after 1 July 1995 and before 1 October 2015, where the terms have not been individually negotiated (and the "consumer" for these purposes falls within the definition provided in the UTCCR). The Consumer Rights Act 2015 (the "**CRA**") has revoked the UTCCR in respect of contracts made on or after 1 October 2015 (see "*CRA*" below). In respect of contracts that: (a) were

entered into on or after 1 October 2015; or (b) were, since 1 October 2015, subject to a material variation such that they are treated as new contracts falling within the scope of the CRA, the CRA applies. The CRA is also applicable on or after 1 October 2015 to consumer notices, such as notices of variation of interest rate under contracts.

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

The UTCCR and the CRA provide that a consumer (which would include a Borrower under all or almost all of the Loans) may challenge a term in an agreement on the basis that it is "unfair" within the UTCCR or the CRA, as applicable, and therefore not binding on the consumer (although the rest of the agreement will remain enforceable if it is capable of continuing in existence without the unfair term) and provide that a regulator may take action to stop the use of terms which are considered to be unfair.

(a) UTCCR

The UTCCR will not generally affect terms which define the main subject matter of the contract, such as the borrower's obligation to repay the principal, provided that these terms are written in plain and intelligible language and are drawn adequately to the consumer's attention. The UTCCR may affect terms that are not considered to be terms which define the main subject matter of the contract, such as the lender's power to vary the interest rate and certain terms imposing early repayment charges and mortgage exit administration fees. For example, if a term permitting the lender to vary the interest rate (as the originator is permitted to do) were found to be unfair, the borrower would not be liable to pay interest at the increased rate or, to the extent that the borrower has paid it, would be able, as against the lender, or any assignee such as the Issuer, to claim repayment of the extra interest amounts paid or to set off the amount of the claim against the amount owing by the borrower under the loan or any other loan agreement that the borrower has taken with the lender.

(b) CRA

The main provisions of the CRA came into force on 1 October 2015 and apply to agreements made on or after that date. The CRA significantly reforms and consolidates consumer law in the UK. The CRA involves the creation of a single regime out of the Unfair Contract Terms Act 1977 (which essentially deals with attempts to limit liability for breach of contract) and the UTCCR for contracts entered into on or after 1 October 2015. The CRA has revoked the UTCCR in respect of contracts made on or after 1 October 2015 and introduced a new regime for dealing with unfair contractual terms as follows:

(i) 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.

(ii) Schedule 2 of the CRA contains an indicative and non-exhaustive "grey list" of terms of consumer contracts that may be regarded as unfair. Notably, paragraph 11 lists "a term which has the object or effect of enabling the trader to alter the terms of the contract unilaterally without a valid reason which is specified in the contract", although paragraph 22 of Schedule 2

provides that this does not include a term by which a supplier of financial services reserves the right to alter the rate of interest payable by or due to the consumer, or the amount of other charges for financial services without notice where there is a valid reason if the supplier is required to inform the consumer of the alteration at the earliest opportunity and the consumer is free to dissolve the contract immediately.

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

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

(c) Regulatory Developments

Historically the OFT, FSA and FCA (as appropriate) have issued guidance on the UTCCR. This has included: (i) OFT guidance on fair terms for interest variation in mortgage contracts dated February 2000; (ii) an FSA statement of good practice on fairness of terms in consumer contracts dated May 2005; (iii) an FSA statement of good practice on mortgage exit administration fees dated January 2007; and (iv) FSA finalised guidance on unfair contract terms and improving standards in consumer contracts dated January 2012.

On 2 March 2015, the FCA updated its online unfair contract terms library by removing some of its material (including the abovementioned guidance) relating to unfair contract terms. The FCA stated that such material “no longer reflects the FCA’s views on unfair contract terms” and that firms should no longer rely on the content of the documents that had been removed.

On 19 December 2018, the FCA published finalised guidance: "Fairness of variation terms in financial services consumer contracts under the Consumer Rights Act 2015" (FG 18/7), outlining factors the FCA considers firms should have regard to when drafting and reviewing variation terms in consumer contracts. This follows developments in case law, including at the Court of Justice of the EU (the "**CJEU**"). The finalised guidance relates to all financial services consumer contracts entered into since 1 July 1995. The FCA stated that firms should consider both this guidance and any other rules that apply when they draft and use variation terms in their consumer contracts. The FCA stated that the finalised guidance will apply to FCA authorised persons and their appointed representative in relation to any consumer contracts which contain variation terms.

The Unfair Contract Terms and Consumer Notices Regulation Guide (UNFCOG in the FCA handbook) explains the FCA's policy on how it uses its powers under the CRA and the Competition and Markets Authority (the "**CMA**") published guidance on the unfair terms provisions in the CRA on 31 July 2015 (the "**CMA Guidance**"). The CMA indicated in the CMA Guidance that the fairness and transparency provisions of the CRA are regarded to be "effectively the same as those of the UTCCR" (save in applying the consumer notices and negotiated terms). The document further notes that "the extent of continuity in unfair terms legislation means that existing case law generally, and that of the Court of Justice of the European Union particularly, is for the most part as relevant to the Act as it was the UTCCRs".

In general, the interpretation of the UTCCR and/or the CRA is open to some doubt, particularly in the light of sometimes conflicting reported case law between English courts and the CJEU. The broad and general wording of the UTCCR and CRA makes any assessment of the fairness of terms largely

subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any Loans which have been made to Borrowers covered by the UTCCR and/or the CRA may contain unfair terms, which may result in the possible unenforceability of the terms of the underlying loans. If any term of the Loans is found to be unfair for the purpose of the UTCCR and/or the CRA, this may reduce amounts available to meet the payments due in respect of the Covered Bond Guarantee. The guidance issued by the FSA (and as of 1 April 2013, the FCA), the OFT and the CMA has changed over time and it is possible that it may change in the future.

FCA Consumer Duty

The Consumer Duty aims to set a higher level of consumer protection in retail financial markets by requiring regulated firms to act to ensure good retail customer outcomes. It applies from 31 July 2023 for products and services that remain open to sale or renewal and from 31 July 2024 for closed products and services.

The Consumer Duty applies to the regulated activities and ancillary activities of all firms authorised under the FSMA.

There are three main elements to the new Consumer Duty, comprising a new consumer principle, that "a firm must act to deliver good outcomes for the retail consumers of its products", cross-cutting rules supporting the consumer principle, and four outcomes, relating to the quality of firms' products and services, price and value, consumer understanding and consumer support.

The Consumer Duty applies not only at origination of a product but throughout its subsistence (so in the case of a mortgage loan, throughout the period the mortgage loan is outstanding). The cross-cutting rules include an obligation to avoid causing foreseeable harm to the consumer and the outcomes include an obligation to ensure that the product (for example, a mortgage loan) provides fair value to the retail customer. These obligations (as with the remainder of the Consumer Duty) must be assessed on a regular basis throughout the life of the product.

The Consumer Duty applies in respect of Regulated Mortgage Contracts (as well as loans falling within the consumer credit regime). It 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.

Breathing Space Regulations

The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020 (SI 2020/1311) (the "**Breathing Space Regulations**") (which came into force on 4 May 2021) gives eligible individuals in England and Wales the right to legal protection from their creditors, including almost all enforcement action, during a period of "breathing space". A standard breathing space will give an individual in England and Wales with problem debt legal protection from creditor action for up to 60 days, and a mental health crisis breathing space will give an individual in England and Wales protection from creditor action for the duration of their mental health crisis treatment (which is not limited in duration) plus an additional 30 days.

However, the Breathing Space Regulations do not apply to mortgages, except for arrears which are uncapitalised at the date of the application under the Breathing Space Regulations. Interest can still be charged on the principal secured debt during the breathing space period, but not on the arrears. Any mortgage arrears incurred during any breathing space period are not protected from creditor action. The Borrower must continue to make mortgage payments in respect of any mortgage secured against their primary residence (save in respect of arrears accrued prior to the moratorium) during the breathing space period, otherwise the relevant debt adviser may cancel the breathing space period.

In February 2021, the FCA issued a policy statement (PS21/1) on the application of the Breathing Space Regulations, in which it confirms that no changes are currently being made to the rules under MCOB, in relation to how mortgage lenders should treat a "breathing space" as an indicator of payment difficulties. The FCA's view is that this is something that firms should take into account, but should not be treated more specifically than other potential indicators of payment difficulties.

Repossessions

A protocol for mortgage possession claims in England and Wales came into force on 19 November 2008 and was replaced with an updated protocol for mortgage possession claims which came into force on 6 April 2015 (the "**Pre-action Protocol**"). The Pre-action Protocol sets out the steps that judges will expect any lender to take before starting a claim. A number of mortgage lenders have confirmed that they will delay the initiation of repossession action for at least three months after a borrower, who is an owner-occupier, is in arrears. In addition, under the Pre-action Protocol the lender must consider whether to postpone the start of a possession claim where the borrower has made a genuine complaint to the Financial Ombudsman Service (the "**Ombudsman**") about the potential possession claim. The application of such a moratorium is subject to the wishes of the relevant borrower and may not apply in cases of fraud. The Pre-action Protocol expressly states that it does not apply to "Buy-to-Let mortgages" (although the Pre-action Protocol has not been updated to expressly confirm that it does not apply to consumer buy-to-let mortgages).

In addition, the Mortgage Repossessions (Protection of Tenants etc) Act 2010 came into force on 1 October 2010. The Act gives courts in England and Wales the same power to postpone and suspend repossession for up to two months on application by an unauthorised tenant (i.e. a tenant in possession without the lender's consent) as generally exists on application by an authorised tenant. In addition, under the protocol, the lender must consider whether to postpone the start of a possession claim where the borrower has made a genuine complaint to the Ombudsman about the potential possession claim.

Financial Ombudsman Service

Under the FSMA, 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, among other things, 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 by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman. As the Ombudsman is required to make decisions on the basis of, among other things, the principles of fairness, and may order a monetary award to a complaining borrower, it is not possible to predict how any future decision of the Ombudsman would affect the ability of the LLP to make payments of amounts due to Covered Bondholders.

Consumer Protection from Unfair Trading Regulations 2008 and the Digital Markets, Competition and Consumers Act 2024

The Consumer Protection from Unfair Trading Regulations 2008 (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. In addition, under the CPUTR, a commercial practice within the scope of the CPUTR may be regarded as unfair and prohibited if it is:

a) contrary to the standard of special skill and care which a trader may reasonably be expected to exercise towards consumers, commensurate with either honest market practice or general principles of good faith in the trader's field of activity; and

b) materially distorts or is likely to materially distort the economic behaviour of the average consumer (who is reasonably well informed and reasonably observant and circumspect).

Under the terms of the CPUTR, the possible liabilities for misrepresentation or breach of contract in relation to the underlying credit agreements may result in irrecoverable losses on amounts to which such agreements apply. The Consumer Protection (Amendment) Regulations 2014 (SI No. 870/2014) 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.

Assured Shorthold Tenancy (AST)

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

A tenancy or lease in England and Wales will be an AT if granted after 15 January 1989 and:

(a) the tenant or, as the case may be, each of the joint tenants is an individual;

(b) the tenant or, as the case may be, at least one of the joint tenants occupies the dwelling-house as their only or principal home; and

(c) if granted before 1 April 1990:

(i) the property had a rateable value at 31 March 1990 lower than £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; and

(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 received Royal Assent on 27 October 2025 although as at the date of this Prospectus none of the substantive provisions are yet in force.

Currently, however, there is a risk that where:

(a) a long lease in England and Wales 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 in England and Wales will come to an end and the landlord will be able to re-enter the relevant property.

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

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**"). Principality Building Society is a signatory to the Mortgage Charter and has agreed that, among other things, a borrower will not be forced to leave their home without their consent, unless in exceptional circumstances, in less than a year from their first missed payment. In addition, lenders will permit borrowers who are up to date with their payments to: (i) switch to interest only payments for six months (the "**MC Interest-Only Agreement**"); or (ii) extend their mortgage term to reduce their monthly payments and give borrowers the option to revert to their original term within six months by contacting their lender (the "**MC Extension Agreement**"). These options can be taken by borrowers who are up to date with their payments without a new affordability check or affecting their credit score. The Mortgage Charter commitments do not apply to buy-to-let mortgages.

With the effect on and from 30 June 2023, the FCA has amended the MCOB to allow (rather than require) lenders to give effect to the MC Interest-Only Agreement and the MC Extension Agreement. The amendments made by the FCA do not apply to second ranking mortgages or bridging loans. The FCA announced that it intends to review the impact of the rule changes within 12 months.

The 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.

Potential effects of any additional regulatory changes

No assurance can be given that additional regulatory changes by or guidance from the CMA, the FCA, the Ombudsman or any other regulatory authority will not arise with regard to the mortgage market in the United Kingdom generally, the Seller's particular sector in that market or specifically in relation to the Seller.

DESCRIPTION OF THE UK REGULATED COVERED BOND REGIME

The Regulated Covered Bonds Regulations 2008 (SI 2008/346), as amended from time to time (the "**RCB Regulations**"), and the corresponding implementation provisions, set out in the Regulated Covered Bonds Sourcebook published under the FSMA (the "**RCB Sourcebook**"), came into force in the United Kingdom on 6 March 2008. In summary, the RCB Regulations implement a legislative framework for UK covered bonds.

FCA supervision and registration

The FCA performs certain supervision and enforcement-related tasks in respect of the new regime, including admitting issuers and covered bonds to the relevant registers and monitoring compliance with ongoing requirements. To assist it with these tasks, the FCA has certain powers under the RCB Regulations. In particular, in certain circumstances the FCA may direct the winding-up of an owner, remove an issuer from the register of issuers and/or impose a financial penalty of such amount as it considers appropriate in respect of an issuer or owner and direct an issuer to publish information given to the FCA under the RCB Regulations. Moreover, as a body which regulates the financial services industry in the United Kingdom, the FCA may take certain actions in respect of issuers using its general powers under the UK regulatory regime (including restricting an issuer's ability to transfer further assets to the asset pool).

The Issuer and the Programme were admitted to the register of issuers under the RCB Regulations on 22 September 2025 and any Covered Bonds issued under the Programme will be admitted to the register of regulated covered bonds.

Requirements under the legislative framework

The RCB Regulations and the RCB Sourcebook include various requirements related to registered issuers, asset pool owners, pool assets and the contractual arrangements made in respect of such assets. In this regard, issuers and owners have various initial and ongoing obligations under the RCB Regulations and the RCB Sourcebook and are responsible for ensuring they comply with them. In particular, issuers are required to (among other things) enter into arrangements with the owner for the maintenance and administration of the asset pool such that certain asset record-keeping obligations and asset capability and quality related requirements are met, and notify the FCA of various matters (including any regulated covered bonds it issues, the assets in the asset pool, matters related to its compliance with certain regulations and any proposed material changes). Owners are required to (among other things) notify the FCA of various matters (including any proposed transfer of ownership of the asset pool) and, on insolvency of the issuer, make arrangements for the maintenance and administration of the asset pool (similar to the issuer obligations described above).

The UK authorities undertook reviews of the UK legislative framework in 2011 and 2012 and certain changes were made to the regime with the intention of enhancing the attractiveness of UK regulated covered bonds to investors. These changes took effect from 1 January 2013 and include the following:

- *Single asset pool designation* – issuers are required to designate their programme as being a single asset pool (consisting of either: class one assets – public sector debt; class two assets – residential mortgage loans; or class three assets – commercial loans, and, in each case, liquid assets) or a mixed asset pool (consisting of all eligible property for the purposes of the RCB Regulations). The Issuer has provided the necessary certifications for the Programme to be registered as a single asset pool programme, falling in class two. As a result, the asset pool will consist solely of residential mortgage loans and certain liquid assets, being UK Government securities and cash deposits, all of which comply with section 2 of the RCB Regulations. In

keeping with the requirements under the RCB Regulations, the asset pool will not include any asset backed securities.

- *Fixed minimum over collateralisation requirement for principal and fixed minimum coverage requirement for interest* – the total principal amount outstanding on the loans constituting eligible property in the asset pool is required to be more than 108 per cent. of the total principal amounts outstanding in relation to the regulated covered bonds to which the asset pool relates. For the purposes of calculating this test, the issuer can take into account certain liquid assets up to a maximum of eight per cent. of those covered bonds that have a maturity date of one year or more and 100 per cent. of those covered bonds that have a maturity date of less than one year. The total amount of interest payable in the period of 12 months following any given date in respect of the eligible property in the asset pool is required to be not less than the interest which would be payable in relation to the regulated covered bonds issued under the programme in that period, assuming that the reference rates applicable on the given date do not change in that period.

- *Investor reporting, including loan-level data* – investor reporting requirements apply. In particular, issuers are required to make available detailed loan-level information relating to the asset pool. Issuers are also required to publish certain transaction documents relating to the programme. The information to be published by the Issuer can be found at https://www.principality.co.uk/about-us/your-principality/treasury-services. The information set out in the website and the contents thereof do not form part of this Prospectus.

- *Asset pool monitor role* – an asset pool monitor is required, on an annual basis, to inspect and assess the issuer's compliance with certain principles-based requirements under the regime and to report on their findings to the FCA (with additional reporting requirements in the case of issuer non-compliance). Each issuer is required to appoint an asset pool monitor. Deloitte LLP has been appointed as asset pool monitor.

See also "*Risk Factors – UK regulated covered bond regime*" and "*Risk Factors – Expenses of insolvency officeholders*".

DESCRIPTION OF LIMITED LIABILITY PARTNERSHIPS

Since 6 April 2001 it has been possible to incorporate a limited liability partnership in England, Wales and Scotland under the Limited Liability Partnerships Act 2000 (the "**LLPA 2000**"). Limited liability partnerships are legal entities that provide limited liability to the members of a limited liability partnership combined with the benefits of the flexibility afforded to partnerships and the legal personality afforded to companies.

Corporate characteristics

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

The provisions of the Companies Act 2006 and the Insolvency Act 1986 have been modified by the Limited Liability Partnerships (Application of Companies Act 2006) Regulations 2009 and the Limited Liability Partnerships Regulations 2001 (each as amended from time to time) so as to apply most of the insolvency and winding-up procedures for companies equally to a limited liability partnership and its members. As a distinct legal entity a limited liability partnership can grant fixed and floating security over its assets and a limited liability partnership will survive the insolvency of any of its members. An administrator or liquidator of an insolvent member would be subject to the terms of the members' agreement relating to the limited liability partnership but a liquidator of an insolvent member may not take part in the administration of the limited liability partnership or its business.

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

Partnership characteristics

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

Taxation

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

BOOK-ENTRY CLEARANCE SYSTEMS

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

Book-entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for securities that its participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerised book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC System is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has a Standard & Poor's rating of: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of DTC Covered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Covered Bonds on DTC's records. The ownership interest of each actual purchaser of each Covered Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct Participant's and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners, however, are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Covered Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Covered Bonds, except in the event that use of the book-entry system for the DTC Covered Bonds is discontinued.

To facilitate subsequent transfers, all DTC Covered Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorised representative of DTC. The deposit of DTC Covered Bonds with DTC and

their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Covered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Covered Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

DTC may discontinue providing its services as depository with respect to the DTC Covered Bonds at any time by giving reasonable notice to the Issuer or the Principal Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, DTC Covered Bonds certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, DTC Covered Bonds certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

Euroclear and Clearstream, Luxembourg

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

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

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

The Issuer may apply to DTC in order to have any Tranche of Covered Bonds represented by a Registered Global Covered Bond accepted in its book-entry settlement system. Upon the issue of any such Registered Global Covered Bond, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Covered Bond to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Covered Bond will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Covered Bond, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Covered Bond accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. Dollars of principal and interest in respect of a Registered Global Covered Bond accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Covered Bond. In the case of any payment in a currency other than U.S. Dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Covered Bond in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. Dollars and credited to the applicable participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by participants to beneficial owners of Covered Bonds will be governed by standing instructions and

customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such participant and not the responsibility of DTC, the Bond Trustee, the Security Trustee, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Covered Bonds to DTC is the responsibility of the Issuer.

Transfers of Covered Bonds Represented by Registered Global Covered Bonds

Transfers of any interests in Covered Bonds represented by a Registered Global Covered Bond within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the U.S. require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Covered Bonds represented by a Registered Global Covered Bond to such persons may depend upon the ability to exchange such Covered Bonds for Covered Bonds in definitive form. Similarly, because DTC can act on behalf only of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Covered Bonds represented by a Registered Global Covered Bond accepted by DTC to pledge such Covered Bonds to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Covered Bonds may depend upon the ability to exchange such Covered Bonds for Covered Bonds in definitive form. The ability of any holder of Covered Bonds represented by a Registered Global Covered Bond accepted by DTC to resell, pledge or otherwise transfer such Covered Bonds may be impaired if the proposed transferee of such Covered Bonds is not eligible to hold such Covered Bonds through a Direct Participant or Indirect Participant in the DTC system.

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

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

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Covered Bonds will be effected through the Registrar, the Principal Paying Agent and the custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Covered Bonds among participants and accountholders of DTC, Clearstream, Luxembourg, and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Bond Trustee, the Security Trustee, the Issuer, the LLP, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their

respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Covered Bonds represented by Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

United Kingdom Taxation

The following is a summary of the Issuer's understanding of current United Kingdom law and HM Revenue & Customs' (HMRC) published practice relating only to the United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) by the Issuer in respect of Covered Bonds and payments by the LLP in respect of Covered Bonds. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Covered Bonds. The United Kingdom tax treatment of prospective holders of Covered Bonds depends on their individual circumstances and may be subject to change in the future. Prospective holders of Covered Bonds who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Payment of interest by the Issuer in respect of the Covered Bonds

Payments of interest by the Issuer on the Covered Bonds may be made without deduction of or withholding on account of United Kingdom income tax provided that the Covered Bonds are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for this purpose. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Covered Bonds are and remain so listed, interest on the Covered Bonds will be payable by the Issuer without withholding or deduction for or on account of United Kingdom income tax.

In other cases, if the Covered Bonds are capable of being listed on a "recognised stock exchange" at the time the interest on the Covered Bonds becomes payable, an amount must generally be withheld from such payments on account of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to any other available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Covered Bondholder, HMRC can issue a notice to the Issuer to pay interest to the Covered Bondholder without withholding or deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Payments by the LLP

The United Kingdom withholding tax treatment of payments by the LLP under the terms of the Covered Bond Guarantee which have a United Kingdom source is uncertain. In particular, such payments by the LLP may not be eligible for the exemptions described above in relation to payments of interest. Accordingly, if the LLP makes any such payments, these may be subject to United Kingdom withholding tax at the basic rate. If payments by the LLP are subject to any withholding or deduction for or on account of tax, the LLP will not be required to pay any additional amounts.

United States Federal Income Taxation

The following overview discusses the principal U.S. federal income tax consequences of the ownership and disposition **of the Covered Bonds. Except as specifically noted below, this discussion applies only to:**

- Covered Bonds purchased on original issuance at their "issue price" (as defined below); and

- Covered Bonds held as capital assets within the meaning of Section 1221 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**").

This discussion does not describe all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Covered Bonds by particular investors, and does not address state, local, foreign or other tax laws. This summary also does not address the U.S. federal estate and gift tax, alternative minimum tax, or Medicare tax consequences of the acquisition, ownership or disposition of the Covered Bonds. This summary does not discuss all of the tax considerations that may be relevant in light of a holder's particular circumstances or to holders subject to special rules, such as:

- financial institutions;
- insurance companies;
- real estate investment trusts;
- regulated investment companies;
- grantor trusts;
- dealers in securities or foreign currencies;
- traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;
- persons holding Covered Bonds as part of a hedging transaction, "straddle," conversion transaction or other integrated transaction;
- accrual basis taxpayers that file applicable financial statements (as described in Section 451(b) of the Code);
- U.S. holders whose functional currency is not the U.S. dollar;
- U.S. expatriates;
- Individual retirement accounts and other tax deferred accounts;
- tax exempt entities;
- persons that own, or are deemed to own, 10% or more of any class of the Issuer's stock; or
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes, and persons holding Covered Bonds through such entities.

This overview is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury regulations, changes to any of which subsequent to the date of this Prospectus may affect the tax consequences described below. Persons considering the purchase of the Covered Bonds should consult the applicable Final Terms for any additional discussion regarding U.S. federal income taxation and should consult their tax advisors with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

As used herein, the term "**U.S. holder**" means a beneficial owner of a Covered Bond that is for United States federal income tax purposes:

- a citizen or individual resident of the United States;

- a corporation created or organized in or under the laws of the United States or of any political subdivision thereof; or

- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

A "**Non U.S. holder**" is a beneficial owner of Covered Bonds that is not a U.S. holder and that is not an entity classified as a partnership for U.S. federal income tax purposes.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes holds Covered Bonds, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Partners of partnerships holding Covered Bonds should consult with their tax advisors.

This overview does not discuss Bearer Covered Bonds. In general, U.S. federal income tax law imposes significant limitations on U.S. holders of Bearer Covered Bonds. U.S. holders should consult their tax advisors regarding the U.S. federal income and other tax consequences of the acquisition, ownership and disposition of Bearer Covered Bonds.

Taxation of U.S. Holders

Payments of Stated Interest

Interest paid on a Covered Bond will be taxable to a U.S. holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. holder's method of accounting for U.S. federal income tax purposes, provided that the interest is "qualified stated interest" (as defined below). Interest income earned by a U.S. holder with respect to a Covered Bond will constitute foreign source income for U.S. federal income tax purposes, which may be relevant in calculating the U.S. holder's foreign tax credit limitation. The rules regarding foreign tax credits are complex and final U.S. Treasury regulations have imposed additional requirements that must be met for a foreign tax to be creditable. However, recent notices from the U.S. Internal Revenue Service ("**IRS**") provide taxpayers, subject to certain conditions, with temporary relief from some of these additional requirements until further notice or guidance is issued by the IRS. Prospective investors should consult their tax advisors about the application of such rules to them in their particular circumstances. Special rules governing the treatment of interest paid with respect to original issue discount Covered Bonds, exchangeable Covered Bonds and foreign currency Covered Bonds are described under "*Taxation – United States Federal Income Taxation – Original Issue Discount,* " "*– Contingent Payment Debt Instruments*", *and* "*– Foreign Currency Covered Bonds*".

Original Issue Discount

A Covered Bond that has an "issue price" that is less than its "stated redemption price at maturity" will be considered to have been issued at an original issue discount for U.S. federal income tax purposes (and will be referred to as an "**original issue discount Covered Bond**") unless the Covered Bond satisfies a *de minimis* threshold (as described below) or is a short-term Covered Bond (as defined below). The "**issue price**" of a Covered Bond generally will be the first price at which a substantial amount of the Covered Bonds are sold to persons (which does not include sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The "**stated redemption price at maturity**" of a Covered Bond generally will equal the sum of all payments required to be made under the Covered Bond other than payments of "qualified stated interest". "**Qualified stated interest**" is stated interest unconditionally payable (other than in debt instruments of the issuer) at least annually during the entire term of the Covered Bond and equal to the outstanding principal balance of the Covered Bond multiplied by a single fixed rate of interest.

In addition, qualified stated interest includes, among other things, stated interest on a "variable rate debt instrument" that is unconditionally payable (other than in debt instruments of the issuer) at least annually at a single qualified floating rate of interest or at a rate that is determined at a single fixed formula that is based on objective financial or economic information. A rate is a qualified floating rate if variations in the rate can reasonably be expected to measure contemporaneous fluctuations in the cost of newly borrowed funds in the currency in which the Covered Bond is denominated.

If the difference between a Covered Bond's stated redemption price at maturity and its issue price is less than a *de minimis* amount, i.e., 1/4 of 1 per cent of the stated redemption price at maturity multiplied by the number of complete years to maturity, the Covered Bond will not be considered to have original issue discount. U.S. holders of Covered Bonds with a *de minimis* amount of original issue discount will include this original issue discount in income, as capital gain, on a *pro rata* basis as principal payments are made on the Covered Bond.

A U.S. holder of original issue discount Covered Bonds will be required to include any qualified stated interest payments in income in accordance with the U.S. holder's method of accounting for U.S. federal income tax purposes. U.S. holders of original issue discount Covered Bonds that mature more than one year from their date of issuance will be required to include original issue discount in income for U.S. federal tax purposes as it accrues in accordance with a constant yield method based on a compounding of interest, regardless of whether cash attributable to this income is received.

A U.S. holder may make an election to include in gross income all interest that accrues on any Covered Bond (including stated interest, acquisition discount, original issue discount, *de minimis* original issue discount, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) in accordance with a constant yield method based on the compounding of interest (a "**constant yield election**"), and may revoke such election only with the permission of the IRS.

A Covered Bond that matures one year or less from its date of issuance (a "**short-term Covered Bond**") will be treated as being issued at a discount and none of the interest paid on the Covered Bond will be treated as qualified stated interest. In general, a cash method U.S. holder of a short-term Covered Bond is not required to accrue the discount for U.S. federal income tax purposes unless it elects to do so. U.S. holders who so elect and certain other U.S. holders, including those who report income on the accrual method of accounting for U.S. federal income tax purposes, are required to include the discount in income as it accrues on a straight-line basis, unless another election is made to accrue the discount according to a constant yield method based on daily compounding. In the case of a U.S. holder who is not required and who does not elect to include the discount in income currently, any gain realized on the sale, exchange, or retirement of the short-term Covered Bond will be ordinary income to the extent of the discount accrued on a straight-line basis (or, if elected, according to a constant yield method based on daily compounding) through the date of sale, exchange or retirement. In addition, those U.S. holders will be required to defer deductions for any interest paid on indebtedness incurred to purchase or carry short-term Covered Bonds in an amount not exceeding the accrued discount until the accrued discount is included in income.

The Issuer may have an unconditional option to redeem, or U.S. holders may have an unconditional option to require the Issuer to redeem, a Covered Bond prior to its stated maturity date. Under applicable regulations, if the Issuer has an unconditional option to redeem a Covered Bond prior to its stated maturity date, this option will be presumed to be exercised if, by utilizing any date on which the Covered Bond may be redeemed as the maturity date and the amount payable on that date in accordance with the terms of the Covered Bond as the stated redemption price at maturity, the yield on the Covered Bond would be lower than its yield to maturity. If the U.S. holders have an unconditional option to require the Issuer to redeem a Covered Bond prior to its stated maturity date, this option will be presumed to be exercised if making the same assumptions as those set forth in the previous sentence, the yield on the Covered Bond would be higher than its yield to maturity. If this option is not in fact

exercised, the Covered Bond would be treated solely for purposes of calculating original issue discount as if it were redeemed, and a new Covered Bond were issued, on the presumed exercise date for an amount equal to the Covered Bond's adjusted issue price on that date. The adjusted issue price of an original issue discount Covered Bond is defined as the sum of the issue price of the Covered Bond and the aggregate amount of previously accrued original issue discount, less any prior payments other than payments of qualified stated interest.

Market Discount

If a U.S. holder purchases a Covered Bond (other than a short-term Covered Bond) for an amount that is less than its stated redemption price at maturity or, in the case of an original issue discount Covered Bond, its adjusted issue price, the amount of the difference will be treated as market discount for U.S. federal income tax purposes, unless this difference is less than a specified *de minimis* amount.

A U.S. holder will be required to treat any principal payment (or, in the case of an original issue discount Covered Bond, any payment that does not constitute qualified stated interest) on, or any gain on the sale, exchange, retirement or other disposition of a Covered Bond, including disposition in certain nonrecognition transactions, as ordinary income to the extent of the market discount accrued on the Covered Bond at the time of the payment or disposition unless this market discount has been previously included in income by the U.S. holder pursuant to an election by the U.S. holder to include market discount in income as it accrues, or pursuant to a constant yield election by the U.S. holder as described under "*Taxation – United States Federal Income Taxation – Original Issue Discount*" above. In addition, the U.S. holder may be required to defer, until the maturity of the Covered Bond or its earlier disposition (including certain nontaxable transactions), the deduction of all or a portion of the interest expense on any indebtedness incurred or maintained to purchase or carry such Covered Bond.

If a U.S. holder makes a constant yield election (as described under "*Taxation – United States Federal Income Taxation – Original Issue Discount*") for a Covered Bond with market discount, such election will result in a deemed election for all market discount bonds acquired by the U.S. holder on or after the first day of the first taxable year to which such election applies.

Acquisition Premium and Amortizable Bond Premium

A U.S. holder who purchases a Covered Bond for an amount that is greater than the Covered Bond's adjusted issue price but less than or equal to the sum of all amounts payable on the Covered Bond after the purchase date other than payments of qualified stated interest will be considered to have purchased the Covered Bond at an acquisition premium. Under the acquisition premium rules, the amount of original issue discount that the U.S. holder must include in its gross income with respect to the Covered Bond for any taxable year will be reduced by the portion of acquisition premium properly allocable to that year.

If a U.S. holder purchases a Covered Bond for an amount in excess of the sum of all amounts payable on the Covered Bonds after the purchase date, other than qualified stated interest, the U.S. holder will be considered to have purchased the Covered Bond with amortizable bond premium equal in an amount to the excess of the purchase price over the amount payable at maturity. The U.S. holder may elect to amortize this premium, using a constant yield method, over the remaining term of the Covered Bond (where the Covered Bond is not optionally redeemable prior to its maturity date). If the Covered Bond may be optionally redeemed prior to maturity after the holder has acquired it, the amount of amortizable bond premium is determined by substituting the call date for the maturity date and the call price for the amount payable at maturity only if the substitution results in a smaller amount of premium attributable to the period before the redemption date. A U.S. holder who elects to amortize bond premium must reduce its tax basis in the Covered Bond by the amount of the premium amortized in any year. An election to amortize bond premium applies to all taxable debt obligations then owned and thereafter acquired by the U.S. holder and may be revoked only with the consent of the IRS.

If a U.S. holder makes a constant yield election (as described under "*Taxation – United States Federal Income Taxation – Original Issue Discount*") for a Covered Bond with amortizable bond premium, such election will result in a deemed election to amortize bond premium for all of the holder's debt instruments with amortizable bond premium.

Sale, Exchange or Retirement of the Covered Bonds

Upon the sale, exchange or retirement of a Covered Bond, a U.S. holder will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement and the U.S. holder's adjusted tax basis in the Covered Bond. A U.S. holder's adjusted tax basis in a Covered Bond generally will equal the acquisition cost of the Covered Bond increased by the amount of original issue discount and market discount included in the U.S. holder's gross income and decreased by the amount of any payments received from the Issuer other than a payment of qualified stated interest, and the amount of any amortizable bond premium applied to reduce interest on the Covered Bond. Gain or loss, if any, will generally be U.S. source income for purposes of computing a U.S. holder's foreign tax credit limitation. For these purposes, the amount realized does not include any amount attributable to accrued but unpaid interest on the Covered Bond. Amounts attributable to accrued but unpaid interest are treated as interest as described under "*Taxation – United States Federal Income Taxation – Payments of Stated Interest*".

Except as described below, gain or loss realized on the sale, exchange or retirement of a Covered Bond will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or retirement the Covered Bond has been held for more than one year. Exceptions to this general rule apply to the extent of any accrued market discount or, in the case of a short-term Covered Bond, to the extent of any accrued discount not previously included in the U.S. holder's taxable income. See "*Taxation– United States Federal Income Taxation – Original Issue Discount*" and "*– Market Discount*". In addition, other exceptions to this general rule apply in the case of foreign currency Covered Bonds, and contingent payment debt instruments. See "*Taxation – United States Federal Income Taxation – Foreign Currency Covered Bonds*" and "*– Contingent Payment Debt Instruments*".

Contingent Payment Debt Instruments

If the terms of the Covered Bonds provide for certain contingencies that affect the timing and amount of payments (including Covered Bonds with a variable rate or rates that do not qualify as "variable rate debt instruments" for purposes of the original issue discount rules) they will be "contingent payment debt instruments" for U.S. federal income tax purposes. Under the rules that govern the treatment of contingent payment debt instruments, no payment on such Covered Bonds qualifies as qualified stated interest. Rather, a U.S. holder must account for interest for U.S. federal income tax purposes based on a "comparable yield" and the differences between actual payments on the Covered Bond and the Covered Bond's "projected payment schedule" as described below. The comparable yield is determined by the Issuer at the time of issuance of the Covered Bonds. The comparable yield may be greater than or less than the stated interest, if any, with respect to the Covered Bonds. Solely for the purpose of determining the amount of interest income that a U.S. holder will be required to accrue on a contingent payment debt instrument, the Issuer will be required to construct a "projected payment schedule" that represents a series of payments the amount and timing of which would produce a yield to maturity on the contingent payment debt instrument equal to the comparable yield.

Neither the comparable yield nor the projected payment schedule constitutes a representation by the Issuer regarding the actual amount, if any, that the contingent payment debt instrument will pay.

For U.S. federal income tax purposes, a U.S. holder will be required to use the comparable yield and the projected payment schedule established by the Issuer in determining interest accruals and adjustments in respect of a Covered Bond treated as a contingent payment debt instrument, unless the

U.S. holder timely discloses and justifies the use of a different comparable yield and projected payment schedule to the IRS.

A U.S. holder, regardless of the U.S. holder's method of accounting for U.S. federal income tax purposes, will be required to accrue interest income on a contingent payment debt instrument at the comparable yield, adjusted upward or downward to reflect the difference, if any, between the actual and the projected amount of any contingent payments on the contingent payment instrument (as set forth below).

A U.S. holder will be required to recognize interest income equal to the amount of any net positive adjustment, i.e., the excess of actual payments over projected payments, in respect of a contingent payment debt instrument for a taxable year. A net negative adjustment, i.e., the excess of projected payments over actual payments, in respect of a contingent payment debt instrument for a taxable year:

- will first reduce the amount of interest in respect of the contingent payment debt instrument that a U.S. holder would otherwise be required to include in income in the taxable year; and
- to the extent of any excess, will give rise to an ordinary loss equal to so much of this excess as does not exceed the excess of:
- the amount of all previous interest inclusions under the contingent payment debt instrument over
- the total amount of the U.S. holder's net negative adjustments treated as ordinary loss on the contingent payment debt instrument in prior taxable years.

A net negative adjustment is not subject to the limitations imposed on miscellaneous deductions. Any net negative adjustment in excess of the amounts described above will be carried forward to offset future interest income in respect of the contingent payment debt instrument or to reduce the amount realized on a sale, exchange or retirement of the contingent payment debt instrument. Where a U.S. holder purchases a contingent payment debt instrument for a price other than its adjusted issue price, the difference between the purchase price and the adjusted issue price must be reasonably allocated to the daily portions of interest or projected payments with respect to the contingent payment debt instrument over its remaining term and treated as a positive or negative adjustment, as the case may be, with respect to each period to which it is allocated.

Upon a sale, exchange or retirement of a contingent payment debt instrument, a U.S. holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement and the holder's adjusted basis in the contingent payment debt instrument. A U.S. holder's adjusted basis in a Covered Bond that is a contingent payment debt instrument generally will be the acquisition cost of the Covered Bond, increased by the interest previously accrued by the U.S. holder on the Covered Bond under these rules, disregarding any net positive and net negative adjustments, and decreased by the amount of any noncontingent payments and the projected amount of any contingent payments previously made on the Covered Bond. A U.S. holder generally will treat any gain as interest income, and any loss as ordinary loss to the extent of the excess of previous interest inclusions in excess of the total net negative adjustments previously taken into account as ordinary losses, and the balance as capital loss. The deductibility of capital losses is subject to limitations. In addition, if a holder recognizes loss above certain thresholds, the holder may be required to file a disclosure statement with the IRS (as described under "*Taxation – United States Federal Income Taxation – Reportable Transactions*").

A U.S. holder will have a tax basis in any property, other than cash, received upon the retirement of a contingent payment debt instrument including in satisfaction of a conversion right or a call right equal

to the fair market value of the property, determined at the time of retirement. The U.S. holder's holding period for the property will commence on the day immediately following its receipt.

Foreign Currency Covered Bonds

The following discussion summarizes the principal U.S. federal income tax consequences to a U.S. holder of the ownership and disposition of Covered Bonds that are denominated in a specified currency other than the U.S. dollar or the payments of interest or principal on which are payable in a currency other than the U.S. dollar ("**foreign currency Covered Bonds**").

The rules applicable to foreign currency Covered Bonds could require some or all gain or loss on the sale, exchange or other disposition of a foreign currency Covered Bond to be recharacterized as ordinary income or loss. The rules applicable to foreign currency Covered Bonds are complex and may depend on the U.S. holder's particular U.S. federal income tax situation. For example, various elections are available under these rules, and whether a U.S. holder should make any of these elections may depend on the holder's particular U.S. federal income tax situation. U.S. holders are urged to consult their own tax advisors regarding the U.S. federal income tax consequences of the ownership and disposition of foreign currency Covered Bonds.

A U.S. holder who uses the cash method of accounting and who receives a payment of qualified stated interest in a foreign currency with respect to a foreign currency Covered Bond will be required to include in income the U.S. dollar value of the foreign currency payment (determined on the date the payment is received) regardless of whether the payment is in fact converted to U.S. dollars at that time, and this U.S. dollar value will be the U.S. holder's tax basis in the foreign currency. A cash method U.S. holder who receives a payment of qualified stated interest in U.S. dollars pursuant to an option available under such foreign currency Covered Bond will be required to include the amount of this payment in income upon receipt.

An accrual method U.S. holder will be required to include in income the U.S. dollar value of the amount of interest income (including original issue discount or market discount, but reduced by acquisition premium and amortizable bond premium, to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a foreign currency Covered Bond during an accrual period. The U.S. dollar value of the accrued income will be determined by translating the income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. The U.S. holder will recognize ordinary income or loss with respect to accrued interest income on the date the income is actually received. The amount of ordinary income or loss recognized will equal the difference between the U.S. dollar value of the foreign currency payment received (determined on the date the payment is received) in respect of the accrual period (or, where a holder receives U.S. dollars, the amount of the payment in respect of the accrual period) and the U.S. dollar value of interest income that has accrued during the accrual period (as determined above). Rules similar to these rules apply in the case of a cash method taxpayer required to currently accrue original issue discount or market discount.

An accrual method U.S. holder may elect to translate interest income (including original issue discount) into U.S. dollars at the spot rate on the last day of the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the taxable year) or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate on the date of receipt. A U.S. holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

Original issue discount, market discount, acquisition premium and amortizable bond premium on a foreign currency Covered Bond are to be determined in the relevant foreign currency. Where the taxpayer elects to include market discount in income currently, the amount of market discount will be determined for any accrual period in the relevant foreign currency and then translated into U.S. dollars

on the basis of the average rate in effect during the accrual period. Exchange gain or loss realized with respect to such accrued market discount shall be determined in accordance with the rules relating to accrued interest described above.

If an election to amortize bond premium is made, amortizable bond premium taken into account on a current basis shall reduce interest income in units of the relevant foreign currency. Exchange gain or loss is realized on amortized bond premium with respect to any period by treating the bond premium amortized in the period in the same manner as on the sale, exchange or retirement of the foreign currency Covered Bond. Any exchange gain or loss will be ordinary income or loss as described below. If the election is not made, any loss realized on the sale, exchange or retirement of a foreign currency Covered Bond with amortizable bond premium by a U.S. holder who has not elected to amortize the premium will be a capital loss to the extent of the bond premium.

A U.S. holder's tax basis in a foreign currency Covered Bond, and the amount of any subsequent adjustment to the U.S. holder's tax basis, will be the U.S. dollar value amount of the foreign currency amount paid for such foreign currency Covered Bond, or of the foreign currency amount of the adjustment, determined on the date of the purchase or adjustment. A U.S. holder who purchases a foreign currency Covered Bond with previously owned foreign currency will recognize ordinary income or loss in an amount equal to the difference, if any, between such U.S. holder's tax basis in the foreign currency and the U.S. dollar fair market value of the foreign currency Covered Bond on the date of purchase.

Gain or loss realized upon the sale, exchange or retirement of a foreign currency Covered Bond that is attributable to fluctuations in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between (i) the U.S. dollar value of the foreign currency principal amount of the Covered Bond, determined on the date the payment is received or the Covered Bond is disposed of, and (ii) the U.S. dollar value of the foreign currency principal amount of the Covered Bond, determined on the date the U.S. holder acquired the Covered Bond. Payments received attributable to accrued interest will be treated in accordance with the rules applicable to payments of interest on foreign currency Covered Bonds described above. The foreign currency gain or loss will be recognized only to the extent of the total gain or loss realized by the holder on the sale, exchange or retirement of the foreign currency Covered Bond. The source of the foreign currency gain or loss will be determined by reference to the residence of the holder or the "qualified business unit" of the holder on whose books the foreign currency Covered Bond is properly reflected. Any gain or loss realized by these holders in excess of the foreign currency gain or loss will be capital gain or loss except to the extent of any accrued market discount or, in the case of a short-term foreign currency Covered Bond, to the extent of any discount not previously included in the U.S. holder's income. U.S. holders should consult their own tax advisor with respect to the tax consequences of receiving payments in a currency different from the currency in which payments with respect to such foreign currency Covered Bond accrue.

A U.S. holder will have a tax basis in any foreign currency received on the sale, exchange or retirement of a foreign currency Covered Bond equal to the U.S. dollar value of the foreign currency, determined at the time of sale, exchange or retirement. A cash method taxpayer who buys or sells a foreign currency Covered Bond is required to translate units of foreign currency paid or received into U.S. dollars at the spot rate on the settlement date of the purchase or sale. Accordingly, no exchange gain or loss will result from currency fluctuations between the trade date and the settlement date of the purchase or sale. An accrual method taxpayer may elect the same treatment for all purchases and sales of foreign currency obligations provided that the foreign currency Covered Bonds are traded on an established securities market. This election cannot be changed without the consent of the IRS. Any gain or loss realized by a U.S. holder on a sale or other disposition of foreign currency (including its exchange for U.S. dollars or its use to purchase foreign currency Covered Bonds) will be ordinary income or loss.

Backup Withholding and Information Reporting

Information returns may be filed with the IRS in connection with payments on the Covered Bonds and the proceeds from a sale or other disposition of the Covered Bonds. A U.S. holder may be subject to U.S. backup withholding on these payments if it fails to provide its tax identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle them to a refund, provided that the required information is furnished to the IRS.

Reportable Transactions

A U.S. taxpayer that participates in a "**reportable transaction**" will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. holder may be required to treat a foreign currency exchange loss from the Covered Bonds as a reportable transaction if the loss exceeds U.S. $50,000 in a single taxable year if the U.S. holder is an individual or trust, or higher amounts for other U.S. holders. In the event the acquisition, ownership or disposition of Covered Bonds constitutes participation in a "**reportable transaction**" for purposes of these rules, a U.S. holder will be required to disclose its investment by filing Form 8886 with the IRS. Prospective purchasers should consult their tax advisors regarding the application of these rules to the acquisition, ownership or disposition of Covered Bonds.

U.S. holders should consult their own tax advisors regarding any reporting requirements they may have as a result of their acquisition, ownership or disposition of Covered Bonds.

Foreign Financial Asset Reporting

Certain U.S. holders that own "specified foreign financial assets" that meet certain U.S. dollar value thresholds generally are required to file an information report with respect to such assets with their tax returns. The Covered Bonds generally will constitute specified foreign financial assets subject to these reporting requirements unless the Covered Bonds are held in an account at certain financial institutions. U.S. holders are urged to consult their tax advisors regarding the application of these disclosure requirements to their ownership of the Covered Bonds.

Base Rate Amendments

Pursuant to Condition 14(xv), the Issuer may in certain circumstances implement a Base Rate Modification. It is possible that a Base Rate Modification will be treated as a deemed exchange of old Covered Bonds for new Covered Bonds, which may be a taxable event for U.S. holders. In addition, the potential for a Base Rate Modification may also affect the calculation of OID. U.S. holders should consult with their own tax advisors regarding the potential consequences of a Base Rate Modification.

Taxation of Non-U.S. Holders

Subject to the backup withholding and Foreign Account Tax Compliance Act rules discussed below, Non-U.S. holders generally should not be subject to U.S. federal income or withholding tax on any payments on the Covered Bonds and gain from the sale, redemption or other disposition of the Covered Bonds unless: (i) that payment and/or gain is effectively connected with the conduct by that Non-U.S. holder of a trade or business in the U.S.; (ii) in the case of any gain realized on the sale or exchange of a Covered Bond by an individual Non-U.S. holder, that holder is present in the U.S. for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met; or (iii) the Non-U.S. holder is subject to tax pursuant to provisions of the Code applicable to certain expatriates.

Non-U.S. holders should consult their own tax advisors regarding the U.S. federal income and other tax consequences of owning Covered Bonds.

Backup Withholding and Information Reporting

Non U.S. holders may be required to comply with applicable certification procedures to establish that they are not U.S. holders in order to avoid the application of the information reporting requirements and backup withholding discussed above under "*U.S. Holders – Backup Withholding and Information Reporting*".

Fungible Issue

The Issuer may, without the consent of the holders of outstanding Covered Bonds, issue additional Covered Bonds with identical terms. These additional Covered Bonds, even if they are treated for non-tax purposes as part of the same series as the original Covered Bonds, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the additional Covered Bonds may be considered to have been issued with OID even if the original Covered Bonds had no OID, or the additional Covered Bonds may have a greater amount of OID than the original Covered Bonds. The the additional Covered Bonds may not otherwise be distinguishable from the original Covered Bonds.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the Code, commonly known as "FATCA", a "foreign financial institution" (as defined for purposes of FATCA, and including an intermediary through which Covered Bonds are held) may be required to withhold at a rate of 30 per cent. on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. The term "foreign passthru payment" is not yet defined. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Covered Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Covered Bonds characterised as debt (or which are not characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional Covered Bonds (as described under "*Terms and Conditions of the Covered Bonds – Further Issues*") that are not distinguishable from previously issued Covered Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Covered Bonds, including the Covered Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Covered Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Covered Bonds, no person will be required to pay additional amounts as a result of the withholding.

CERTAIN U.S. REGULATORY CONSIDERATIONS

INVESTMENT COMPANY ACT

The LLP has not registered, and the LLP believes it is not necessary to register, with the U.S. Securities and Exchange Commission as an investment company pursuant to the Investment Company Act in reliance on the exemptions afforded by Section 3(c)(5)(C) of the Investment Company Act, although other exemptions or exclusions may be applicable. The LLP has been structured with the intent that it does not constitute a "covered fund" for purposes of the Volcker Rule. Investors that are "banking entities" should carefully review the Volcker Rule and conduct their own analysis, in consultation with their legal advisers, to determine whether the LLP is a "covered fund" and whether the Covered Bonds constitute "ownership interests" for the purposes of the Volcker Rule. Each investor is responsible for analysing its own regulatory position as to the potential impact of the Volcker Rule, and none of the Issuer, the Arrangers nor the Dealers makes any representation to any prospective investor or purchaser of the Covered Bonds regarding the treatment of the LLP or the Covered Bonds under the Volcker Rule, or to such investor's investment in the Covered Bonds at any time in the future.

CERTAIN ERISA CONSIDERATIONS

Unless otherwise provided in any supplement to this Prospectus, the Covered Bonds should be eligible for purchase by employee benefit plans and other plans subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), and/or the provisions of Section 4975 of the Code and by governmental, church and non-U.S. plans that are subject to any federal, state, local or non-U.S. law or regulation that is substantially similar to the prohibited transaction provisions of Section 406 of ERISA and/or Section 4975 of the Code ("**Similar Law**"), subject to consideration of the issues described in this section. ERISA imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "**ERISA Plans**"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirements of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed under "*Risk Factors*".

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts and entities whose underlying assets include the assets of such plans (together with ERISA Plans, "**Plans**")) and certain persons (referred to as "**parties in interest**" under ERISA or "**disqualified persons**" under Section 4975 of the Code) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person, including a Plan fiduciary, who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The Issuer, the LLP, the Bond Trustee, the Security Trustee, any Dealer or any other party to the transactions referred to in this Prospectus may be parties in interest or disqualified persons with respect to many Plans. Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any of the Covered Bonds is acquired or held by a Plan, including but not limited to where the Issuer, the LLP, the Bond Trustee, the Security Trustee, any Dealer or any other party to such transactions is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire any Covered Bonds and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to transactions between a person that is a party in interest (other than a fiduciary or an affiliate that has or exercises discretionary authority or control or renders investment advice with respect to assets involved in the transaction) solely by reason of providing services to the plan, provided that there is adequate consideration for the transaction), Prohibited Transaction Class Exemption ("**PTCE**") 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a qualified professional asset manager), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by in-house asset managers). Prospective investors should consult with their advisors regarding the prohibited transaction rules and these exceptions. There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving any Covered Bonds.

Governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA), while not

subject to the fiduciary responsibility provisions of Title I of ERISA or the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code, may nevertheless be subject to Similar Law. Fiduciaries of any such plans should consult with their counsel before purchasing the Covered Bonds to determine the need for, if necessary, and the availability of, any exemptive relief under any Similar Law.

In addition, the U.S. Department of Labor has promulgated a regulation, 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (the "**Plan Asset Regulation**"), describing what constitutes the assets of a Plan with respect to the Plan's investment in an entity for purposes of certain provisions of ERISA, including the fiduciary responsibility provisions of Title I of ERISA and the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code. Under the Plan Asset Regulation, if a Plan invests in an equity interest of an entity that is neither a publicly-offered security nor a security issued by an investment company registered under the United States Investment Company Act of 1940, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless one of the exceptions to such treatment described in the Plan Asset Regulation applies. Under the Plan Asset Regulation, a security which is in the form of debt may be considered an equity interest if it has substantial equity features. If the Issuer was deemed under the Plan Asset Regulation to hold plan assets by reason of a Plan's investment in any of the Covered Bonds, such plan assets would include an undivided interest in the assets held by the Issuer and transactions by the Issuer would be subject to the fiduciary responsibility provisions of Title I of ERISA and the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code. The Plan Asset Regulation provides, however, that if equity participation in any entity by "Benefit Plan Investors" is not significant, then the "look-through" rule will not apply to such entity. The term "**Benefit Plan Investors**" is defined in the Plan Asset Regulation to include (1) any "employee benefit plan" (as defined in Section 3(3) of ERISA) that is subject to Title I of ERISA, (2) any "plan" (as defined in Section 4975(e)(1) of the Code) that is subject to Section 4975 of the Code, and (3) any entity whose underlying assets include "plan assets" by reason of any such employee benefit plan's or plan's investment in the entity. Equity participation by Benefit Plan Investors in any entity is significant if, immediately after the most recent acquisition of any equity interest in the entity, 25% or more of the total value of any class of equity interests in the entity (excluding the value of any interests held by certain persons, other than Benefit Plan Investors, having or exercising control over the assets of the entity or providing investment advice to the entity for a fee (direct or indirect) or any affiliates of such persons) is held by Benefit Plan Investors. If, as a result of any investment, 25% or more of the total value of any class of equity interests in the Issuer is being held by Benefit Plan Investors, the applicable Covered Bonds may be redeemed by the Issuer. While there is little pertinent authority in this area and no assurance can be given, the Issuer believes that the Covered Bonds should not be treated as equity interests for the purposes of the Plan Asset Regulation and, therefore, the Plan Asset Regulation should not apply and any such redemptions would not be necessary.

Accordingly, except as otherwise provided in any supplement to this Prospectus, each purchaser and subsequent transferee of any Covered Bonds (or any interest therein) will be deemed to represent and warrant, on each day from the date on which the purchaser or transferee acquires such Covered Bonds (or any interest therein) through and including the date on which the purchaser or transferee disposes of such Covered Bonds (or its interests therein), either that (a) it is not, and is not acting on behalf of, a Plan or a governmental, church or non-U.S. plan which is subject to any Similar Law or (b) its acquisition, holding and disposition of such Covered Bonds (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of any Similar Law.

In addition, a purchaser or transferee that is, or is acting on behalf of, a Benefit Plan Investor, will be further deemed to represent, warrant and agree that (i) none of the Transaction Parties or any of their respective affiliates has provided any investment recommendation or investment advice to it, or any fiduciary or other person investing the assets of the Benefit Plan Investor ("**Plan Fiduciary**"), in

connection with its decision to invest in the Covered Bonds, and they are not otherwise undertaking to act as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Benefit Plan Investor or the Plan Fiduciary in connection with the Benefit Plan Investor's acquisition of the Covered Bonds and (ii) the Plan Fiduciary is exercising its own independent judgment in evaluating the investment in the Covered Bonds.

Each Plan Fiduciary who is responsible for making the investment decisions whether to purchase or commit to purchase and to hold any of the Covered Bonds should determine whether, under the documents and instruments governing the Plan, an investment in such Covered Bonds is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan's investment portfolio. Any Plan proposing to invest in such Covered Bonds (including any governmental, church or non-U.S. plan) should consult with its counsel to confirm that such investment will not constitute or result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA and the Code (or, in the case of a governmental, church or non-U.S. plan, any Similar Law).

The sale of any Covered Bonds to a Plan is in no respect a representation by the Issuer, the LLP, the Bond Trustee, the Security Trustee, any Dealer or any other party to the transactions that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

Any further ERISA considerations with respect to the Covered Bonds may be found in the relevant supplement.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in a Programme Agreement dated 19 December 2025 (as the same may be amended and/or supplemented and/or restated from time to time, the "**Programme Agreement**"), agreed with the Issuer and the LLP a basis upon which such Dealers or any of them may from time to time agree to purchase Covered Bonds. Any such agreement for any particular purchase by a Dealer will extend to those matters stated under "*Form of the Covered Bonds*" and "*Terms and Conditions of the Covered Bonds*" above. The Issuer may pay the Dealers commission from time to time in connection with the sale of any Covered Bonds and, in the Programme Agreement, the Issuer has agreed to reimburse and indemnify the Dealers for certain of their expenses and liabilities in connection with the establishment and any future updates of the Programme and the issue of Covered Bonds under the Programme. The Dealers are entitled to be released and discharged from their obligations in relation to any agreement to issue and purchase Covered Bonds under the Programme Agreement in certain circumstances prior to payment to the Issuer.

Transfer Restrictions

As a result of the following restrictions, purchasers of Covered Bonds in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Covered Bonds.

Each purchaser of Registered Covered Bonds (other than a person purchasing an interest in a Registered Global Covered Bond with a view to holding it in the form of an interest in the same Global Covered Bond) or person wishing to transfer an interest from one Registered Global Covered Bond to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree, and each person purchasing an interest in a Registered Global Covered Bond with a view to holding it in the form of an interest in the same Global Covered Bond will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(a) That either: (i) it is a QIB, purchasing (or holding) the Covered Bonds for its own account or for the account of one or more QIBs, and it is aware that any sale to it is being made in reliance on Rule 144A; or (ii) it is outside the United States and is not a U.S. person and it is not purchasing (or holding) the Covered Bonds for the account or benefit of a U.S. person;

(b) that the Covered Bonds are being offered and sold in a transaction not involving an offering in the United States within the meaning of the Securities Act, and that the Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account 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) that neither the Issuer nor the LLP has any obligation to register the Covered Bonds or the Covered Bond Guarantee under the Securities Act;

(d) that, unless it holds an interest in a Regulation S Global Covered Bond and either is a person located outside the United States or is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Covered Bonds or any beneficial interests in the Covered Bonds, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Covered Bonds, only: (i) to the Issuer or any affiliate thereof; (ii) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for

the account of a QIB in a transaction meeting the requirements of Rule 144A; (iii) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act; (iv) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available); or (v) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;

(e) that it will, and will require each subsequent holder to, notify any purchaser of the Covered Bonds from it of the resale restrictions referred to in paragraph (c) above, if then applicable;

(f) that Covered Bonds initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Covered Bonds, and that Covered Bonds offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Covered Bonds;

(g) except as otherwise provided in any supplement to this Prospectus, either (i) it is not, and is not acting on behalf of, a Plan or a governmental, church or non-U.S. plan which is subject to any Similar Law or (b) its acquisition, holding and disposition of such Covered Bonds (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of any Similar Law;

(h) if it is, or is acting on behalf of, a Plan, (i) none of the Issuer, the LLP, the Bond Trustee, the Security Trustee, any Dealer or any other party to the transactions referred to in this Prospectus or any of their respective affiliates has provided any investment recommendation or investment advice to it, or any Plan Fiduciary, in connection with its decision to invest in the Covered Bonds, and they are not otherwise undertaking to act as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Plan or the Plan Fiduciary in connection with the Plan's acquisition of the Covered Bonds and (ii) the Plan Fiduciary is exercising its own independent judgment in evaluating the investment in the Covered Bonds;

(i) that the Covered Bonds, other than the Regulation S Global Covered Bonds, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS. ACCORDINGLY, BY ITS ACQUISITION HEREOF, THE HOLDER: (A) REPRESENTS THAT IT IS A "**QUALIFIED INSTITUTIONAL BUYER**" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY (THE "**AGENCY AGREEMENT**") AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN: (1) TO THE ISSUER OR ANY AFFILIATE THEREOF; (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT

PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A; (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT; (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE); OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).

UNLESS OTHERWISE PROVIDED IN A SUPPLEMENT TO THE PROSPECTUS, EACH PURCHASER AND SUBSEQUENT TRANSFEREE OF THIS SECURITY (OR ANY INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT, ON EACH DAY FROM THE DATE ON WHICH THE PURCHASER OR TRANSFEREE ACQUIRES THIS SECURITY (OR ANY INTEREST HEREIN) THROUGH AND INCLUDING THE DATE ON WHICH THE PURCHASER OR TRANSFEREE DISPOSES OF THIS SECURITY (OR ITS INTEREST HEREIN), EITHER THAT (I) IT IS NOT, AND IS NOT ACTING ON BEHALF OF, (A) AN “EMPLOYEE BENEFIT PLAN” (AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**")) THAT IS SUBJECT TO TITLE I OF ERISA, (B) A “PLAN” (AS DEFINED IN SECTION 4975(e)(1) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**")) THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (C) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” BY REASON OF ANY SUCH EMPLOYEE BENEFIT PLAN’S OR PLAN’S INVESTMENT IN THE ENTITY (EACH OF THE FOREGOING, A "**BENEFIT PLAN INVESTOR**") OR (D) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY FEDERAL STATE, LOCAL OR NON-U.S. LAW OR REGULATION THAT IS SUBSTANTIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA AND/OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**") OR (II) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF ANY SIMILAR LAW.

EACH PURCHASER AND SUBSEQUENT TRANSFEREE OF THIS SECURITY (OR ANY INTEREST HEREIN) THAT IS, OR IS ACTING ON BEHALF OF, A BENEFIT PLAN INVESTOR, WILL BE FURTHER DEEMED TO REPRESENT, WARRANT AND AGREE THAT (I) NONE OF THE ISSUER, THE LLP, THE BOND TRUSTEE, THE SECURITY TRUSTEE, ANY DEALER OR ANY OF THEIR RESPECTIVE AFFILIATES HAS PROVIDED ANY INVESTMENT RECOMMENDATION OR INVESTMENT ADVICE TO IT, OR ANY FIDUCIARY OR OTHER PERSON INVESTING THE ASSETS OF THE BENEFIT PLAN INVESTOR ("**PLAN FIDUCIARY**"), IN CONNECTION WITH ITS DECISION TO INVEST IN THIS SECURITY, AND THEY ARE NOT OTHERWISE UNDERTAKING TO ACT AS A FIDUCIARY, AS DEFINED IN SECTION 3(21) OF ERISA OR SECTION 4975(e)(3) OF THE CODE, TO THE BENEFIT PLAN INVESTOR OR THE PLAN FIDUCIARY IN CONNECTION WITH THE BENEFIT PLAN INVESTOR'S ACQUISITION OF THIS SECURITY AND (II) THE PLAN FIDUCIARY IS EXERCISING ITS OWN INDEPENDENT JUDGMENT IN EVALUATING THE INVESTMENT IN THIS SECURITY.

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISION OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.";

(j) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Covered Bonds prior to the expiration of the distribution compliance period (defined as 40 days after the completion of the distribution of the Tranche of Covered Bonds of which such Covered Bonds are a part, as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue), it will do so only: (i)(A) outside the United States in compliance with Rule 903 or 904 under the Securities Act; or (B) to a QIB in compliance with Rule 144A; and (ii) in accordance with all applicable U.S. State securities laws, and it acknowledges that the Regulation S Global Covered Bonds will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY (THE "**AGENCY AGREEMENT**") AND PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS. UNTIL THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL OF THE COVERED BONDS OF THE TRANCHE OF WHICH THIS COVERED BOND FORMS PART, SALES MAY NOT BE MADE IN THE UNITED STATES OR TO U.S. PERSONS UNLESS MADE: (I) PURSUANT TO RULE 903 OR 904 OR REGULATION S UNDER THE SECURITIES ACT; OR (II) TO QUALIFIED INSTITUTIONAL BUYERS AS DEFINED IN, AND IN TRANSACTIONS PURSUANT TO, RULE 144A UNDER THE SECURITIES ACT."; and

(k) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer, and if it is acquiring any Covered Bonds as a fiduciary or agent for one or more accounts it represents, that it has sole investment discretion with respect to each

such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

No sale of Legended Covered Bonds in the United States to any one purchaser will be for less than U.S.$100,000 (or the approximate equivalent in another Specified Currency) principal amount and no Legended Covered Bond will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.$250,000 (or the approximate equivalent in another Specified Currency) principal amount of Registered Covered Bonds.

Dealers may arrange for the resale of Covered Bonds to QIBs pursuant to Rule 144A and each such purchaser of Covered Bonds is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Covered Bonds which may be purchased by a QIB pursuant to Rule 144A is U.S.$250,000 (or the approximate equivalent in another Specified Currency.)

Selling Restrictions

United States

Regulation S, Category 2, TEFRA D rules apply, unless the applicable Final Terms specifies that the TEFRA C rules are applicable instead, or that the TEFRA rules are not applicable. Sales to QIBs in reliance upon Rule 144A under the United States Securities Act of 1933, as amended (the Securities Act) who agree to purchase for their own account and not with a view to distribution will be permitted, if so specified in the applicable Final Terms.

The Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act or the securities laws of any state or other territory or jurisdiction of the United States and 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 local, state or federal securities laws. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Bearer Covered Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and U.S. Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA D or TEFRA C rules apply or whether TEFRA is not applicable.

In connection with any Covered Bonds which are offered, sold or delivered outside the United States in reliance on Regulation S ("**Regulation S Covered Bonds**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Regulation S Covered Bonds: (i) as part of its distribution at any time; or (ii) otherwise until 40 days after the completion of the distribution of the Tranche of Covered Bonds of which such Covered Bonds are a part, as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue, and except in either case in accordance with Regulation S under the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Covered Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Covered

Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of a Tranche of Covered Bonds, an offer or sale of such Covered Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of Covered Bonds to QIBs pursuant to Rule 144A and each such purchaser of Covered Bonds is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Covered Bonds which may be purchased by a QIB pursuant to Rule 144A is U.S.$100,000 (or the approximate equivalent in another Specified Currency). To permit compliance with Rule 144A in connection with any resales or other transfers of Covered Bonds that are "restricted securities" within the meaning of the Securities Act, each of the Issuer and the LLP has undertaken in the Trust Deed to furnish, upon the request of a holder of such Covered Bonds or any beneficial interest therein, to such holder or to a prospective purchaser designated by them, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Covered Bonds remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act and each of the Issuer and the LLP is neither a reporting company under Section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

Prohibition of Sales to UK Retail Investors

Unless the Final Terms in respect of any Covered Bonds specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression **retail investor** means a person who is one (or more) of the following:

  (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or

  (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or

  (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and

(b) the expression **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Covered Bonds that have a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered, sold or delivered and will not offer, sell or deliver any Covered Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of such Covered Bonds would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the LLP or, in the case of the Issuer would not, if it was not an authorised person, apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the UK.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Covered Bonds specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area (the "**EEA**"). For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in the EU Prospectus Regulation; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds.

If the Final Terms in respect of any Covered Bonds specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each member state of the European Economic Area (each, a "**Relevant State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant State except that it may make an offer of such Covered Bonds to the public in that Relevant State:

(a) at any time to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation,

provided that no such offer of Covered Bonds referred to in paragraphs (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For the purposes of this provision:

(a) the expression an "**offer of Covered Bonds to the public**" in relation to any Covered Bonds in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds; and

(b) the expression" **EU Prospectus Regulation**" means Regulation (EU) 2017/1129.

General

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 in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the LLP, the Bond Trustee, the Security Trustee nor any Dealer shall have any responsibility therefor. Furthermore, they will not directly or indirectly offer, sell or deliver any Covered Bonds or distribute or publish any form of application, prospectus, advertisement or other offering material except under circumstances that will, to the best of their knowledge and belief, result in compliance with any applicable laws and regulations, and all offers, sales and deliveries of Covered Bonds by them will be made on the same terms.

None of the Issuer, the LLP, the Bond Trustee, the Security Trustee or any Dealer represents that Covered Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealers will be required to comply with such other additional or modified restrictions (if any) as the Issuer and the relevant Dealers shall agree as a term of issue and purchase as indicated in the applicable Final Terms.

Each Dealer will, unless prohibited by applicable law, furnish to each person to whom they offer or sell Covered Bonds a copy of the Prospectus as then amended or supplemented or, unless delivery of the Prospectus is required by applicable law, inform each such person that a copy will be made available upon request. The Dealers are not authorised to give any information or to make any representation not contained in the Prospectus in connection with the offer and sale of Covered Bonds to which the Prospectus relates.

This Prospectus may be used by the Dealers for offers and sales related to market-making transactions in the Covered Bonds. Any or each of the Dealers may act as principal or agent in these transactions. These sales will be made at prices relating to prevailing market prices at the time of sale. None of the Dealers has any obligation to make a market in the Covered Bonds, and any market-making may be discontinued at any time without notice. The Dealers are participating in the initial distribution of the Covered Bonds.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and a Dealer or any affiliate of that Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the relevant Dealer or such affiliate on behalf of the Issuer in such jurisdiction.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Covered Bonds have been duly authorised by resolutions of the board of directors of the Issuer dated 25 October 2024. The giving of the Covered Bond Guarantee has been duly authorised by a resolution of the LLP Management Committee dated 16 December 2025. The Issuer and the Programme were admitted to the register of issuers under the RCB Regulations on 22 September 2025 and any Covered Bonds issued under the Programme will be admitted to the register of regulated covered bonds.

Listing of Covered Bonds

The admission of Covered Bonds to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Covered Bonds which is to be admitted to the Official List and to trading on the main market of the London Stock Exchange will be admitted separately as and when issued, subject only to the issue of a Temporary Global Covered Bond, a Permanent Global Covered Bond, a Regulation S Global Covered Bond or a Rule 144A Global Covered Bond, as the case may be, initially representing the Covered Bonds of such Tranche. The listing of the Programme in respect of Covered Bonds is expected to be granted on or about 6 January 2026.

Documents Available

So long as Covered Bonds are capable of being issued under this Prospectus, copies of the following documents will, when published, be available to the Covered Bondholders during usual business hours and upon reasonable notice on any weekday (Saturdays, Sundays and public holidays excepted) from the specified office of the Paying Agent for the time being in London or can be viewed online at https://www.principality.co.uk/en/about-us/your-principality:

(a) the constitutive documents of the LLP and the Issuer;

(b) the consolidated audited financial statements of the Issuer in respect of the financial periods ended 31 December 2024 and 31 December 2023. The Issuer currently prepares audited accounts on an annual basis;

(c) the most recently published audited annual financial statements of the Issuer and the most recently published consolidated unaudited interim financial statements (if any) of the Issuer. The Issuer currently prepares unaudited consolidated and non-consolidated interim accounts on a semi-annual basis;

(d) the forms of the Global Covered Bonds, the Definitive Covered Bonds, the Coupons and the Talons;

(e) a copy of this Prospectus;

(f) any future prospectuses, information memoranda and supplements including Final Terms; and

(g) each Transaction Document.

In addition, copies of this Prospectus, any documents incorporated by reference and each Final Terms relating to the Covered Bonds issued pursuant to this Prospectus will also be available for inspection on the website of the Regulatory News Service operated by the London Stock Exchange at

www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html.

Clearing Systems

The Bearer Covered Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Bearer Covered Bonds allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Issuer may make an application for any Registered Covered Bonds to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Covered Bonds, together with the relevant ISIN and Common Code, will be specified in the applicable Final Terms. If the Covered Bonds are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Final Terms.

Yield

In relation to any Series or Tranche of Fixed Rate Covered Bonds, an indication of the yield in respect of such Covered Bonds will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Covered Bonds on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Covered Bonds and will not be an indication of future yield.

Significant or Material Change

There has been no significant change in the financial performance or financial position of the Issuer or the Principality Group since 30 June 2025, being the date to which the Principality Group's last published unaudited interim financial information was prepared. There has been no material adverse change in the prospects of the Issuer since 31 December 2024, being the date to which the Issuer's last published audited financial information was prepared.

There has been no significant change in the financial performance or financial position of the LLP, nor has there been any material adverse change in the prospects of the LLP since 19 September 2024, being its date of incorporation.

Litigation

There have not been and there are no governmental, legal or arbitration proceedings in relation to the Issuer, its consolidated subsidiaries or the LLP which may have, or have had in the 12 months prior to the date hereof, a significant effect on the financial position or profitability of the Group or the Issuer or the LLP nor, so far as the Issuer or the LLP is aware, are any such proceedings pending or threatened.

Auditors

The auditor of the Issuer and the LLP is Deloitte LLP, who have audited the Issuer's annual accounts for the years ended 31 December 2024 and 2023, without qualification, in accordance with International Standards on Auditing (UK). Deloitte LLP is registered to carry on audit work in the United Kingdom by the Institute of Chartered Accountants in England and Wales.

Legal Entity Identifier

The Legal Entity Identifier (LEI) of the Issuer is 2138003CSNVJEPFZ3U52.

Reports

The Trust Deed provides that the Bond Trustee may rely on reports or other information from professional advisers or other experts in accordance with the provisions of the Trust Deed, whether or not any such report or other information, or engagement letter or other document entered into by the Bond Trustee and the relevant person in connection therewith, contains any monetary or other limit on the liability of the relevant person.

The Issuer provides monthly Investor Reports detailing, among other things, compliance with the Asset Coverage Test and information in relation to the characteristics of the Portfolio. Investor Reports shall be posted on the Issuer's website at https://www.principality.co.uk/about-us/your-principality/treasury-services. Copies of the applicable Final Terms for each series are available to Covered Bondholders during normal business hours at the registered office of the Issuer and at the specified office of each of the Paying Agents.

In addition, the Issuer is required, pursuant to the terms of the RCB Regulations, to provide loan-level information relating to the Loans in the Asset Pool and to display the Transaction Documents related to the Programme. The loan-level information and the Transaction Documents shall be posted on https://www.principality.co.uk/about-us/your-principality/treasury-services. Please note that, except in respect of any documents being incorporated by reference herein, websites and URLs referred to herein do not form part of this Prospectus.

Contracts

There are no material contracts having been entered into outside the ordinary course of the Issuer's business, and which could result in any member of the Principality Group being under an obligation or entitlement that is material to its ability to meet its obligation to Covered Bondholders in respect of the Covered Bonds being issued.

GLOSSARY

"**30/360**", "**360/360**", or "**Bond Basis**"	The meaning given in Condition 4(b)(iv)(F) on page 125;
"**30E/360**" or "**Eurobond Basis**"	The meaning given in Condition 4(b)(iv)(G) on page 126;
"**30E/360 (ISDA)**"	The meaning given in Condition 4(b)(iv)(H) on page 126;
"**1999 Regulations**"	The Unfair Terms in Consumer Contracts Regulations 1999, as amended;
"**€**" or "**euro**"	The lawful currency for the time being of the member states of the European Union that have adopted or may adopt the single currency in accordance with the treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the treaty on European Union;
"**£**" and "**Sterling**"	The lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland;
"**$**", "**U.S.$**" and "**U.S. Dollars**"	The lawful currency for the time being of the United States of America;
"**Account Bank**"	HSBC Bank plc;
"**Account Bank Ratings**"	Both: (a) a long-term issuer default rating by Fitch of A or a short-term issuer default rating by Fitch of F1; and (b) a long-term, unsecured, unsubordinated and unguaranteed deposit rating by Moody's of A3; or such other short-term or long-term rating (or, in the case of Fitch, short-term or long-term issuer default rating) which will not have an adverse effect on the ratings of the Covered Bonds;
"**Accrual Period**"	The relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date;
"**Accrued Interest**"	In respect of a Loan, as at any date, the aggregate of all interest accrued but not yet due and payable on the Loan from (and including) the Monthly Payment Date immediately preceding the relevant date to (but excluding) the relevant date;
"**Accumulation Series of Covered Bonds**"	The meaning given on page 17;
"**Actual/Actual (ICMA)**"	The meaning given in Condition 4(a)(i) in "*Terms and Conditions of the Covered Bonds*" on page 113;

"**Actual/Actual**" or "**Actual/Actual (ISDA)**"	The meaning given in Condition 4(b)(iv)(B) in "*Terms and Conditions of the Covered Bonds*" on page 125;
"**Actual/360**"	The meaning given in Condition 4(b)(iv)(E) in "*Terms and Conditions of the Covered Bonds*" on page 125;
"**Actual/365 (Fixed)**"	The meaning given in Condition 4(b)(iv)(C) on page 125;
"**Actual/365 (Sterling)**"	The meaning given in Condition 4(b)(iv)(D) on page 125;
"**Adjusted Aggregate Loan Amount**"	The meaning given in "*Summary of the Principal Documents*" on page 194;
"**Adjusted Required Redemption Amount**"	The meaning given on page 185;
"**Agency Agreement**"	The agency agreement dated the Programme Date (as amended and/or supplemented and/or restated from time to time) and made between the Issuer, the LLP, the Bond Trustee, the Principal Paying Agent and the other Paying Agents, the Exchange Agent, the Registrar and the Transfer Agents;
"**Agent**"	Each of the Paying Agents, the Registrar, the Exchange Agent and the Transfer Agent;
"**Amortisation Test**"	The test as to whether the Amortisation Test Aggregate Loan Amount is at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date;
"**Amortisation Test Aggregate Loan Amount**"	The meaning given in "*Summary of the Principal Documents*" on page 198;
"**Amortised Face Amount**"	The meaning given in Condition 6(e)(iii) in "*Terms and Conditions of the Covered Bonds*" on page 135;
"**applicable Final Terms**"	The meaning given on page 90;
"**Appointee**"	Any attorney, manager, agent, delegate, nominee, custodian or other person appointed: (i) by the Bond Trustee under the Trust Deed; (ii) by the Security Trustee under the Deed of Charge; or (iii) as appropriate, by any Agent under the Agency Agreement;
"**Arrears Adjusted Current Balance**"	The meaning given in "*Summary of the Principal Documents*" on page 195;
"**Arrears of Interest**"	As at any date in respect of any Loan, interest (other than Capitalised Interest or Accrued Interest) on that Loan which is currently due and payable and unpaid on that date;
"**Asset Coverage Test**"	The test as to whether the Adjusted Aggregate Loan Amount is at least equal to the Sterling Equivalent of the aggregate Principal

	Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date;
"**Asset Coverage Test Breach Notice**"	The notice required to be served by the Bond Trustee if the Asset Coverage Test has not been met on two consecutive Calculation Dates;
"**Asset Monitor**"	A reputable institution appointed as such under the Asset Monitor Agreement;
"**Asset Monitor Agreement**"	The asset monitor agreement entered into on the Programme Date (as amended and/or supplemented and/or restated from time to time) between the Asset Monitor, the LLP, the Cash Manager, the Issuer, the Bond Trustee and the Security Trustee;
"**Asset Monitor Report**"	The results of the tests conducted by the Asset Monitor in accordance with the Asset Monitor Agreement to be delivered to the Cash Manager, the LLP, the Issuer, the Bond Trustee and the Security Trustee;
"**Asset Percentage**"	The meaning given in "*Summary of the Principal Documents*" on page 197;
"**Asset Pool**"	All assets of the LLP from time to time including but not limited to the Portfolio, any Substitution Assets, any Authorised Investments, the rights of the LLP in the Transaction Documents, the LLP Accounts (other than the Swap Collateral Accounts) and all amounts standing to the credit thereto and any other assets referred to in Regulation 3(1) (*Asset Pool*) of the RCB Regulations, provided that all such assets are recorded as comprising the asset pool under the RCB Regulations;
"**Authorised Investments**"	Sterling gilt-edged securities and Sterling demand or time deposits, provided that in all cases such investments have a remaining maturity date of 30 days or less and mature on or before the next following LLP Payment Date and the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) are rated at least (i) P-1 by Moody's or its equivalent by two other internationally recognised rating agencies and (ii) F1 by Fitch or F1+ or its equivalent by two other internationally recognised rating agencies, provided that such Authorised Investments comply with the requirements of Regulation 2(1)(a) of the RCB Regulations;
"**Available Principal Receipts**"	On a relevant Calculation Date, an amount equal to the aggregate of (without double counting): (a) the amount of Principal Receipts received during the immediately preceding Calculation Period and credited to the Principal Ledger on the LLP Accounts (but, for the avoidance of doubt, excluding any Principal Receipts

received in the Calculation Period beginning in the month in which the relevant Calculation Date falls);

(b) any other amount standing to the credit of the Principal Ledger including: (i) the proceeds of any Term Advance (where such proceeds have not been applied to acquire New Portfolios or invest in Substitution Assets); (ii) any Cash Capital Contributions received from a Member; and (iii) the proceeds from any sale of Selected Loans pursuant to the terms of the LLP Deed or the Mortgage Sale Agreement; and

(c) any Excess Proceeds,

excluding:

(d) any Swap Collateral Excluded Amounts; and

(e) Tax Credits and any amount received by the LLP in respect of Tax Credits (in each case to the extent otherwise constituting Available Principal Receipts);

"**Available Revenue Receipts**" On a relevant Calculation Date, an amount equal to the aggregate of:

(a) the amount of Revenue Receipts received during the previous Calculation Period and credited to the Revenue Ledger on the LLP Accounts (but, for the avoidance of doubt, excluding any Revenue Receipts received in the Calculation Period beginning in the month in which the relevant Calculation Date falls);

(b) other net income of the LLP including all amounts of interest received on the LLP Accounts, the Substitution Assets and Authorised Investments in the previous Calculation Period and any amounts credited to the Revenue Ledger in accordance with Clause 16.7 of the LLP Deed, but excluding amounts received by the LLP under an Interest Rate Swap Agreement or a Covered Bond Swap Agreement (other than any premium received by the LLP not used to make a termination payment or any termination payment received by the LLP not used to pay any premium);

(c) prior to the service of a Notice to Pay, amounts standing to the credit of the Reserve Fund in excess of the Reserve Fund Required Amount;

(d) any other Revenue Receipts not referred to in paragraphs (a) to (c) (inclusive) above received during the previous Calculation Period and standing to the credit of the Revenue Ledger on the LLP Accounts;

(e) following the service on the LLP of a Notice to Pay, amounts standing to the credit of the Reserve Fund; and

(f) amounts standing to the credit of the Coupon Payment Ledger in excess of the Required Coupon Amount for: (i) each Interest Payment Date for those Series of Covered Bonds that do not have a Covered Bond Swap in place and are not an Accumulation Series of Covered Bonds; or (ii) each date on which the LLP is due to make a payment under a Covered Bond Swap in respect of those Series of Covered Bonds that have a Covered Bond Swap in place, and/or (iii) each LLP Payment Date for an Accumulation Series of Covered Bonds immediately succeeding such Calculation Date less, in the case of an Accumulation Series of Covered Bonds, any amount to be paid into the Interest Accumulation Ledger to ensure that the amount credited thereto is equal to the aggregate of all LLP Monthly Interest Amounts that should have been credited for the relevant Interest Period,

less:

(g) Third Party Amounts, which shall be paid on receipt in cleared funds to the Seller; and

(h) Swap Collateral Excluded Amounts,

excluding:

(i) Tax Credits and any amount received by the LLP in respect of Tax Credits (in each case to the extent otherwise constituting Available Revenue Receipts); and

(j) indemnity payments received from Swap Providers for breaches of certain tax representations,

and excluding (for the avoidance of doubt) amounts standing to the credit of the Coupon Payment Ledger and the Interest Accumulation Ledger;

"Back-Up Cash Management Agreement" The agreement so named entered into following the occurrence of a Back-Up Cash Manager Event between the Back-Up Cash Manager, the Issuer, the Seller, the Administrator, the Cash Manager and the Security Trustee, pursuant to which the Back-Up Cash Manager will be appointed as back-up cash manager, or any agreement entered into between the Issuer, the Cash Manager, the Security Trustee, the Seller and any replacement Back-Up Cash Manager;

"Back-Up Cash Manager" The meaning given on page 204;

"Back-Up Cash Manager Event" The meaning given on page 204;

"**Back-Up Servicer**"	The meaning given on page 190;
"**Back-Up Servicer Facilitator**"	Maples Fiduciary Services (UK) Limited acting through its office at 6th Floor, Duo Building, 280 Bishopsgate, London, EC2M 4RB, in its capacity as back-up servicer facilitator under the Servicing Agreement;
"**Back-Up Servicing Agreement**"	Any agreement of the same name under which the LLP appoints a Back-Up Servicer;
"**Bank Account Agreement**"	The bank account agreement entered into on the Programme Date (as amended and/or restated and/or supplemented and/or restated from time to time) between the LLP, the Account Bank, the Cash Manager and the Security Trustee;
"**Banking Act**"	The Banking Act 2009;
"**Base Rate**"	The Bank of England base rate, being the rate which is set on a monthly basis by the Monetary Policy Committee of the Bank of England and is the rate that it charges for its borrowing;
"**Bearer Covered Bonds**"	Covered Bonds in bearer form;
"**Bearer Definitive Covered Bonds**"	A Bearer Covered Bond in definitive form issued or, as the case may require, to be issued by the Issuer in accordance with the provisions of the Programme Agreement or any other agreement between the Issuer and the relevant Dealers, the Agency Agreement and this Trust Deed in exchange for either a Temporary Global Covered Bond or part thereof or a Permanent Global Covered Bond or part thereof (all as indicated in the applicable Final Terms), such Bearer Covered Bond in definitive form being in the form or substantially in the form set out in Part 3 of Schedule 2 to the Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer or Lead Manager (in the case of syndicated issues) and having the Conditions endorsed thereon or, if permitted by the relevant stock exchange, incorporating the Conditions by reference as indicated in the applicable Final Terms and having the relevant information supplementing, replacing or modifying the Conditions appearing in the applicable Final Terms endorsed thereon or attached thereto and (except in the case of a Zero Coupon Covered Bonds in bearer form) having Coupons and, where appropriate, Talons attached thereto on issue;
"**Bearer Global Covered Bond**"	The meaning given in "*Form of the Covered Bonds*" on page 90;
"**Beneficial Owner**"	Each actual purchaser of each DTC Covered Bond;
"**Board**"	The meaning given in "*The Issuer*" on page 160;

"**Bond Trustee**"	HSBC Corporate Trustee Company (UK) Limited, in its capacity as bond trustee under the Trust Deed, together with any successor bond trustee appointed from time to time;
"**Borrower**"	In relation to a Loan, the individual or individuals specified as such in the relevant Mortgage, together with the individual or individuals (if any) from time to time assuming an obligation to repay such Loan or any part of it;
"**BRRD**"	Bank Recovery and Resolution Directive (BRRD): Directive 2014/59/EU;
"**Building Societies Act**"	Building Societies Act 1986 (as amended from time to time);
"**Buildings Insurance Policies**"	All buildings insurance policies relating to Properties taken out: (a) in the name of the relevant Borrower; and (b) in the name of the landlord in the case of leasehold Properties where the relevant landlord is responsible for insuring the Property, and each a "Buildings Insurance Policy";
"**Business Day**"	The meaning given in Condition 4(b)(i) in "*Terms and Conditions of the Covered Bonds*" on page 115;
"**Calculation Agent**"	In relation to all or any Series of the Covered Bonds, the person appointed as calculation agent in relation to such Covered Bonds by the Issuer and the LLP pursuant to the Agency Agreement or, if applicable, any successor or separately appointed calculation agent in relation to all or any Series of the Covered Bonds;
"**Calculation Date**"	The 14th day of each month (or, if that day is not a Business Day, then the immediately preceding Business Day);
"**Calculation Period**"	The period from, and including, the first day of each month to, and including, the last day of each month, except that for the first Series of Covered Bonds issued after the Programme Date, the first Calculation Period means the period from and including the first day of the month in which the Initial Transfer Date occurs, to and including the last day of the month in which the Initial Transfer Date occurs;
"**Capital Account Ledger**"	The ledger maintained by the Cash Manager on behalf of the LLP in respect of each Member to record the balance of each Member's Capital Contributions from time to time;
"**Capital Balance**"	For a Loan at any date the principal balance of that Loan to which the Servicer applies the relevant interest rate at which interest on that Loan accrues;
"**Capital Contribution**"	In relation to each Member, the aggregate of the capital contributed by that Member to the LLP from time to time by way of Cash Capital Contributions and Capital Contributions in Kind as determined on each Calculation Date in accordance with the formula set out in the LLP Deed;

"**Capital Contribution Balance**"	The balance of each Member's Capital Contributions as recorded from time to time in the relevant Member's Capital Account Ledger;
"**Capital Contributions in Kind**"	A contribution of Loans and their Related Security to the LLP in an amount equal to: (a) the aggregate of the Current Balance of those Loans as at the relevant Transfer Date; minus (b) any cash payment paid by the LLP for such Loans and their Related Security on that Transfer Date;
"**Capital Distribution**"	Any return on a Member's Capital Contribution in accordance with the terms of the LLP Deed (and excluding, for the avoidance of doubt, any Deferred Consideration);
"**Capitalised Arrears**"	For any Loan at any date, interest or other amounts which are overdue in respect of that Loan and which as at that date have been added to the Capital Balance of the Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower;
"**Capitalised Expenses**"	In relation to a Loan, the amount of any expense, charge, fee, premium or payment (excluding, however, any Arrears of Interest) capitalised and added to the Capital Balance of that Loan in accordance with the relevant Mortgage Conditions;
"**Capitalised Interest**"	For any Loan at any date, interest which is overdue in respect of that Loan and which as at that date has been added to the Capital Balance of that Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower (excluding, for the avoidance of doubt, any Arrears of Interest which have not been so capitalised on that date);
"**Cash Capital Contributions**"	A Capital Contribution made in cash;
"**Cash Management Agreement**"	The cash management agreement entered into on the Programme Date (as amended and/or restated and/or supplemented and/or restated from time to time) between the LLP, Principality Building Society in its capacity as the Cash Manager and the Security Trustee;
"**Cash Manager**"	Principality Building Society, in its capacity as cash manager under the Cash Management Agreement, together with any successor cash manager appointed from time to time;
"**Cash Manager Relevant Event**"	If the Cash Manager's long-term counterparty risk assessment by Moody's falls below Baa1(cr);
"**Cash Manager Termination Event**"	The meaning given to it in Clause 11 of the Cash Management Agreement;
"**CCA**"	Consumer Credit Act 1974, as amended;

"**Certificate of Title**"	A solicitor's or licensed conveyancer's report or certificate of title obtained by or on behalf of the Seller in respect of each Property substantially in the form of the pro-forma set out in the Standard Documentation;
"**CGCB**"	The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 112;
"**Charged Property**"	The property charged by the LLP pursuant to the Deed of Charge;
"**Clearing Systems**"	DTC, Euroclear and/or Clearstream, Luxembourg;
"**Clearstream, Luxembourg**"	Clearstream Banking, *société anonyme*;
"**CMA**"	Competition and Markets Authority;
"**Conditions**"	Terms and conditions of the Covered Bonds;
"**Corporate Services Agreement**"	The corporate services agreement entered into on the Programme Date (as amended and/or supplemented and/or restated from time to time) by each of the Liquidation Member and Holdings, with the Corporate Services Provider and the LLP;
"**Corporate Services Provider**"	Maples Fiduciary Services (UK) Limited, a company incorporated in England and Wales in its capacity as corporate services provider to Holdings and to the Liquidation Member under a Corporate Services Agreement, together with any successor corporate services provider appointed from time to time;
"**Coupon Payment Ledger**"	The ledger maintained by the Cash Manager pursuant to the Cash Management Agreement, to record the crediting of Required Coupon Amounts and any debiting of the same;
"**Couponholders**"	The holders of the Coupons (which expression shall, unless the context otherwise requires, include the holders of the Talons);
"**Coupons**"	The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 106;
"**Covered Bond**"	Each covered bond issued or to be issued pursuant to the Programme Agreement and/or under the Conditions and which is or is to be constituted under the Trust Deed, which covered bond may be represented by a Global Covered Bond or any Definitive Covered Bond and includes any replacements or a Covered Bond issued pursuant to Condition 10;
"**Covered Bond Guarantee**"	An unconditional and irrevocable guarantee by the LLP in the Trust Deed for the payment of Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for Payment;
"**Covered Bond Swap**"	Swap transactions governed by the Covered Bond Swap Agreements;

"**Covered Bond Swap Agreement**"	Each agreement between the LLP, a Covered Bond Swap Provider governing a Covered Bond Swap in the form of an ISDA Master Agreement, including a schedule and confirmation;
"**Covered Bond Swap Early Termination Event**"	The meaning given in "*Summary of the Principal Documents*" on page 208;
"**Covered Bond Swap Provider**"	Each provider of a Covered Bond Swap under a Covered Bond Swap Agreement;
"**Covered Bond Swap Rate**"	In relation to a Covered Bond or Series of Covered Bonds, the exchange rate specified in the Covered Bond Swap Agreement relating to such Covered Bond or Series of Covered Bonds or, if the Covered Bond Swap Agreement has terminated, the applicable spot rate;
"**Covered Bond Swap Rating Termination Event**"	The meaning given in "*Summary of the Principal Documents*" on page 208;
"**Covered Bondholders**"	The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 107;
"**CPUTR**"	The Consumer Protection from Unfair Trading Regulations 2008;
"CRD IV"	The Capital Requirements Regulation (575/2013) (the "**EU CRR**") and an associated directive (the Capital Requirements Directive (2013/36/EU) (the "**EU CRD**")) (together, the "**CRD IV**");
"**Current Balance**"	In relation to any Loan, on any date, the aggregate balance of the amounts charged to the Borrower's account in respect of a Loan at such date (but avoiding double counting) including: (a) the original principal amount advanced to the relevant Borrower and any further amount (including any Further Advance) advanced on or before the given date to the relevant Borrower secured or intended to be secured by the related Mortgage; (b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent or capitalised in accordance with the Seller's normal charging practices and added to the amounts secured or intended to be secured by the related Mortgage; and (c) any other amount (including, for the avoidance of doubt, Accrued Interest and Arrears of Interest) which is due or accrued (whether or not due) and which has not been paid by the relevant Borrower and has not been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent or in accordance with the Seller's normal charging practices but which is secured or

intended to be secured by the related Mortgage, as at the end of the Business Day immediately preceding that given date,

less any repayment or payment (including, if permitted, by way of set-off, withholding or counterclaim) of any of the foregoing made on or before the end of the Business Day immediately preceding that given date, and excluding any retentions made but not released, and any Further Advances committed to be made but not made, by the end of the Business Day immediately preceding that given date;

"**Custodian**"	Any custodian appointed by the LLP from time to time for the purposes of providing a Custody Account;
"**Custody Account**"	Any cash or securities account in the name of the LLP held with a Custodian and maintained subject to the terms of the relevant Custody Agreement for the purposes of holding Authorised Investments and Substitution Assets, and such additional or replacement account as may be from time to time in place;
"**Custody Agreement**"	Any custody account agreement entered into between the LLP and a Custodian in relation to a Custody Account;
"**Customer Files**"	The file or files relating to each Loan (including files kept in microfiche format or similar electronic data retrieval system, or the substance of which is transcribed and held on an electronic data retrieval system) containing, among other things, correspondence between the Borrower and the Seller and including the mortgage documentation applicable to the Loan, each letter of offer for that Loan, the Valuation Report (if applicable) and, to the extent available, the solicitor's or licensed conveyancer's Certificate of Title;
"**Day Count Fraction**"	In the case of a Fixed Rate Covered Bond, the meaning given in Condition 4(a) in "*Terms and Conditions of the Covered Bonds*" on page 113, and in the case of a Floating Rate Covered Bond, the meaning given in Condition 4(b)(iv) in "*Terms and Conditions of the Covered Bonds*" on page 124;
"**Dealer**"	BNP Paribas, HSBC Bank plc and any other dealer appointed from time to time in accordance with the Programme Agreement, which appointment may be for a specific issue or on an ongoing basis. References in this Prospectus to the relevant Dealers shall, in the case of an issue of Covered Bonds being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Covered Bonds;
"**Deed of Charge**"	The deed of charge dated the Programme Date (as amended and/or supplemented and/or restated from time to time) and made between the LLP, the Bond Trustee, the Security Trustee and certain other Secured Creditors;

"**Defaulted Loan**"	Any Loan in the Portfolio which is more than three months in arrears;
"**Defaulted Loans Notice**"	A notice from the Cash Manager to the Seller identifying any Defaulted Loan;
"**Deferred Consideration**"	The consideration payable to a Seller in respect of the Loans sold to the LLP from time to time, which is payable after making payments of a higher order of priority as set out in the relevant Priorities of Payments;
"**Definitive Covered Bond**"	A Bearer Definitive Covered Bond and/or, as the context may require, a Registered Definitive Covered Bond;
"**Definitive Rule 144A Covered Bond**"	A Registered Covered Bond in definitive form sold to QIBs pursuant to Rule 144A;
"**Dematerialised Loan**"	A Loan completed on or after 1 January 2004 over a Property located in England or Wales in respect of which the Seller does not retain the Title Information Documents;
"**Deposit Set-off Balance**"	The meaning given on page 196;
"**Designated Account**"	The meaning given in Condition 5(d) in "*Terms and Conditions of the Covered Bonds*" on page 129;
"**Designated Bank**"	The meaning given in Condition 5(d) in "*Terms and Conditions of the Covered Bonds*" on page 129;
"**Designated Maturity**"	The meaning given in the ISDA Definitions;
"**Designated Member**"	Each Member appointed and registered as such from time to time having those duties and obligations set out in sections 8 and 9 of the LLPA 2000 being, as at the Programme Date, Principality and the Liquidation Member;
"**Determination Date**"	The meaning given in the applicable Final Terms;
"**Determination Period**"	The meaning given in Condition 4(a) in "*Terms and Conditions of the Covered Bonds*" on page 114;
"**Direct Participants**"	The meaning given in "*Book-Entry Clearance Systems*" on page 251;
"**Directors**"	The board of directors for the time being of the Issuer;
"**Distribution Compliance Period**"	The period that ends 40 days after the completion of the distribution of each Tranche of Covered Bonds, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);
"**DTC**"	The Depository Trust Company;

"**DTC Covered Bonds**"	Covered Bonds accepted into DTC's book-entry settlement system;
"**DTCC**"	The meaning given in "*Book-Entry Clearance Systems*" on page 251;
"**Due for Payment**"	The requirement by the LLP to pay any Guaranteed Amounts following the delivery of a Notice to Pay on the LLP, prior to the occurrence of an LLP Event of Default, on: (a) the date on which the Scheduled Payment Date in respect of such Guaranteed Amounts is reached, or, if later, the day which is two Business Days following service of a Notice to Pay on the LLP in respect of such Guaranteed Amounts, or if the applicable Final Terms specified that an Extended Due for Payment Date is applicable to the relevant Series of Covered Bonds, the Interest Payment Date that would have applied if the Final Maturity Date of such Series of Covered Bonds had been the Extended Due for Payment Date (the "**Original Due for Payment Date**"); and (b) in relation to any Guaranteed Amounts in respect of the Final Redemption Amount payable on the Final Maturity Date for a Series of Covered Bonds only, the Extended Due for Payment Date, but only: (i) if, in respect of the relevant Series of Covered Bonds, the Covered Bond Guarantee is subject to an Extended Due for Payment Date pursuant to the terms of the applicable Final Terms; and (ii) to the extent that the LLP having received a Notice to Pay no later than the date falling one Business Day prior to the Extension Determination Date does not pay Guaranteed Amounts equal to the Final Redemption Amount in respect of such Series of Covered Bonds by the Extension Determination Date because the LLP has insufficient monies available under the Guarantee Priority of Payments to pay such Guaranteed Amounts in full on the earlier of: (A) the date which falls two Business Days after service of such Notice to Pay on the LLP or, if later, the Final Maturity Date (or, in each case, after the expiry of the grace period set out in Condition 9(b)) under the terms of the Covered Bond Guarantee; or (B) the Extension Determination Date, or if, in either case, such day is not a Business Day, the next following Business Day. For the avoidance of doubt, Due for Payment does not refer to any earlier date upon which payment of any Guaranteed Amounts may become due under the guaranteed obligations, by reason of prepayment, acceleration of maturity, mandatory or optional redemption or otherwise save as provided in paragraph (c) below; or (c) following the occurrence of an LLP Event of Default, the date on which an LLP Acceleration Notice is served on the Issuer and the LLP;

"**Earliest Maturing Covered Bonds**"	At any time, the Series of the Covered Bonds (other than any Series which is fully collateralised by amounts standing to the credit of the LLP Accounts) that has or have the earliest Final Maturity Date as specified in the applicable Final Terms (ignoring any acceleration of amounts due under the Covered Bonds prior to the occurrence of an LLP Event of Default);
"**Early Redemption Amount**"	The meaning given in the relevant Final Terms;
"**Early Repayment Charges**"	Any charge or fee which the Mortgage Conditions applicable to a Loan require the relevant Borrower to pay in the event that all or part of that Loan is repaid before a certain date, including, without limitation, repayment of any cashback;
"**Eligibility Criteria**"	The meaning given in "*Summary of the Principal Documents*" on page 176;
"**€STR**"	Euro Short-Term Rate
"**EU**"	European Union;
"**EU EMIR**"	Regulation (EU) 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories dated 4 July 2012 (including, without limitation, any associated regulatory technical standards and advice, guidance or recommendations from relevant supervisory regulators), as amended or supplemented from time to time;
"**EURIBOR**"	Euro interbank offered rate;
"**Euroclear**"	Euroclear Bank SA/NV;
"**EUWA**"	European Union (Withdrawal) Act 2018, as amended;
"**Excess Proceeds**"	Monies received (following the occurrence of an Issuer Event of Default and delivery of an Issuer Acceleration Notice) by the Bond Trustee from the Issuer or any administrator, administrative receiver, receiver, liquidator, trustee in sequestration or other similar official appointed in relation to the Issuer;
"**Exchange Act**"	U.S. Securities Exchange Act of 1934, as amended;
"**Exchange Agent**"	HSBC Bank plc;
"**Exchange Date**"	On or after the date which is 40 days after a Temporary Global Covered Bond is issued;
"**Exchange Event**"	In the case of Bearer Covered Bonds, the meaning given in "*Form of the Covered Bonds*" on page 91 and in the case of Registered Covered Bonds, the meaning given in "*Form of the Covered Bonds*" on page 93;

"**Excluded Swap Termination Amount**"	In relation to a Swap Agreement, an amount equal to the amount of any termination payment due and payable: (a) to the relevant Swap Provider as a result of a Swap Provider Default with respect to such Swap Provider; or (b) to the relevant Swap Provider following a Swap Provider Downgrade Event with respect to such Swap Provider;
"**Extended Due for Payment Date**"	In relation to any Series of Covered Bonds, the date, if any, specified as such in the applicable Final Terms to which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Final Maturity Date will be deferred in the event that the Final Redemption Amount is not paid in full on the Extension Determination Date;
"**Extension Determination Date**"	In respect of a Series of Covered Bonds, the date falling two Business Days after the expiry of seven days from (and including) the Final Maturity Date of such Series of Covered Bonds;
"**Extraordinary Resolution**"	A resolution of the Covered Bondholders passed as such under the terms of the Trust Deed;
"**FATCA**"	(a) sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986 or any associated regulations; (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the U.S. and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraph (a) or (b) above with the U.S. Internal Revenue Service, the U.S. government or any governmental or taxation authority in any other jurisdiction.
"**FCA**"	Financial Conduct Authority, known before 1 April 2013 as the Financial Services Authority;
"**Final Maturity Date**"	The Interest Payment Date on which each Series of Covered Bonds will be redeemed at their Principal Amount Outstanding in accordance with the Conditions;
"**Final Redemption Amount**"	The meaning given in the relevant Final Terms;
"**Final Terms**"	Final terms which, with respect to Covered Bonds to be admitted to the Official List and admitted to trading by the London Stock Exchange, will be delivered to the FCA and the London Stock Exchange on or before the date of issue of the applicable Tranche of Covered Bonds;
"**Fitch**"	Fitch Ratings Ltd.;

"**Fixed Interest Period**"	The meaning given in Condition 4(a) in "*Terms and Conditions of the Covered Bonds*" on page 113;
"**Fixed Rate Covered Bonds**"	Covered Bonds paying a fixed rate of interest on such date or dates as may be agreed between the Issuer and the relevant Dealers and on redemption calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealers;
"**Floating Rate**"	The meaning given in the ISDA Definitions;
"**Floating Rate Convention**"	The meaning given in Condition 4(b)(1) in "*Terms and Conditions of the Covered Bonds*" on page 115;
"**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; (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 Dealers, as set out in the applicable Final Terms;
"**Floating Rate Option**"	The meaning given in the ISDA Definitions;
"**Following Business Day Convention**"	The meaning given in Condition 4(b)(2) in "*Terms and Conditions of the Covered Bonds*" on page 115;
"**FS Act 2021**"	The Financial Services Act 2021;
"**FSA**"	Financial Services Authority and any successor thereto, including (as applicable) the FCA and the PRA;
"**FSMA**"	Financial Services and Markets Act 2000, as amended;
"**Funding and Mutual Societies Transfers Act**"	Building Societies (Funding) and Mutual Societies (Transfers) Act 2007;
"**Further Advance**"	In relation to a Loan, any advance of further money to the relevant Borrower following a request from an existing Borrower following the making of the Initial Advance, which is secured by the same Mortgage as the Initial Advance, where the Seller has discretion as to whether to accept that request, but does not include the amount of any retention advanced to the relevant Borrower as part of the Initial Advance after completion of the Mortgage;
"**Further Advance Insurance**"	The insurance policy of the Seller, from time to time, which covers the shortfall in recoveries attributable to any adverse entries against

	the Property between the date of the original Loan and the date of the Further Advance, which would have been discovered had a local search been undertaken at the time of the relevant Further Advance;
"**Global Covered Bond**"	A Bearer Global Covered Bond and/or Registered Global Covered Bond, as the context may require;
"**Government**" or "**UK Government**"	The government of the United Kingdom;
"**Group**"	Principality and its Subsidiaries collectively;
"**Guarantee Priority of Payments**"	The meaning given in "*Cashflows*" on page 223;
"**Guaranteed Amounts**"	Prior to the service of an LLP Acceleration Notice, with respect to any Original Due for Payment Date or, if applicable, any Extended Due for Payment Date, the sum of Scheduled Interest and Scheduled Principal, in each case, payable on that Original Due for Payment Date or, if applicable, any Extended Due for Payment Date, or after service of an LLP Acceleration Notice, an amount equal to the relevant Early Redemption Amount as specified in the Conditions plus all accrued and unpaid interest and at other amounts due and payable in respect of the Covered Bonds, including all Excluded Scheduled Interest Amounts, all Excluded Scheduled Principal Amounts (whenever the same arose) and all amounts payable by the LLP under the Trust Deed;
"**Guarantor**"	The LLP;
"**HMRC**"	HM Revenue & Customs;
"**Holdings**"	Principality Covered Bonds (Holdings) Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 15860224);
"**ICSD**"	The meaning given on page 210;
"**Indexed Valuation**"	At any date in relation to any Loan secured over any Property: (a) where the Latest Valuation of that Property is equal to or greater than the UK House Price Indexed Valuation as at that date, the UK House Price Indexed Valuation; or (b) where the Latest Valuation of that Property is less than the UK House Price Indexed Valuation as at that date, the Latest Valuation plus 85 per cent. of the difference between the Latest Valuation and the UK House Price Indexed Valuation;
"**Indirect Participants**"	The meaning given in "*Book-Entry Clearance Systems*" on page 251;

"**Initial Advance**"	In respect of any Loan, the original principal amount advanced by the Seller to the relevant Borrower;
"**Initial Interest Rate Swap**"	Each interest rate swap transaction entered into under the Initial Interest Rate Swap Agreement with a trade date of the Initial Transfer Date;
"**Initial Interest Rate Swap Agreement**"	The ISDA Master Agreement, including a schedule and credit support annex thereto and each confirmation thereunder dated on or around the Initial Transfer Date (as amended and/or restated and/or supplemented from time to time) and entered into between the LLP and the Initial Interest Rate Swap Provider;
"**Initial Interest Rate Swap Provider**"	Principality Building Society;
"**Initial Transfer Date**"	The date on which the Initial Portfolio is transferred to the LLP pursuant to the Mortgage Sale Agreement;
"**Insolvency Event**"	In respect of the Seller, the Servicer or the Cash Manager or the Account Bank: (a) an order is made or an effective resolution passed for the winding-up of the relevant entity; (b) the relevant entity stops or threatens to stop payment to its creditors generally, or the relevant entity ceases or threatens to cease to carry on its business or substantially the whole of its business; (c) an encumbrancer or security holder takes possession or a receiver, administrator, administrative receiver or other similar officer is appointed to the whole or any material part of the undertaking, property and assets of the relevant entity or a distress, diligence or execution is levied or enforced upon or sued out against the whole or any material part of the chattels or property of the relevant entity and, in the case of any of the foregoing events, is not discharged within 30 days; or (d) the relevant entity is unable to pay its debts as they fall due, other than where the Seller, Servicer or Cash Manager is Principality and any of the events set out in paragraphs (a) to (c) occur in connection with a substitution;
"**Instructing Party**"	(a) The Bond Trustee, for so long as there are any Covered Bonds outstanding; or (b) all of the Secured Creditors (other than the Bond Trustee and the Security Trustee), if there are no Covered Bonds outstanding;

"**Insurance Policies**"	The Local Search Insurance, the Further Advance Insurance and the Lease Insurance, and "Insurance Policy" shall be construed accordingly;
"**Intercompany Loan**"	All Term Advances made by the Issuer to the LLP under the Intercompany Loan Agreement;
"**Intercompany Loan Agreement**"	The term loan entered into on the Programme Date (as amended and/or restated and/or supplemented and/or restated from time to time) made between the Issuer, the Cash Manager, the LLP and the Security Trustee;
"**Intercompany Loan Ledger**"	The ledger of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record all payments of interest and repayments of principal on each of the Term Advances;
"**Interest Accumulation Ledger**"	The ledger maintained on Transaction Account, which shall record the LLP Monthly Interest Amounts accumulated on each LLP Payment Date in respect of a relevant Accumulation Series of Covered Bonds in accordance with the relevant Priority of Payments, such amounts to be applied, together with Available Revenue Receipts, in accordance with the Priorities of Payments: (i) prior to the service of a Notice to Pay, in payment of interest on the relevant Term Advance; and (ii) following service of a Notice to Pay, Scheduled Interest that is Due for Payment in respect of such Accumulation Series of Covered Bonds;
"**Interest Amount**"	The amount of interest payable on the Floating Rate Covered Bonds in respect of each Specified Denomination for the relevant Interest Period;
"**Interest Commencement Date**"	The meaning given in Condition 4(a) in "*Terms and Conditions of the Covered Bonds*" on page 113;
"**Interest Payment Date**"	In relation to any Series of Covered Bonds, the Specified Interest Payment Date or the meaning given in the applicable Final Terms (as the case may be);
"**Interest Period**"	The period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date;
"**Interest Rate Shortfall**"	The meaning given in "*Summary of the Principal Documents*" on page 188;
"**Interest Rate Shortfall Test**"	The meaning given in "*Summary of the Principal Documents*" on page 188;
"**Interest Rate Swap**"	Each interest rate swap transaction entered into between the LLP and an Interest Rate Swap Provider;
"**Interest Rate Swap Agreement**"	Each agreement between the LLP, the relevant Interest Rate Swap Provider governing the relevant Interest Rate Swap in the form of

	an ISDA Master Agreement, including a schedule and confirmation thereto;
"**Interest Rate Swap Early Termination Event**"	The meaning given in "*Summary of the Principal Documents*" on page 206;
"**Interest Rate Swap Provider**"	Each interest rate swap provider (including the Initial Interest Rate Swap Provider) in its capacity as interest rate swap provider under the relevant Interest Rate Swap Agreement, together with any successor interest rate swap provider;
"**Investor Report**"	The monthly report made available to the Covered Bondholders, the Security Trustee, the Bond Trustee, the Interest Rate Swap Provider and the Rating Agencies detailing, among other things, compliance with the Asset Coverage Test and information relating to the characteristics of the Portfolio, each of which is to be posted on the Principality website at https://www.principality.co.uk/about-us/your-principality/treasury-services;
"**ISDA**"	International Swaps and Derivatives Association, Inc.;
"**ISDA Definitions**"	2006 ISDA Definitions, as published by ISDA;
"**ISDA Master Agreement**"	The 1992 ISDA Master Agreement (Multicurrency Cross Border) as published by ISDA;
"**ISDA Rate**"	The meaning given in Condition 4(b)(ii)(A) in "*Terms and Conditions of the Covered Bonds*" on page 116;
"**Issue Date**"	Each date on which the Issuer issues Covered Bonds to the Covered Bondholders;
"**Issuer**"	Principality Building Society, a building society incorporated in England and Wales under the Building Societies Act 1986 (as amended), whose principal office is Principality House, The Friary, Cardiff, CF10 3FA;
"**Issuer Acceleration Notice**"	The meaning given in Condition 9(a) in "*Terms and Conditions of the Covered Bonds*" on page 138;
"**Issuer Event of Default**"	The meaning given in Condition 9(a) in "*Terms and Conditions of the Covered Bonds*" on page 138;
"**Issuer-ICSDs Agreement**"	The meaning given on page 210;
"**Joint Arrangers**"	BNP Paribas and HSBC Bank plc;
"**Latest Valuation**"	In relation to any Property, the value given to that Property by the most recent valuation in the possession of the Seller;
"**Lead Manager**"	In relation to any Tranche of Covered Bonds, the person named as the Lead Manager in the applicable Subscription Agreement or, when only one Dealer signs such Subscription Agreement, such Dealer;

"**Ledger**"	The Revenue Ledger, the Principal Ledger, the Reserve Ledger, the Coupon Payment Ledger, the Swap Collateral Ledger, the Intercompany Loan Ledger, the Interest Accumulation Ledger and the Capital Account Ledgers;
"**Legended Covered Bonds**"	The meaning given in Condition 2(h) in "*Terms and Conditions of the Covered Bonds*" on page 112;
"**Lending Criteria**"	The lending criteria of the Seller from time to time, or such other criteria as would be acceptable to a Reasonable, Prudent Mortgage Lender;
"**Liquidation Member**"	Principality Covered Bonds Finance Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 15862093);
"**LLP**"	Principality Covered Bonds LLP, a limited liability partnership incorporated in England and Wales (partnership no. OC453822), whose first members are Principality and the Liquidation Member;
"**LLP Acceleration Notice**"	A notice in writing given by the Bond Trustee to the Issuer and the LLP, that each Covered Bond of each Series is, and each Covered Bond of each Series shall as against the Issuer (if not already due and repayable against it following an Issuer Event of Default) and as against the LLP thereupon immediately become due and repayable at its Early Redemption Amount, together with accrued interest as provided in and in accordance with the Trust Deed, and thereafter the Security shall become enforceable if any of the LLP Events of Default shall occur and be continuing;
"**LLP Accounts**"	Each Transaction Account (to the extent maintained), any Swap Collateral Accounts, any Custody Account and any additional or replacement accounts opened in the name of the LLP, from time to time;
"**LLP Deed**"	The limited liability partnership deed entered into on the Programme Date (as amended, supplemented or varied from time to time) between the LLP, Principality, in its capacity as Seller, the Issuer, the Liquidation Member, the Bond Trustee and the Security Trustee;
"**LLP Event of Default**"	The meaning given in Condition 9(b) in "*Terms and Conditions of the Covered Bonds*" on page 141;
"**LLP Management Committee**"	The Management Committee which will act on behalf of the LLP and to which (other than any decision to approve the audited accounts of the LLP or to make a resolution for the voluntary winding-up of the LLP, which require a unanimous decision of the Members) the Members delegate all matters;
"**LLP Monthly Interest Amount**"	On any relevant LLP Payment Date in respect of each Accumulation Series of Covered Bonds:

(a) which are linked to SONIA, an amount equal to the interest actually accrued on the relevant Accumulation Series of Covered Bonds up to (but excluding) such LLP Payment Date and not yet paid to the relevant Interest Accumulation Ledger since the previous Interest Payment Date;

(b) which are not linked to SONIA, an amount equal to:

(A/B) + C

where:

A is the interest due on the relevant Accumulation Series of Covered Bonds on the immediately following Interest Payment Date, or where an Interest Payment Date falls on the LLP Payment Date on that Interest Payment Date;

B is the number of calendar months that fall between Interest Payment Dates in respect of the relevant Accumulation Series of Covered Bonds; and

C is an amount equal to the aggregate of all LLP Monthly Interest Amounts not paid to the relevant Interest Accumulation Ledger in respect of an Accumulation Series of Covered Bonds since the previous Interest Payment Date;

"**LLP Payment Date**" The 21st day of each month or, if not a Business Day, the next following Business Day;

"**LLP Payment Period**" The period from (and including) an LLP Payment Date to (but excluding) the next following LLP Payment Date;

"**LLPA 2000**" Limited Liability Partnerships Act 2000;

"**Loan**" Any mortgage loan which is, or is to be, sold by the Seller to the LLP from time to time under the terms of the Mortgage Sale Agreement (including, without limitation, all Further Advances which are, or are to be, sold by the Seller to the LLP under the terms of the Mortgage Sale Agreement) and referenced by its mortgage loan identifier number, and comprising the aggregate of all principal sums, interest, costs, charges, expenses and other monies due or owing with respect to that mortgage loan under the relevant Mortgage Conditions by a Borrower on the security of a Mortgage from time to time outstanding, or, as the context may require, the Borrower's obligations in respect of the same, but excludes any mortgage loan which is repurchased by the Seller or otherwise sold by the LLP and no longer beneficially owned by it;

"**Local Search Insurance**" The insurance policy of the Seller from time to time which is intended to cover financial losses incurred by the Seller in respect of any Properties as a result of their being an adverse entry or

	defective title against a Property at the date of the original mortgage advance;
"**London Business Day**"	Any day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for general business in London;
"**London Stock Exchange**"	London Stock Exchange plc;
"**Long Maturity Covered Bond**"	A Fixed Rate Covered Bond (other than a Fixed Rate Covered Bond which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon, provided that such Covered Bond shall cease to be a Long Maturity Covered Bond on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the Principal Amount Outstanding of such Covered Bond;
"**Losses**"	All realised losses on the Loans;
"**Master Definitions and Construction Agreement**"	The master definitions and construction agreement made between the parties to the Transaction Documents on the Programme Date (as amended, varied or supplemented from time to time);
"**Material Subsidiary**"	The meaning given in Condition 9(a) in "*Terms and Conditions of the Covered Bonds*" on page 140;
"**MCOB**"	Mortgages and Home Finance: Conduct of Business Sourcebook, implemented by the FSA on 31 October 2004 as amended, revised or supplemented from time to time;
"**Member**"	Each member of the LLP;
"**Modified Following Business Day Convention**"	The meaning given in Condition 4(b)(i)(B)(3) in "*Terms and Conditions of the Covered Bonds*" on page 115;
"**Monthly Payment Date**"	In relation to a Loan, the date in each month on which the relevant Borrower is required to make a payment of interest and, if applicable, principal for that Loan, as required by the applicable Mortgage Conditions;
"**Moody's**"	Moody's Investors Service Limited;
"**Mortgage**"	In respect of any Loan, each first charge by way of legal mortgage sold by the Seller to the LLP pursuant to the Mortgage Sale Agreement, in either case which secures the repayment of the relevant Loan, including the Mortgage Conditions applicable to it;
"**Mortgage Conditions**"	All the terms and conditions applicable to a Loan and/or Mortgage as contained in the Seller's "Mortgage Conditions" booklet applicable from time to time;
"**Mortgage Sale Agreement**"	The mortgage sale agreement entered into on the Programme Date (as amended, amended and restated and/or supplemented from time to time) between the Seller, the LLP and the Security Trustee;

"**Negative Carry Factor**"	The meaning given in "*Summary of the Principal Documents*" on page 197;
"**New Loan**"	Loans, other than the Loans comprised in the Initial Portfolio, which the Seller may assign or transfer to the LLP after the Initial Transfer Date pursuant to the Mortgage Sale Agreement;
"**New Loan Type**"	A new type of mortgage loan originated or acquired by the Seller, which the Seller intends to transfer to the LLP, the terms and conditions of which are materially different (in the opinion of the Seller, acting reasonably) from the Loans. For the avoidance of doubt, a mortgage loan will not constitute a New Loan Type if it differs from the Loans due to it having different interest rates and/or interest periods and/or time periods for which it is subject to a fixed rate, capped rate, tracker rate or any other interest rate or the benefit of any discounts, cash-backs and/or rate guarantees;
"**New Member**"	Any new member admitted to the LLP after the Programme Date;
"**New Portfolio**"	The meaning given in "*The Portfolio*" on page 231;
"**New Portfolio Notice**"	A notice in the form set out in Schedule 12 to the Mortgage Sale Agreement served in accordance with the terms of the Mortgage Sale Agreement;
"**New Safekeeping Structure**"	The meaning given in "*Form of the Covered Bonds*" on page 92;
"**New Seller**"	Any member of the Principality Group (other than Principality) that is a "connected person" as defined in Regulation 5 of the RCB Regulations and that accedes to the relevant Transaction Documents and sells Loans and their Related Security to the LLP in the future;
"**NGCB**"	The meaning given in "*Form of the Covered Bonds*" on page 90;
"**Notice to Pay**"	The meaning given in Condition 9(a) in "*Terms and Conditions of the Covered Bonds*" on page 140;
"**Official List**"	Official list of the FCA;
"**OFT**"	Office of Fair Trading, which from 1 April 2014 ceased to exist;
"**Ombudsman**"	Financial Ombudsman Service under the FSMA;
"**Original Due for Payment Date**"	The meaning given in paragraph (a) of the definition of "Due for Payment";
"**Partial Portfolio**"	Part of any portfolio of Selected Loans;
"**Paying Agents**"	The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 106;

"**Payment Day**"	The meaning given in Condition 5(f) in "*Terms and Conditions of the Covered Bonds*" on page 131;
"**Pensions Regulator**"	The UK regulator of work-based pension schemes;
"**Performing Loans**"	Loans in the Portfolio that are not more than one month in arrears;
"**Permanent Global Covered Bond**"	The meaning given in "*Form of the Covered Bonds*" on page 90;
"**Portfolio**"	The Initial Portfolio and each New Portfolio acquired by the LLP;
"**Post-Enforcement Priority of Payments**"	The meaning given in "*Cashflows*" on page 228;
"**Potential Issuer Event of Default**"	The meaning given in Condition 14 in "*Terms and Conditions of the Covered Bonds*" on page 155;
"**Potential LLP Event of Default**"	The meaning given in Condition 14 in "*Terms and Conditions of the Covered Bonds*" on page 155;
"**PPI**"	Non-investment insurance contract which has elements of a general insurance contract, and the benefits of which are described as enabling a policyholder to protect his ability to continue to make payments due to third parties, or can reasonably be expected to be used in this way;
"**PRA**"	Prudential Regulation Authority;
"**Pre-Acceleration Principal Priority of Payments**"	The meaning given in "*Cashflows*" on page 221;
"**Pre-Acceleration Revenue Priority of Payments**"	The meaning given in "*Cashflows*" on page 216;
"**Pre-action Protocol**"	The meaning given in "Repossessions" on page 244;
"**Preceding Business Day Convention**"	The meaning given in Condition 4(b)(i)(B)(4) in "*Terms and Conditions of the Covered Bonds*" on page 115;
"**Principal Amount Outstanding**"	In respect of a Covered Bond, the principal amount of that Covered Bond on the relevant Issue Date thereof less principal amounts received by the relevant Covered Bondholder in respect thereof;
"**Principal Ledger**"	The ledger on the LLP Accounts of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record the credits and debits of Principal Receipts in accordance with the terms of the LLP Deed;
"**Principal Paying Agent**"	The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 106;

"**Principal Receipts**"

(a) Principal repayments under the Loans (including payments of arrears, Capitalised Interest, Capitalised Expenses and Capitalised Arrears);

(b) recoveries of principal from defaulting Borrowers under Loans being enforced (including the proceeds of sale of the relevant Property);

(c) any payment pursuant to any insurance policy in respect of a Property in connection with a Loan in the Portfolio;

(d) the proceeds of the repurchase of any Loan by the Seller from the LLP pursuant to the Mortgage Sale Agreement (including, for the avoidance of doubt, amounts attributable to Accrued Interest and Arrears of Interest thereon as at the relevant repurchase date);

(e) the proceeds of any Term Advance (where such proceeds have not been applied to acquire New Portfolios, refinance an existing Term Advance or invest in Substitution Assets);

(f) the amount of any termination payment received from a Swap Provider which is not applied to acquire a replacement for the relevant terminated Swap;

(g) any disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been capitalised in accordance with the Seller's normal charging practices and repaid via a Borrower's monthly instalment, provided that payments received in respect of any fees which have been allocated by the Seller (in accordance with its collection policies) as interest payments shall not constitute Principal Receipts; and

(h) any deemed Principal Receipts;

"**Principality**" Principality Building Society, a building society incorporated in England and Wales under the Building Societies Act 1986 (as amended), whose principal office is Principality House, The Friary, Cardiff, CF10 3FA;

"**Principality Group**" Principality and its Subsidiaries collectively;

"**Priorities of Payments**" The orders of priority for the allocation and distribution of amounts standing to the credit of the LLP Accounts in different circumstances;

"**Product Switch**" A variation to the financial terms or conditions included in the Mortgage Conditions applicable to a Loan, other than:

(a) any variation agreed with a Borrower to control or manage arrears on a Loan;

(b) any variation in the maturity date of a Loan;

(c) any variation imposed by statute;

(d) any variation to the interest rate as a result of the Borrowers switching to a different rate by operation of the Loan;

(e) any variation of a loan from a repayment loan to an interest-only loan or vice-versa;

(f) any change to a Borrower under the Loan or the addition of a new Borrower under a Loan; and

(g) any change in the repayment method of the Loan;

"**Programme**"	€5 billion global covered bond Programme of the Issuer;
"**Programme Agreement**"	The meaning given in "*Subscription and Sale and Transfer and Selling Restrictions*" on page 272;
"**Programme Date**"	19 December 2025;
"**Programme Resolution**"	Any Extraordinary Resolution to direct the Bond Trustee to accelerate the Covered Bonds pursuant to Condition 9 or to direct the Bond Trustee or the Security Trustee to take any enforcement action;
"**Property**"	A freehold, fee farm grant, leasehold or commonhold property which is subject to a Mortgage;
"**Purchaser**"	Any third party or the Seller to whom the LLP offers to sell Selected Loans;
"**QIB**"	A "qualified institutional buyer" within the meaning of Rule 144A;
"**Rating Agency**"	Any one of Moody's Investors Service Limited, Fitch Ratings Ltd. and any other credit rating agency that may be appointed by the Issuer from time to time or their successors, to the extent they provide ratings in respect of the Covered Bonds (together, the "Rating Agencies");
"**Rating Agency Confirmation**"	A confirmation (or, in the case of Moody's, affirmation) in writing by a Rating Agency that the then current ratings of the Covered Bonds will not be adversely affected by or withdrawn as a result of the relevant event or matter;
"**Rating Condition**"	The condition that will be satisfied in respect of an event or matter if:

(a) Fitch has been notified of such event or matter; and

(b) the LLP, the Issuer, the Bond Trustee and/or the Security Trustee (as applicable), has received a Rating Agency

	Confirmation from each Rating Agency (other than Fitch) in respect of such event or matter;
"**RCB Regulations**"	The Regulated Covered Bonds Regulations 2008 (SI 2008/346), as amended by the Regulated Covered Bonds (Amendments) Regulations 2008 (SI 2008/1714), the Regulated Covered Bonds (Amendment) Regulations 2011 (SI 2011/2859) and the Regulated Covered Bonds (Amendment) Regulations 2012 (SI 2012/2977) and as further amended from time to time;
"**RCB Sourcebook**"	The Regulated Covered Bond Sourcebook;
"**Reasonable, Prudent Mortgage Lender**"	The Seller and/or the Servicer, as applicable, acting in accordance with the standards of a reasonably prudent residential mortgage lender lending to borrowers in England and Wales who generally satisfy the lending criteria of traditional sources of residential mortgage capital;
"**Receiver**"	Any person or persons appointed (and any additional person or persons appointed or substituted) as an administrative receiver, receiver, manager, or receiver and manager of the Charged Property by the Security Trustee pursuant to Clause 10.1 of the Deed of Charge;
"**Record Date**"	The meaning given in Condition 5(d) in "*Terms and Conditions of the Covered Bonds*" on page 130;
"**Redeemed Covered Bonds**"	The meaning given in Condition 6(c) in "*Terms and Conditions of the Covered Bonds*" on page 134;
"**Register**"	The register of holders of the Registered Covered Bonds maintained by the Registrar;
"**Registered Covered Bonds**"	Covered Bonds in registered form;
"**Registered Definitive Covered Bond**"	A Registered Covered Bond in definitive form issued or, as the case may require, to be issued by the Issuer in accordance with the provisions of the Programme Agreement or any other agreement between the Issuer and the relevant Dealers, the Agency Agreement and the Trust Deed either on issue or in exchange for a Registered Global Covered Bond or part thereof (all as indicated in the applicable Final Terms), such Registered Covered Bond in definitive form being in the form or substantially in the form set out in Part 7 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 Dealers and having the Conditions endorsed thereon or, if permitted by the relevant stock exchange, incorporating the Conditions by reference (where applicable to the Trust Deed) as indicated in the applicable Final Terms and having the relevant information supplementing, replacing or modifying the Conditions appearing in the applicable

	Final Terms endorsed thereon or attached thereto and having a form of transfer endorsed thereon;
"**Registered Global Covered Bonds**"	The Rule 144A Global Covered Bonds, together with the Regulation S Global Covered Bonds;
"**Registrar**"	HSBC Bank plc;
"**Regulated Mortgage Contract**"	means a mortgage contract which falls within the definition of "regulated mortgage contract" set out in article 61 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, (as applicable at the relevant time);
"**Regulation S**"	Regulation S under the Securities Act;
"**Regulation S Covered Bonds**"	The meaning given in "*Subscription and Sale and Transfer and Selling Restrictions*" on page 276;
"**Regulation S Global Covered Bond**"	The meaning given in "*Form of the Covered Bonds*" on page 92;
"**Related Security**"	In relation to a Loan, the security for the repayment of that Loan, including the relevant Mortgage and all other matters applicable thereto acquired as part of the Portfolio;
"**Relevant Date**"	The meaning given in Condition 7 in "*Terms and Conditions of the Covered Bonds*" on page 137;
"**Relevant LLP Payment Period**"	The meaning given in "*Summary of the Principal Documents*" on page 187;
"**Representations and Warranties**"	The representations and warranties set out in Part 2 of Schedule 1 (*Representations and Warranties*) to the Mortgage Sale Agreement;
"**Repurchase Notice**"	A notice from the Servicer (on behalf of the LLP) to the Seller identifying a Loan or its Related Security in the Portfolio which does not, as at the relevant Transfer Date or (in the case of a Further Advance or Product Switch) the last day of the Calculation Period in which a Product Switch or a Further Advance is made, materially comply with the Representations and Warranties set out in the Mortgage Sale Agreement;
"**Required Coupon Amount**"	An aggregate amount equal to the Sterling Equivalent of: (a) (in the case of each Term Advance where a Covered Bond Swap is not in place other than in respect of an Accumulation Series of Covered Bonds) interest due from the LLP on a immediately following Term Advance for the relevant Term Advance Interest Payment Date, provided that if the applicable rate of interest for calculating such amount is to be determined by reference to a Compounded Daily SONIA rate determined after the date on which the relevant Cash Capital Contribution is required to be made, the Required Coupon Amount will be an estimate of the

amount of interest that will be due from the LLP on the immediately following Term Advance on the relevant Interest Payment Date, and such estimate to be calculated on the basis of an issued interest rate for the relevant Interest Period equal to the sum of: (x) the SONIA Spot Rate published for the London Business Date immediately preceding the date on which the relevant Cash Capital Contribution is required to be made, compounded daily over the Interest Period; and (y) 0.15 per cent.;

(b) (in the case of each Term Advance where a Covered Bond Swap is in place) an amount equal to the net amount due from the LLP under a Covered Bond Swap Agreement on a date on which the LLP is due to make a payment under a Covered Bond Swap (other than those amounts due in respect of an Interim Exchange Date or Final Exchange Date) (as each of those terms is defined in the relevant Covered Bond Swap Agreement) under the relevant Covered Bond Swap Agreement, provided that if the applicable rate of interest for calculating such amount is to be determined by reference to a Compounded Daily SONIA rate determined after the date on which the relevant Cash Capital Contribution is required to be made, the Required Coupon Amount will be an estimate of the amount due from the LLP under the Covered Bond Swap Agreement on the relevant Payment Date, and such estimate to be calculated on the basis of an assumed interest rate for the relevant Covered Bond Swap Observation Period equal to the sum of: (x) the SONIA Spot Rate published for the London Business Date immediately preceding the date on which the relevant Cash Capital Contribution is required to be made, compounded daily over the Covered Bond Swap Observation Period; and (y) 0.15 per cent.; and

(c) (in the case of a Term Advance relating to an Accumulation Series of Covered Bonds), an amount equal to the LLP Monthly Interest Amount which would otherwise be payable by the LLP into the relevant Interest Accumulation Ledger on that relevant Term Advance for the immediately following LLP Payment Date;

"**Required Current Balance Amount**"	The meaning given in "*Summary of the Principal Documents*" on page 199;
"**Required Redemption Amount**"	The meaning given in "*Summary of the Principal Documents*" on page 185;
"**Reserve Fund**"	The reserve fund that the LLP will be required to establish in the Transaction Account, which will be credited with part of a Term Advance (in the LLP's discretion) and the proceeds of Available Revenue Receipts up to an amount equal to the Reserve Fund Required Amount 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**"	If both the Issuer's short-term counterparty risk assessment by Moody's is at least P-1(cr) and the Issuer's short-term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least F1+ by Fitch, nil or such other amount as Principality shall direct the LLP from time to time and otherwise an aggregate amount equal to the Sterling Equivalent of: (a) in relation to each Series of Covered Bonds where there is a Covered Bond Swap in place, the aggregate of amounts due to each Covered Bond Swap Provider in the immediately following three months; plus (b) in relation to each Series of Covered Bonds where there is no Covered Bond Swap in place, the aggregate amount of interest due on each Series of Covered Bonds in the immediately following three months; plus (c) an amount equal to one-quarter of the anticipated aggregate annual amount payable in respect of the items specified in paragraphs (a) to (d) and, if applicable, (e) 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 the Covered Bond Swaps is determined by reference to a floating rate, then: (i) (unless the floating rate is determined by reference to a compounded daily SONIA rate) the interest rate for the purpose of such calculation shall be the then current floating rate as at the date on which the amount is calculated; or (ii) (if the floating rate is determined by reference to a compounded daily SONIA rate), the interest rate for the purpose of such calculation shall be deemed to be equal to the sum of (x) the SONIA Spot Rate published 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.
"**Reserve Ledger**"	The ledger on the Transaction Account of such name maintained by the Cash Manager pursuant to the Cash Management Agreement, to record the crediting of Revenue Receipts to the Reserve Fund and the debiting of such Reserve Fund in accordance with the terms of the LLP Deed;
"**Reset Date**"	The meaning given in the ISDA Definitions;
"**Revenue Ledger**"	The ledger on the LLP Accounts of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to

record credits and debits of Revenue Receipts in accordance with the terms of the LLP Deed;

"**Revenue Receipts**"

(a) payments of interest (excluding Accrued Interest and Arrears of Interest as at the relevant Transfer Date of a Loan) and other fees due from time to time under the Loans (including any early repayment fees) and other amounts received by the LLP in respect of the Loans other than the Principal Receipts;

(b) recoveries of interest from defaulting Borrowers under Loans being enforced; and

(c) recoveries of interest and/or principal from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed; and

(d) certain fees (which do not fall within paragraph (g) of the definition of "Principal Receipts") which have been allocated by the Seller (in accordance with its collection policies) as interest payments and charged by the Servicer in respect of servicing the Loans, which have been charged and repaid by a means other than the Borrower's monthly instalment;

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

"**Rule 144A Global Covered Bond**" A Global Covered Bond in registered form representing the Registered Covered Bonds of a Tranche sold to QIBs pursuant to Rule 144A;

"**Rules**" The rules, regulations and procedures creating and affecting DTC and its operations;

"**RWA**" Risk-weighted Assets;

"**Scheduled Interest**" An amount equal to the amount in respect of interest which would have been due and payable under the Covered Bonds on each Interest Payment Date as specified in Condition 4 (but excluding any additional amounts relating to premiums, default interest or interest upon interest ("**Excluded Scheduled Interest Amounts**") payable by the Issuer following an Issuer Event of Default but including such amounts (whenever the same arose) following service of an LLP Acceleration Notice) as if the Covered Bonds had not become due and repayable prior to their Final Maturity Date and, if the Final Terms specified that an Extended Due for Payment Date is applicable to the relevant Covered Bonds, as if the maturity date of the Covered Bonds had been the Extended Due for Payment Date (but taking into account any principal repaid in respect of such Covered Bonds or any Guaranteed Amounts paid in respect of such principal prior to the Extended Due for Payment Date), less any additional amounts the Issuer would be obliged to pay as a result of

any gross-up in respect of any withholding or deduction made under the circumstances set out in Condition 7;

"**Scheduled Payment Date**" In relation to payments under the Covered Bond Guarantee, each Interest Payment Date or the Final Maturity Date as if the Covered Bonds had not become due and repayable prior to their Final Maturity Date;

"**Scheduled Principal**" An amount equal to the amount in respect of principal which would have been due and repayable under the Covered Bonds on each Interest Payment Date or the Final Maturity Date (as the case may be) as specified in Condition 6(a) and Condition 6(d) (but excluding any additional amounts relating to prepayments, early redemption, broken funding indemnities, penalties, premiums or default interest ("**Excluded Scheduled Principal Amounts**") payable by the Issuer following an Issuer Event of Default but including such amounts (whenever the same arose) following service of an LLP Acceleration Notice) as if the Covered Bonds had not become due and repayable prior to their Final Maturity Date and, if the Final Terms specifies that an Extended Due for Payment Date is applicable to the relevant Covered Bonds, as if the maturity date of the Covered Bonds had been the Extended Due for Payment Date;

"**SEC**" U.S. Securities and Exchange Commission;

"**Secured Creditors**" The Security Trustee (in its own capacity and on behalf of the other Secured Creditors), the Bond Trustee (in its own capacity and on behalf of the Covered Bondholders), the Covered Bondholders, the Couponholders, the Issuer, the Seller, the Servicer, any Account Bank, any Custodian, the Cash Manager, the Back-Up Servicer Facilitator, any Back-Up Servicer, any Back-Up Cash Manager, the Swap Providers (being each Interest Rate Swap Provider and each Covered Bond Swap Provider), the Corporate Services Provider, the Agents and any other person which becomes a Secured Creditor pursuant to the Deed of Charge;

"**Secured Obligations**" Any and all monies, obligations and liabilities and all other amounts, whether actual or contingent, from time to time due, owing, payable or owed by the LLP to the Secured Creditors under Covered Bonds and/or the Transaction Documents which the LLP covenants and undertakes in the Deed of Charge to pay and discharge and all claims, demands or damages for breach of any such covenant, and references to "Secured Obligations" includes references to any of them;

"**Securities Act**" U.S. Securities Act of 1933, as amended;

"**Security**" The meaning given in "*Summary of the Principal Documents*" on page 210;

"**Security Trustee**" HSBC Corporate Trustee Company (UK) Limited, in its capacity as security trustee under the Trust Deed and the Deed of Charge,

	together with any successor security trustee appointed from time to time;
"**Selected Loan Offer Notice**"	A notice from the LLP served on the Seller offering to sell Selected Loans and their Related Security for an offer price equal to the greater of the then Current Balance of the Selected Loans and the Adjusted Required Redemption Amount;
"**Selected Loan Repurchase Notice**"	A notice from the Seller served on the LLP accepting an offer set out in a Selected Loan Offer Notice;
"**Selected Loans**"	Loans and their Related Security to be sold by the LLP pursuant to the terms of the LLP Deed having in aggregate the Required Current Balance Amount;
"**Selection Date**"	The meaning given in Condition 6 in "*Terms and Conditions of the Covered Bonds*" on page 134;
"**Seller**"	Principality and any New Seller;
"**Seller Arranged Policy**"	Any Buildings Insurance Policy arranged by the Seller for the purposes of the Borrower insuring the Property for an amount equal to the full rebuilding cost of the Property;
"**Series**"	A Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds which are: (a) expressed to be consolidated and form a single series; and (b) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices;
"**Series Reserved Matter**"	In relation to Covered Bonds (other than a Base Rate Modification pursuant to Condition 14 of the Terms and Conditions of the Covered Bonds) of a Series: (a) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds; (b) alteration of the currency in which payments under the Covered Bonds and Coupons are to be made; (c) alteration of the majority required to pass an Extraordinary Resolution; (d) any amendment to the Covered Bond Guarantee or the Deed of Charge (except in a manner determined by the Bond Trustee not to be materially prejudicial to the interests of the holders of Covered Bonds of any Series); (e) except in accordance with Condition 6(g) or Condition 14, the sanctioning of any such scheme or proposal for the

exchange or sale of the Covered Bonds for, or the conversion of the Covered Bonds into, or the cancellation of the Covered Bonds in consideration of, shares, stock, covered bonds, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, bonds, covered bonds, debentures, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash and for the appointment of some person with power on behalf of the holders of Covered Bonds to execute an instrument of transfer of the Registered Covered Bonds held by them in favour of the persons with or to whom the Covered Bonds are to be exchanged or sold respectively; and

(f) alteration of the proviso to paragraph 5 or paragraph 6 of Schedule 4 to the Trust Deed;

"**Servicer**"	Principality in its capacity as servicer under the Servicing Agreement together with any successor servicer appointed from time to time;
"**Servicer Event of Default**"	The meaning given in "*Summary of the Principal Documents*" on page 189;
"**Servicer Termination Event**"	The meaning given in "*Summary of the Principal Documents*" on page 189;
"**Servicing Agreement**"	The servicing agreement entered into on the Programme Date (as amended, amended and restated and/or supplemented and/or restated from time to time) between the LLP, the Servicer, the Seller, the Back-Up Servicer Facilitator and the Security Trustee;
"**Share Trustee**"	Maples Fiduciary Services (UK) Limited, having its registered office at 6th Floor, Duo Building, 280 Bishopsgate, London, EC2M 4RB;
"**Society**"	Principality Building Society;
"**SONIA**"	Sterling Overnight Index Average;
"**SONIA Spot Rate**"	Means, with respect to the publication on any London Business Day, the daily Sterling Overnight Index Average (SONIA) published on such London Business Day (and relating to the immediately preceding London Business Day) as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page (or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors);

"**Specified Currency**"	Subject to any applicable legal or regulatory restrictions, euro, Sterling, U.S. Dollars and such other currency or currencies as may be agreed from time to time by the Issuer, the relevant Dealers, the Principal Paying Agent and the Bond Trustee and specified in the applicable Final Terms;
"**Specified Denomination**"	In respect of a Series of Covered Bonds, the denomination or denominations of such Covered Bonds specified in the applicable Final Terms;
"**Specified Interest Payment Date**"	The meaning given in the applicable Final Terms;
"**Specified Period**"	The meaning given in the applicable Final Terms;
"**Standard Documentation**"	The standard documentation, annexed to the relevant exhibit of the Mortgage Sale Agreement or any update or replacement therefor as the Seller may from time to time introduce acting in accordance with the standards of a Reasonable, Prudent Mortgage Lender;
"**Sterling Equivalent**"	(a) In relation to a Term Advance which is denominated in: (i) a currency other than Sterling, the Sterling equivalent of such amount ascertained using the relevant Covered Bond Swap Rate relating to such Term Advance, and (ii) Sterling, the applicable amount in Sterling; and (b) in relation to a Covered Bond which is denominated in: (i) a currency other than Sterling, the Sterling equivalent of such amount ascertained using the relevant Covered Bond Swap Rate relating to such Covered Bond; and (ii) Sterling, the applicable amount in Sterling;
"**Subscription Agreement**"	An agreement supplemental to the Programme Agreement (by whatever name used) in or substantially in the form set out in Schedule 6 of the Programme Agreement or in such other form as may be agreed between the Issuer, the LLP and the Lead Manager or one or more Dealers (as the case may be);
"**Subsidiary**"	Any company which is, for the time being, a subsidiary (within the meaning of Section 1159 of the Companies Act 2006);
"**Substitution Assets**"	Each of: (a) Sterling gilt-edged securities; (b) subject to Clause 22.1 of the LLP Deed, Sterling demand or time deposits, provided that in all cases such investments have a remaining period to maturity of one year or less and the short-term unsecured, unguaranteed and unsubordinated debt obligations or, as applicable, the long-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised

person under the FSMA) are rated P-1/Aa3 by Moody's and F1+/AA- by Fitch or their equivalents by three other internationally recognised rating agencies; and

(c) Sterling denominated government and public securities, as defined from time to time in accordance with the RCB Regulations, provided that such investments have a remaining period to maturity of one year or less and which are rated at least Aaa by Moody's and F1+ by Fitch or their equivalents by two other internationally recognised rating agencies,

provided that such Substitution Assets comply with the requirements of Regulation 2(1A) of the RCB Regulations;

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

"**Successor in Business**" The meaning given in Condition 14 of the "*Terms and Conditions of the Covered Bonds*" on page 155;

"**Swap Agreements**" The Covered Bond Swap Agreements together with the Interest Rate Swap Agreements, and each a "Swap Agreement";

"**Swap Collateral**" At any time, any asset (including, without limitation, cash and/or securities) which is paid or transferred by a Swap Provider to the LLP as collateral to secure the performance by such Swap Provider of its obligations under the relevant Swap Agreement, together with any income or distributions received in respect of such asset and any equivalent of such asset into which such asset is transformed;

"**Swap Collateral Account**" The account designated as such in the name of the LLP held with the Account Bank and maintained subject to the terms of the Bank Account Agreement and the Deed of Charge and any additional or replacement account in the name of the LLP held with an Account Bank into which Swap Collateral in respect of an Interest Rate Swap Agreement or a Covered Bond Swap Agreement may be deposited in accordance with the terms of the relevant Swap Agreement;

"**Swap Collateral Excluded Amounts**" At any time, the amount of Swap Collateral which may not be applied under the terms of the relevant Swap Agreement at that time in satisfaction of the relevant Swap Provider's obligations to the LLP, including Swap Collateral which is to be returned to the relevant Swap Provider from time to time in accordance with the terms of the Swap Agreements and ultimately upon termination of the relevant Swap Agreement;

"**Swap Collateral Ledger**" The ledger (including any sub-ledgers) maintained by the Cash Manager pursuant to the Cash Management Agreement on the Swap Collateral Account, to record the crediting of any Swap Collateral and any debiting of the same;

"**Swap Provider Default**"	The occurrence of an Event of Default or Termination Event (each as defined in each of the Swap Agreements) where the relevant Swap Provider is the Defaulting Party or the sole Affected Party (each as defined in the relevant Swap Agreement), as applicable, other than a Swap Provider Downgrade Event;
"**Swap Provider Downgrade Event**"	The occurrence of an Additional Termination Event or an Event of Default (each as defined in the relevant Swap Agreement) following a failure by the Swap Provider to comply with the requirements of the ratings downgrade provisions set out in the relevant Swap Agreement;
"**Swap Providers**"	The Covered Bond Swap Providers and the Interest Rate Swap Providers, and each a "Swap Provider";
"**Swaps**"	The Covered Bond Swaps together with the Interest Rate Swaps, and each a "Swap";
"**T2**"	the real time gross settlement system operated by the Eurosystem, or any successor system;
"**Talons**"	The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 106;
"**TARGET Day**"	any day on which T2 is open for the settlement of payments in euro;
"**Tax Credit**"	The meaning given in the relevant Swap Agreement;
"**Taxes**"	All present and future taxes, levies, imposts, duties (other than stamp duty), fees, deductions, withholdings or charges of any nature whatsoever and wheresoever imposed, including, without limitation, income tax, corporation tax, VAT or other tax in respect of added value and any franchise, transfer, sales, gross receipts, use, business, occupation, excise, personal property, real property or other tax imposed by any national, local or supranational taxing or fiscal authority or agency together with any penalties, fines or interest thereon and "Tax" and "Taxation" shall be construed accordingly;
"**TEFRA**"	The United States Tax Equity and Fiscal Responsibility Act of 1982;
"**TEFRA C**"	U.S. Treasury Regulations §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended);
"**TEFRA D**"	U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended);

"**Temporary Global Covered Bond**"	The meaning given in "*Form of the Covered Bonds*" on page 90;
"**Term Advance**"	Each term advance made by the Issuer to the LLP from the proceeds of Covered Bonds pursuant to the Intercompany Loan Agreement;
"**Term Advance Interest Payment Date**"	In respect of any Term Advance, each Interest Payment Date in respect of the corresponding Series or Tranche of Covered Bonds that funded such Term Advance;
"**Third Party Amounts**"	Each of: (a) payments of insurance premiums, if any, due to the Seller in respect of any Seller Arranged Policy to the extent not paid or payable by the Seller (or to the extent such insurance premiums have been paid by the Seller in respect of any Further Advance which is not purchased by the Seller to reimburse the Seller); (b) amounts under an unpaid direct debit which are repaid by the Seller to the bank making such payment if such bank is unable to recoup that amount itself from its customer's account; (c) payments by the Borrower of any fees (including Early Repayment Charges) and other charges which are due to the Seller; (d) any amount received from a Borrower for the express purpose of payment being made or having been made to a third party for the provision of a service (including giving insurance cover) to any of that Borrower or the Seller or the LLP and any amounts due or arising from any mistaken overpayment by any person or arising from any reimbursement by any person of any such mistaken overpayment (including, for the avoidance of doubt, where arising from the failure of a direct debit); (e) (subject to any right to refuse or withhold payment or of set-off that has arisen by reason of the Borrower's breach of the terms of the relevant Mortgage or Loan) any amount payable to a Borrower under the terms of the Mortgage or the Loan to which that Borrower is a party (other than a Further Advance); (f) any amounts owed to the Seller pursuant to Clause 6 (*Trust of Monies*) of the Mortgage Sale Agreement; and (g) any amounts representing overpayments made on behalf of a Borrower by the Department for Work and Pensions which it subsequently seeks to recover,

which amounts may be paid daily from monies on deposit in the LLP Accounts;

"**Title Information Documents**"	In relation to each Loan and its Related Security and the Property relating thereto, all conveyancing deeds and documents which make up the title to the Property and the security for the Loan and all searches and enquiries undertaken in connection with the grant by the Borrower of the related Mortgage;
"**Transaction Account**"	The transaction account in the name of the LLP held with the Account Bank and maintained subject to the terms of the Bank Account Agreement and the Deed of Charge or such additional or replacement account as may be for the time being in place with the prior consent of the Security Trustee;
"**Transaction Documents**"	(a) Mortgage Sale Agreement (and any documents entered into pursuant to the Mortgage Sale Agreement); (b) Servicing Agreement; (c) Asset Monitor Agreement; (d) Intercompany Loan Agreement; (e) LLP Deed; (f) Cash Management Agreement; (g) each Interest Rate Swap Agreement; (h) each Covered Bond Swap Agreement; (i) Bank Account Agreement; (j) any Custody Agreement; (k) Corporate Services Agreement; (l) Deed of Charge (and any documents entered into pursuant to the Deed of Charge); (m) Trust Deed; (n) Agency Agreement; (o) Programme Agreement; (p) each set of Final Terms (as applicable in the case of each issue of listed Covered Bonds subscribed pursuant to a subscription agreement);

(q) each Subscription Agreement (as applicable in the case of each issue of listed Covered Bonds subscribed pursuant to a subscription agreement);

(r) any Back-Up Servicing Agreement;

(s) any Back-Up Cash Management Agreement; and

(t) Master Definitions and Construction Agreement;

"**Transfer Agent**"	The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 106;
"**Transfer Certificate**"	The meaning given in Condition 2(e) in "*Terms and Conditions of the Covered Bonds*" on page 110;
"**Transfer Date**"	Each of the Initial Transfer Date and the date of transfer of any New Portfolio to the LLP in accordance with the Mortgage Sale Agreement;
"**Trust Deed**"	The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 106;
"**UK EMIR**"	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 House Price Index**"	Means the index of increases or decreases in house prices in relation to residential properties in the United Kingdom calculated by the Issuer in accordance with its standard policies on the basis of information published on the website of the Land Registry;
"**UK House Price Indexed Valuation**"	Means, in relation to any Property, the Latest Valuation of that Property increased or decreased as appropriate by the increase or decrease in the UK House Price Index since the date of that Latest Valuation;
"**UTCCR**"	Unfair Terms in Consumer Contracts Regulations 1999 as amended and the Unfair Terms in Consumer Contracts Regulations 1994;
"**Valuation Report**"	The valuation report or reports for mortgage purposes, in the form of one of the pro-forma contained in the Standard Documentation, obtained by the Seller from a Valuer in respect of each Property or a valuation report in respect of a valuation made using a methodology which would be acceptable to a Reasonable, Prudent Mortgage Lender and which has been approved by the relevant officers of the Seller;
"**Valuer**"	An Associate or Fellow of the Royal Institute of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers who was at the relevant time either a member of a firm which was on the list of Valuers approved by or on behalf of the Seller from time to time or an Associate or Fellow of the Royal Institute of

	Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers employed in-house by the Seller acting for the Seller in respect of the valuation of a Property;
"**VAT**"	Value added tax as imposed by: (a) the United Kingdom under the Value Added Tax Act 1994 and legislation (whether delegated or otherwise) replacing the same or supplemental thereto; or (b) any primary or subordinate legislation promulgated by the European Union or any official body or agency thereof, and (in both cases) any similar turnover tax replacing or introduced in addition to any of the same;
"**Yield Shortfall Test**"	The meaning given in "*Summary of the Principal Documents*" on page 188; and
"**Zero Coupon Covered Bonds**"	Covered Bonds which will be offered and sold at a discount to their nominal amount and which will not bear interest.

ISSUER

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The Friary

Cardiff

CF10 3FA

THE LLP

Principality Covered Bonds LLP

Principality House

The Friary

Cardiff

CF10 3FA

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