

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S.

IMPORTANT: You must read the following before continuing. The following applies to the prospectus following this page (the **Prospectus**), and you are therefore advised to read this page carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access. You acknowledge that you will not forward this electronic form of the Prospectus to any other person.

NOTHING IN THE PROSPECTUS CONSTITUTES AN INVITATION OR OFFER TO SELL OR THE SOLICITATION OF AN INVITATION OR OFFER TO BUY THE COVERED BONDS DESCRIBED THEREIN IN THE UNITED STATES OR IN ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE COVERED BONDS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE SECURITIES LAWS OF ANY STATE OR OTHER 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**), AND THE SECURITIES 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 REGULATIONS UNDER THE SECURITIES ACT (**REGULATION S**)), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR FEDERAL SECURITIES LAWS.

THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: To be eligible to view the Prospectus or make an investment decision with respect to the Covered Bonds described herein, investors must be non-U.S. persons purchasing in offshore transactions (as defined in Regulation S) with applicable securities laws. The Prospectus is being sent at your request and by accepting this e-mail and accessing the Prospectus you shall be deemed to have represented to us that, among other things: (1) you and any customers you represent are non-U.S. persons purchasing in an offshore transaction (as defined in Regulation S) and are not acting for the account or benefit of a U.S. person (as defined in Regulation S), and the electronic mail address that you have given to us and to which this Prospectus has been delivered is not located in the United States, its territories or its possessions (including, but not limited to, Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) or the District of Columbia; and (2) you consent to delivery of this document by electronic transmission.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Prospectus to any other person. The information contained in this e-mail message is confidential information

intended only for the use of the individual or entity to which it is addressed. Distribution of this electronic transmission of the Prospectus to any person other than: (a) the person receiving this electronic transmission from the Dealer (as defined below) on behalf of the Issuer; and (b) any person retained to advise the person receiving this electronic transmission with respect to the offering contemplated by the Prospectus (each an **Authorised Recipient**) is unauthorised. Any photocopying, disclosure or alteration of the contents of the Prospectus, and any forwarding of a copy of the Prospectus or any portion thereof by electronic mail or any other means to any person other than an Authorised Recipient, is prohibited. Failure to comply with this directive may result in a violation of the Securities Act. By accepting delivery of the Prospectus, each recipient hereof agrees to the foregoing.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place to any person who offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealer or manager or any affiliate of the Dealer or manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by or through the Dealer or manager or such affiliate on behalf of the Issuer in such jurisdiction.

The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer or any Dealer (as defined below) or any person who controls it nor any director, officer, employee, agent or affiliate of it or any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format herewith and the hard copy version available to you on request from the Issuer or any Dealer (as defined below).

The co-operative bank

THE CO-OPERATIVE BANK P.L.C.

(incorporated in England and Wales with limited liability under registered number 990937)

Legal entity identifier (LEI): 213800TLZ6PCLYPSR448

£4 billion Global Covered Bond Programme

**Unconditionally and irrevocably guaranteed as to payments of principal and interest by
Moorland Covered Bonds LLP**

(a limited liability partnership incorporated in England and Wales with partnership number OC343979)

Under this £4 billion covered bond programme (the **Programme**), the Co-operative Bank p.l.c. (the **Issuer**) may from time to time issue bonds (the **Covered Bonds**) denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below). The price and amount of the Covered Bonds to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Moorland 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 £4 billion (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Covered Bonds may be issued on a continuing basis to one or more of the Dealers specified under "*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 in relation 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 21 of this Prospectus for a discussion of certain factors to be considered in connection with an investment in the Covered Bonds.

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

Application has been made to the FCA for the Covered Bonds issued under the Programme during the period of 12 months from the date of this Prospectus to be admitted to the official list of the FCA (the **Official List**) and to 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**). 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 12 October 2011 the Issuer was admitted to the register of issuers and the Programme was admitted to the register of regulated covered bonds under the Regulated Covered Bonds Regulations 2008 (SI 2008/346) as amended by the Regulated Covered Bonds (Amendment) Regulations 2008 (SI 2008/1714), the Regulated Covered Bonds (Amendment) Regulations 2011 (SI 2011/2859) and the Regulated Covered Bonds (Amendment) Regulations 2012 (SI 2012/2977) (the **RCB Regulations**).

The Covered Bonds and the Covered Bond Guarantee (as defined below) have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), or the securities laws or "blue sky laws" of any state or other jurisdiction of the United States or other territory and therefore may not be offered, sold or delivered in the United States or to, or for the account or benefit of any U.S. person except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable state or local securities laws. Accordingly, the Covered Bonds are being offered and sold outside the United States to Persons other than U.S. Persons in reliance on Regulation S under the Securities Act (Regulation S). In addition, the Issuer has not been registered and does not intend to register as an investment company under the U.S. Investment Company Act of 1940, as amended (the Investment Company Act). See "*Form of the Covered Bonds*" for a description of the manner in which Covered Bonds will be issued. Registered Covered Bonds are subject to certain restrictions on transfer, see "*Subscription and Sale and Transfer and Selling Restrictions*".

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

The rating of each 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 Moody's Investors Service Ltd (**Moody's**) which is a credit rating agency established in the United Kingdom and registered in accordance with Regulation (EC) No 1060/2009 as it forms part of domestic law by virtue of the EUWA (the **UK CRA Regulation**). Moody's is included in the list of credit rating agencies published by the FCA on its website in accordance with the UK CRA Regulation. The ratings issued by Moody's have been endorsed by Moody's Deutschland GmbH in accordance with Regulation (EC) 1060/2009 (the **EU CRA Regulation**). Moody's Deutschland GmbH is established in the European Union and registered under the EU CRA Regulation. As such, Moody's Deutschland GmbH is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the EU CRA Regulation. In general, European regulated investors are restricted under the EU CRA Regulation from using a rating for regulatory purposes, unless such rating is issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant non-EEA rating agency is certified in accordance with the EU CRA Regulation (and such endorsement or certification, as the case may be, has not been withdrawn or suspended). Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use, for UK regulatory purposes, ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In

the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended.

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

Arrangers and Dealers for the Programme

Barclays

NatWest Markets

The date of this Prospectus is 29 May 2024

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

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

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

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.

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.

The information contained in this Prospectus was obtained from the Issuer and other sources, but no assurance can be given by the Arrangers, the Dealer(s), any Agent, the Bond Trustee or the Security Trustee as to the accuracy or completeness of this information. Accordingly, no representation, warranty or undertaking, express or implied, is made and, to the extent permitted by law, no responsibility or liability is accepted by the Arrangers, the Dealer(s), any Agent, the Bond Trustee or the Security Trustee as to: (i) the accuracy or completeness of any statement, representation, warranty or covenant of the Issuer and/or the LLP contained or incorporated in this Prospectus, the Transaction Documents or any other information provided by the Issuer and the LLP in connection with the Programme or for the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence thereof; or (ii) any other statement, made or proposed to be made by the Dealer(s), the 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 Arrangers, the Dealer(s), the Agents, the Bond Trustee or the Security Trustee accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer and the LLP in connection with the Programme. Accordingly, each of the Arrangers, the Dealer(s), the Agents, the Bond Trustee and the Security Trustee disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement or information.

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

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

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

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

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

THE COVERED BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (SEC), ANY STATE SECURITIES COMMISSION OR ANY OTHER U.S. OR STATE REGULATORY AUTHORITY IN THE UNITED STATES, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON THE ACCURACY OR THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

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

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

MIFID II PRODUCT GOVERNANCE/TARGET MARKET – The Final Terms in respect of any Covered Bonds may include a legend entitled "*MiFID II Product Governance*" which outlines 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 Arrangers nor the Dealer(s) nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MIFIR PRODUCT GOVERNANCE / TARGET MARKET – The Final Terms in respect of any Covered Bonds will include a legend entitled "*UK MiFIR Product Governance*" which outlines the target market assessment in respect of the Covered Bonds and which channels for

distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a distributor) should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the UK MiFIR Product Governance Rules) is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

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

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 Arrangers, the Dealer(s), the Agents, the Bond Trustee and the Security Trustee do not represent that this Prospectus may be lawfully distributed, or that any Covered Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the LLP, the Arrangers, the Dealer(s), the Agents, the Bond Trustee or the Security Trustee which would permit a public offering of any Covered Bonds or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Covered Bonds may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Covered Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Covered Bonds. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Covered Bonds in the United States, the European Economic Area 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.

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 on the Functioning of the European Union, as amended, and 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, one or more relevant Dealers (the Stabilising Manager(s)) (or persons acting on behalf of any Stabilising Manager(s)) 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 may not be a suitable investment for all investors. Each potential investor in the Covered Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds, the merits and risks of investing in the Covered Bonds and the information contained or incorporated by reference in this Prospectus, any applicable supplement and the applicable Final Terms;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Covered Bonds and the impact the Covered Bonds will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

The Covered Bonds have not been approved or disapproved by the SEC, any other state securities commission or any other U.S. or state regulatory authority in the United States, nor have the foregoing authorities approved this Prospectus or passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence.

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

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 The Co-operative Bank and its consolidated subsidiary undertakings (collectively, the **Co-operative Bank 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 Co-operative Bank 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 on the date hereof. The Co-operative Bank 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.

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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DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the audited consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2023, as set out in the following pages of the Co-operative Bank Group's 2023 Annual Report and Accounts;

	<i>For the financial year ended</i> <i>31 December 2023</i>
Independent Auditors' Report	Pages 158 to 169
Financial Statements (including Notes thereto).....	Pages 185 to 236
Explanatory Information.....	Pages 281 to 290

- (b) the glossary to the Co-operative Bank Group's 2023 Annual Report and Accounts;
- (c) the audited consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2022, as set out in the following pages of the Co-operative Bank Group's 2022 Annual Report and Accounts; and

	<i>For the financial year ended</i> <i>31 December 2022</i>
Independent Auditors' Report	Pages 161 to 172
Financial Statements (including Notes thereto).....	Pages 189 to 240
Explanatory Information.....	Pages 284 to 293

- (d) the glossary to the Co-operative Bank Group's 2022 Annual Report and Accounts;
- (e) the audited annual financial statements of the LLP for the years ended 31 December 2021 and 31 December 2022 and the auditor's report thereon;
- (f) the joint statement regarding the potential acquisition of the Co-operative Bank Holdings p.l.c. by Coventry Building Society issued on 18 April 2024 and available at: <https://www.co-operativebank.co.uk/pdfs/bank/investorrelations/joint-statement-potential-cash-acquisition.pdf>;
- (g) the joint statement regarding the cash acquisition of the Co-operative Bank Holdings p.l.c. by Coventry Building Society issued on 24 May 2024 and available at: <https://www.co-operativebank.co.uk/pdfs/bank/investorrelations/joint-statement-regarding-cash-acquisition.pdf>; and
- (h) the first quarter trading update 2024 of the Co-operative Bank Group dated 2 May 2024.

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.

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.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in 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, The Co-operative Bank p.l.c., 1 Balloon Street, Manchester, M60 4EP, and marked for the attention of Treasury or (as applicable) the LLP, at its principal office as set out at the end of this Prospectus.

Copies of the documents incorporated by reference in this Prospectus will be available for viewing: (i) at the offices of the Issuer at The Co-operative Bank p.l.c., 1 Balloon Street, Manchester, M60 4EP; (ii) on the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html; and (iii) on the website of the Issuer at <https://www.co-operativebank.co.uk/about-us/investor-relations/>. Please note that 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.

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.

If the terms of the Programme are modified or amended in a manner which would make this Prospectus inaccurate or misleading or, 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.

PRINCIPAL CHARACTERISTICS OF THE PROGRAMME

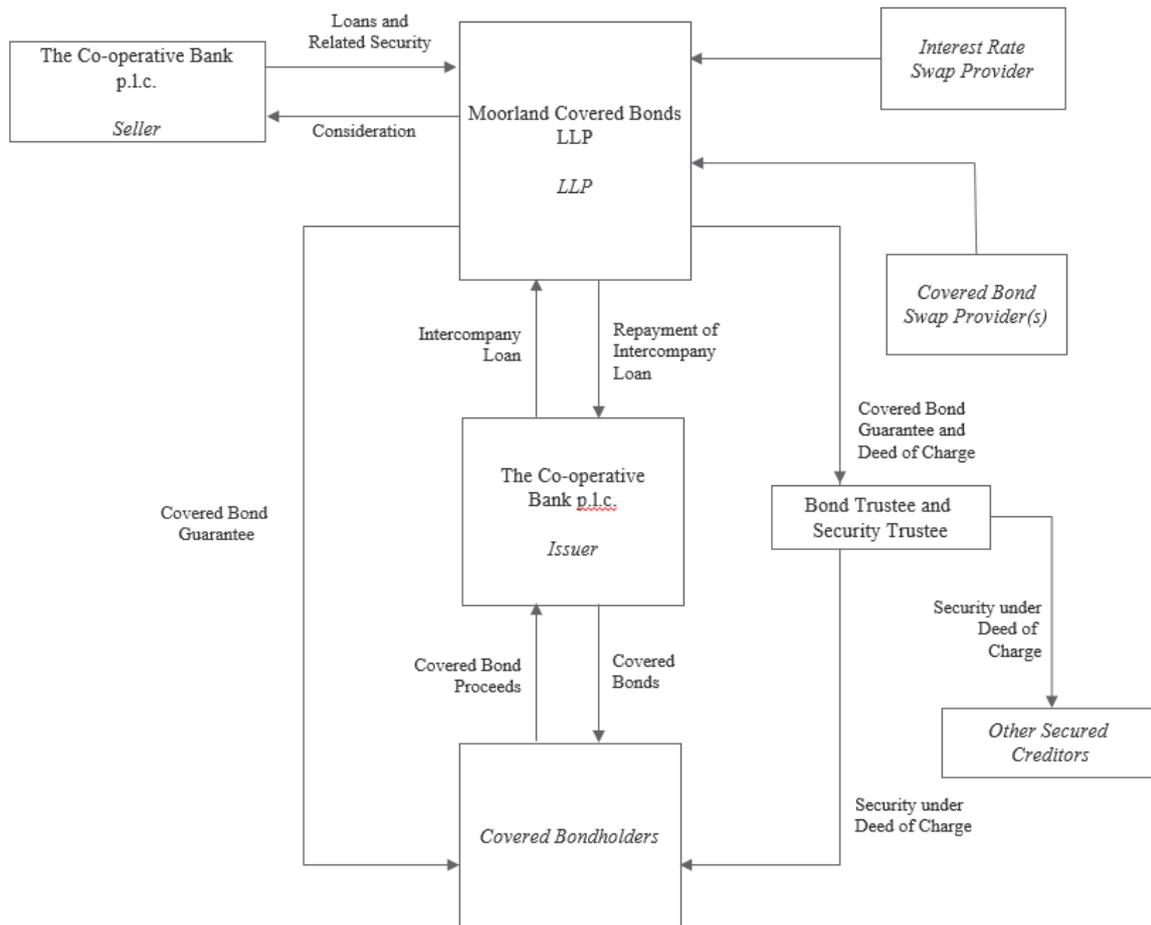
Issuer:	The Co-operative Bank p.l.c. (the Co-operative Bank)
Guarantor:	Moorland Covered Bonds LLP
RCB Regulations:	On 12 October 2011, the Issuer was admitted to the register of issuers and the Programme was admitted to the register of regulated covered bonds under the RCB Regulations
Nature of eligible cover pool property:	Residential mortgage loans, Substitution Assets up to the prescribed limit and Authorised Investments
Location of eligible residential property underlying Mortgages:	England and Wales
Maximum Loan to Value Ratio given credit under the Asset Coverage Test:	75 per cent.
Maximum Asset Percentage:	93.0 per cent.
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.
Asset Coverage Test:	See pages 191-195
Amortisation Test:	See page 196
Reserve Fund:	A Reserve Fund has been established in the Transaction Account to capture Available Revenue Receipts up to an amount equal to the Reserve Fund Required Amount on each LLP Payment Date prior to the occurrence of an Issuer Event of Default and the service of an Issuer Acceleration Notice on the Issuer and a Notice to Pay on the LLP.
Extendable Maturities:	Available
Hard Bullet Maturities:	Not Available
Asset Monitor:	PricewaterhouseCoopers LLP
Asset Pool Monitor:	PricewaterhouseCoopers LLP
Asset Segregation:	Yes
Namenschuldverschreibungen option:	Not Available
Single/ Multi Asset Pool designation:	Single Asset Pool, consisting of residential mortgage loans and liquid assets
Substitution Assets:	Asset backed securities are not eligible assets and cannot form part of the Asset Pool. As set out on page 279, 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(1)(a) of the RCB Regulations.

STRUCTURE OVERVIEW

The information set out below is an overview of various aspect of the transaction. This overview is not purported to be complete, should be read in conjunction with, and is qualified in its entirety by references to, the detailed information presented elsewhere in this Prospectus.

Words and expressions defined elsewhere in this Prospectus have the same meanings in this section of the Prospectus. A glossary of certain defined terms used in this document is contained at the end of this Prospectus.



Structure Overview

- Programme:** Under the terms of the Programme, the Issuer will issue Covered Bonds to the Covered Bondholders on each Issue Date. The Covered Bonds will be direct, unsecured and unconditional obligations of the Issuer.
- Intercompany Loan Agreement:** Under the terms of the Intercompany Loan Agreement, the Issuer will make Term Advances to the LLP in an amount equal to the Principal Amount Outstanding of the Covered Bonds 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 to the Covered Bondholders under the Covered Bond Guarantee.

- *Covered Bond Guarantee:* Under the terms of the Trust Deed, the LLP has provided a guarantee as to payments of interest and principal under the Covered Bonds. The LLP has agreed to pay an amount equal to the Guaranteed Amounts when the same shall become Due for Payment but which would otherwise be unpaid by the Issuer. The obligations of the LLP under the Covered Bond Guarantee constitute direct and (following the service of an Issuer Acceleration Notice on the Issuer and 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.
- If an LLP Acceleration Notice is served, the Covered Bonds will become immediately due and payable as against the Issuer (if they have not already become so as the result of the service of an Issuer Acceleration Notice) and the LLP's obligations under the Covered Bond Guarantee will be accelerated. 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. Payments made by the LLP under the Covered Bond Guarantee will be made subject to, and in accordance with, the Guarantee Priority of Payments or the Post-Enforcement Priority of Payments, as applicable. The recourse of the Covered Bondholders to the LLP under the Covered Bond Guarantee will be limited to the assets of the LLP from time to time.
- *The proceeds of Term Advances:* The LLP will use the proceeds of the Term Advances received under the Intercompany Loan Agreement from time to time (if not denominated in Sterling, after swapping the same into Sterling under the relevant Covered Bond Swap Agreement):
 - (a) to purchase, from the Seller, Loans and their Related Security selected by the Seller on a Random Basis from an eligible pool 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 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 the Seller (in its capacity as a Member); and/or
 - (iv) if an existing Series or Tranche, or part of an existing Series or Tranche, of Covered Bonds is being refinanced (by the issue of a further Series or Tranche of Covered Bonds), to repay the Term Advance(s) corresponding to the Covered Bonds being so refinanced; and/or

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

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

- *Consideration:* Under the terms of the Mortgage Sale Agreement, the consideration payable to the Seller for the sale of Loans and their Related Security to the LLP on any Transfer Date will be a combination of: (i) a cash payment paid by the LLP to the Seller; and/or (ii) the Seller being treated as having made a Capital Contribution in Kind to the LLP (in an amount up to the difference between the True Balance of the Loans sold by the Seller as at the relevant Transfer Date and the cash payment (if any) paid by the LLP on the Issue Date corresponding to the relevant Transfer Date); and (iii) Deferred Consideration.
- *Security:* To secure its obligations under the Covered Bond Guarantee and the Transaction Documents to which it is a party, the LLP has granted security over the Charged Property (which consists principally of the LLP's interest in the portfolio of Loans and their Related Security, the Substitution Assets, the Transaction Documents to which it is a party, the LLP Accounts and the Authorised Investments) in favour of the Security Trustee (for itself and on behalf of the other Secured Creditors) pursuant to the Deed of Charge.
- *Cashflows:* Prior to service of an Asset Coverage Test Breach Notice, a Notice to Pay or an LLP Acceleration Notice on the LLP and/or realisation of the Security and/or the commencement of winding-up proceedings against the LLP, the LLP will apply:
 - (a) Available Revenue Receipts to pay interest due on the Term Advances (the proceeds of which the Issuer may apply to pay interest due on the Covered Bonds) and to pay Deferred Consideration to the Seller in respect of the Loans sold by the Seller to the LLP. However, these payments will only be made after payment of certain items ranking higher in the Pre-Acceleration Revenue Priority of Payments (including, but not limited to, certain expenses and amounts due to the Interest Rate Swap Provider and the Covered Bond Swap Provider(s)). For further details of the Pre-Acceleration Revenue Priority of Payments, see "*Cashflows*" below; and
 - (b) Available Principal Receipts towards making payments of principal due on the Term Advances and 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 and acquiring Substitution Assets).

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 or any indemnity amount due to the Asset Monitor pursuant to the Asset Monitor Agreement, towards

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

- (b) in respect of Available Principal Receipts, no payments will be made 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 and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP) the LLP will use all moneys (other than Third Party Amounts, LLP Tax Payments and Swap Collateral Excluded Amounts) to pay Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for Payment subject to paying certain higher ranking obligations of the LLP in the Guarantee Priority of Payments. In such circumstances, the 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 repayable following the occurrence of an Issuer Event of Default) and the Bond Trustee will then have a claim against the LLP under the Covered Bond Guarantee for an amount equal to the Early Redemption Amount in respect of each Covered Bond together with accrued interest and any other amounts due under the Covered Bonds other than additional amounts payable by the Issuer under Condition 7 (Taxation) and thereafter the security created by the LLP over the Charged Property will become enforceable. Any moneys received or recovered by the Security Trustee following enforcement of the Security created by the LLP in accordance with the Deed of Charge, realisation of such Security and/or the commencement of winding-up proceedings against the LLP will be distributed according to the Post-Enforcement Priority of Payments as to which, see "*Cashflows*" below.

The Cash Manager will, on each LLP Payment Date, prior to the service on the LLP and the Issuer of an Asset Coverage Test Breach Notice which is outstanding, 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, credit Available Principal Receipts, applied in accordance with the Pre-Acceleration Principal Priority of Payments, to the Retained Principal Ledger. Amounts standing to the credit of the Retained Principal Ledger will be applied by the Cash Manager 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, provided that any amount standing to the credit of the Retained Principal Ledger and not applied towards the purchase of New Loans and their Related Security during any LLP Payment Period, will form part of Available Principal Receipts to be applied on the immediately following LLP Payment Date.

- *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 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 on the LLP.

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

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

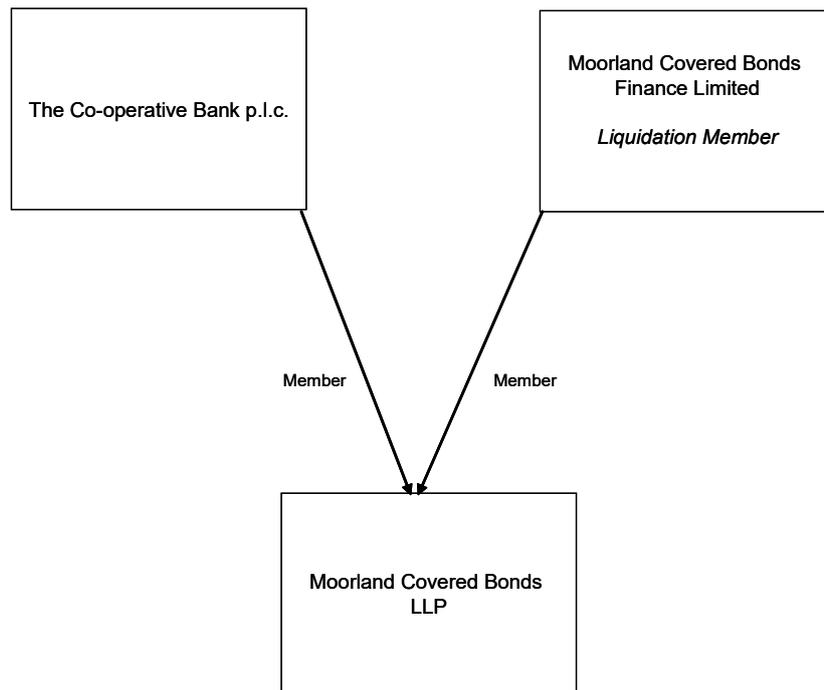
If an Asset Coverage Test Breach Notice has been served and not revoked on or before the third Calculation Date after service of such Asset Coverage Test Breach Notice, then an Issuer Event of Default will occur and the Bond Trustee will be entitled to (and, in certain circumstances, will be required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

- *Amortisation Test:* In addition, following service of a Notice to Pay on the LLP (but prior to service 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) 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 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 on the LLP declaring the Covered Bonds and all amounts due under the Covered Bond Guarantee immediately due and repayable and entitle the Security Trustee to enforce the Security over the Charged Property.
- *Extendable obligations under the Covered Bond Guarantee:* If the Issuer or, following service of a Notice to Pay, the LLP fails to pay the Final Redemption Amount of the relevant Series of Covered Bonds on the Final Maturity Date (subject, in the case of the Issuer, to applicable grace periods) and if the Guaranteed Amounts equal to the Final Redemption Amount of the relevant Series of Covered Bonds are not paid in full by the Extension Determination Date (for example because, following the service of a Notice to Pay on the LLP, the LLP has insufficient moneys available in accordance with the Guarantee Priority of Payments to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount of the relevant Series of Covered Bonds) then payment of the unpaid amount pursuant to the Covered Bond Guarantee will be automatically deferred (without an LLP Event of Default occurring as a result of such non-payment) and will be due and payable 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 6 (Redemption and Purchase).

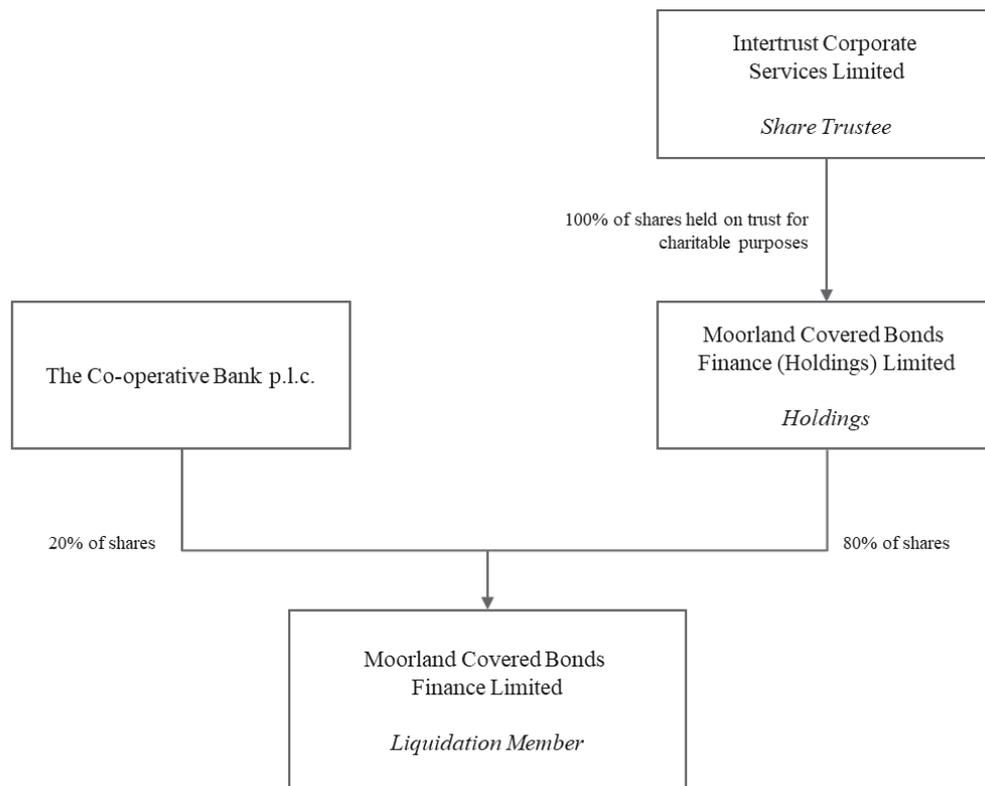
- *Coupon Payments:* In the event that the Cash Manager ceases to be assigned a counterparty risk assessment by Moody's of at least Baa3(cr) (which will be a **Cash Manager Relevant Event**), the Seller will be required: (a) within four London Business Days after such downgrade; and (b) thereafter, within four London Business Days after each Loan Interest Payment Date for each Term Advance, make a Cash Capital Contribution to the LLP in an amount equal to the Required Coupon Amount for such Term Advance. The LLP will, within one London Business Day of receipt of a Cash Capital Contribution from the Seller, deposit an amount equal to the lesser of the Required Coupon Amount for such Series and the amount of such Cash Capital Contribution in the Transaction Account. The Required Coupon Amount will be an amount equal to the aggregate of the Sterling Equivalent of: (i) (in the case of each Term Advance where a Covered Bond Swap is not in place), interest due from the LLP on a relevant Term Advance for the next following Loan Interest Payment Date; and (ii) (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 for the next following relevant LLP Payment Date (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). The LLP will, on the direction of the Issuer, on the date of each deposit referred to above deliver an irrevocable payment instruction to the Account Bank to transfer an amount equal to the Required Coupon Amount for each Series to the account of the Principal Paying Agent on the next Interest Payment Date for such Series. The payment instruction will be irrevocable and the LLP will not be able to vary the payment instruction once the instruction has been sent without the consent of the Security Trustee. The Issuer will, on a timely basis, effect the transfer of such coupon payment from the Transaction Account to the Principal Paying Agent. The Issuer will notify the Principal Paying Agent within three London Business Days of the occurrence of a Cash Manager Relevant Event.
- *RCB Regulations 2008:* On 12 October 2011, the Issuer was admitted to the register of issuers and the Programme was admitted to the register of regulated covered bonds under the RCB Regulations.
- *Servicing:* In its capacity as Servicer, the Co-operative Bank has entered into the Servicing Agreement with the LLP, the Back-Up Servicer Facilitator 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 the Co-operative Bank (in its capacity as Seller) to the LLP.
- *Further Information:* For a more detailed description of the transactions summarised above relating to the Covered Bonds see, amongst other relevant sections of this Prospectus, "*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 Moorland Covered Bonds LLP



- As at the date of this Prospectus, the Members of the LLP are the Seller and the Liquidation Member.
- A New Member may be admitted to the LLP, subject to meeting certain conditions precedent including, but not limited to, satisfaction of the Rating Condition.
- Other than in respect of those decisions reserved to the Members, the LLP Management Committee (comprised of, as at the date of this Prospectus, directors and/or employees of the Seller and one director of the Liquidation Member) will manage and conduct the business of the LLP and will have all the rights, power and authority to act at all times for and on behalf of the LLP.

Ownership Structure of the Liquidation Member



- As at the date of this Prospectus, 80 *per cent.* of the issued share capital of the Liquidation Member is held by Moorland Covered Bonds Finance (Holdings) Limited (**Holdings**) and 20 *per cent.* of the issued share capital of the Liquidation Member is held by the Co-operative Bank.
- The entire issued capital of Holdings is held by Intertrust Corporate Services 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 have the same meanings in this overview. A glossary of certain defined terms is contained at the end of this Prospectus.

Transaction Parties

Party	Name	Address	Document under which appointed / Further Information
Issuer	The Co-operative Bank p.l.c.	1 Balloon Street, Manchester, M60 4EP	N/A; see the section of this Prospectus entitled " <i>The Issuer</i> " for further information.
LLP	Moorland Covered Bonds LLP	PO Box 101, 1 Balloon Street, Manchester, M60 4EP	N/A; see the section of this Prospectus entitled " <i>The LLP</i> " for further information.
Seller	The Co-operative Bank p.l.c.	1 Balloon Street, Manchester, M60 4EP	N/A; see the section of this Prospectus entitled " <i>The Issuer</i> " for further information.
Servicer	The Co-operative Bank p.l.c.	1 Balloon Street, Manchester, M60 4EP	Appointed under the Servicing Agreement; see the section of this Prospectus entitled " <i>Summary of the Principal Documents – Servicing Agreement</i> " for further information.
Back-Up Servicer Facilitator	Intertrust Management Limited	1 Bartholomew Lane, London, EC2N 2AX	Appointed under the Servicing Agreement; see the section of this Prospectus entitled " <i>Summary of the Principal Documents – Servicing Agreement</i> " for further information.
Cash Manager	The Co-operative Bank p.l.c.	1 Balloon Street, Manchester, M60 4EP	Appointed under the Cash Management Agreement; see the section of the Prospectus entitled " <i>Summary of the Principal Documents – Cash Management Agreement</i> " for further information.

Party	Name	Address	Document under which appointed / Further Information
Back-Up Cash Manager Facilitator	Intertrust Management Limited	1 Bartholomew Lane, London, EC2N 2AX	Appointed under the Cash Management Agreement; see the section of this Prospectus entitled " <i>Summary of the Principal Documents – Cash Management Agreement</i> " for further information.
Interest Rate Swap Provider	The Co-operative Bank p.l.c.	1 Balloon Street, Manchester, M60 4EP	Appointed under the Interest Rate Swap Agreement; see the section of this Prospectus entitled " <i>Summary of the Principal Documents – Interest Rate Swap</i> " for further information.
Covered Bond Swap Provider(s)	To be one or more suitably rated third party entities as appointed at the time of the relevant issuance	Not applicable	Appointed under the relevant Covered Bond Swap Agreement; see the section of the Prospectus entitled " <i>Summary of the Principal Documents – Covered Bond Swap Agreement</i> " for further information.
Account Bank	The Co-operative Bank p.l.c.	1 Balloon Street, Manchester, M60 4EP	Appointed under the Bank Account Agreement; see the section of this Prospectus entitled " <i>Summary of the Principal Documents – Bank Account Agreement</i> " for further information.
Standby Account Bank	Barclays Bank PLC	1 Churchill Place, London, E14 5HP	Appointed under the Standby Bank Account Agreement; see the section of this Prospectus entitled " <i>Summary of the Principal Documents – Standby Bank Account Agreement</i> " for further information.
Security Trustee	HSBC Corporate Trustee Company (UK) Limited	8 Canada Square, London E14 5HQ	Appointed under the Deed of Charge; see the section of this Prospectus entitled " <i>Summary of the Principal Documents – Deed of Charge</i> " for further information.

Party	Name	Address	Document under which appointed / Further Information
Bond Trustee	HSBC Corporate Trustee Company (UK) Limited	8 Canada Square, London E14 5HQ	Appointed under the Trust Deed; see the section of this Prospectus entitled " <i>Summary of the Principal Documents – Trust Deed</i> " for further information.
Registrar	HSBC Bank plc	8 Canada Square, London E14 5HQ	Appointed under the Agency Agreement.
Principal Paying Agent	HSBC Bank plc	8 Canada Square, London E14 5HQ	Appointed under the Agency Agreement.
Transfer Agent	HSBC Bank plc	8 Canada Square, London E14 5HQ	Appointed under the Agency Agreement.
Asset Monitor	PricewaterhouseCoopers LLP	1 Embankment Place, London WC2N 6RH	Appointed under the Asset Monitor Agreement; see this section of the Prospectus entitled " <i>Summary of the Principal Documents – Asset Monitor Agreement</i> " for further information.
Asset Pool Monitor	PricewaterhouseCoopers LLP	1 Embankment Place, London WC2N 6RH	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 " <i>Description of the UK Regulated Covered Bond Regime</i> " below). PricewaterhouseCoopers LLP was appointed as asset pool monitor 21 September 2023.
Liquidation Member	Moorland Covered Bonds Finance Limited	1 Bartholomew Lane, London, EC2N 2AX	Appointed under the LLP Deed; see the section of the Prospectus entitled " <i>Summary of the Principal Documents – LLP Deed</i> " for further information.
Corporate Services Provider	Intertrust Management Limited	1 Bartholomew Lane, London, EC2N 2AX	Appointed under the Corporate Services Agreement.

Party	Name	Address	Document appointed / Information	under which Further
Arrangers/ Dealers:	Barclays Bank PLC and NatWest Markets Plc	Barclays Bank PLC 1 Churchill Place, London, E14 5HP NatWest Markets Plc 250 Bishopsgate, London, EC2M 4AA	Appointed under the Programme Agreement; see the section of the Prospectus entitled " <i>Subscription and Sale and Transfer and Selling Restrictions</i> " for further information.	

Overview of the Covered Bonds

Programme Size	Up to £4 billion outstanding at any time (or its equivalent in other currencies as set out in the Programme Agreement). 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 " <i>Subscription and Sale and Transfer and Selling Restrictions</i> ".
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 and the relevant Dealer(s) (as set out in the applicable Final Terms).
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 " <i>Subscription and Sale and Transfer and Selling Restrictions</i> ").
Issue Price	Covered Bonds may be issued at par or at a premium or discount to par on a fully-paid basis, in each case as specified in the applicable Final Terms.
Form of Covered Bonds	<p>The Covered Bonds will be issued in bearer or registered form as described in "<i>Form of the Covered Bonds</i>". Registered Covered Bonds will not be exchangeable for Bearer Covered Bonds and <i>vice versa</i>.</p> <p>The types of Covered Bonds that can be issued under the Programme include the following:</p> <ul style="list-style-type: none">• Fixed Rate Covered Bonds: Fixed Rate Covered Bonds will bear interest at a fixed rate which will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms);• Floating Rate Covered Bonds: Floating Rate Covered Bonds will bear interest at a rate determined:<ul style="list-style-type: none">• 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

- on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- on such other basis as may be agreed between the Issuer and the relevant Dealer(s),

as set out in the applicable Final Terms.

The Margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each issue of Floating Rate Covered Bonds as set out in the applicable Final Terms;

- Other provisions in relation to Floating Rate Covered Bonds may also provide for a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Covered Bonds in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms); and
- **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.

Redemption

The applicable Final Terms relating to each Series of Covered Bonds will indicate that the relevant Covered Bonds of such Series:

- may not be redeemed prior to their Final Maturity Date as specified in the relevant Final Terms (other than in specified instalments, if applicable); or
- may be redeemed for taxation reasons, if applicable; or
- may be redeemed in the case of illegality, if applicable; or
- may be redeemed at the option of the Issuer/Covered Bondholder upon giving notice to the Covered Bondholders/Issuer (as the case may be), on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer(s),

in each case as set out in the applicable Final Terms.

Final Redemption

If not previously redeemed or purchased and cancelled, on the Final Maturity Date as specified in the relevant Final Terms.

Maturities	Covered Bonds may be issued with any maturity as may be agreed between the Issuer and the relevant Dealer(s) and as specified in the relevant 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.
Extendable obligations under the Covered Bond Guarantee	The Final Maturity Date in relation to the applicable Series of Covered Bonds may be deferred until an Extended Due for Payment Date as set out in Condition 6(a) (<i>Final redemption</i>).
Denomination of Covered Bonds	<p>Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms save that the minimum denomination of each Covered Bond will be at least €100,000 (or, if the Covered Bonds are denominated in a currency other than euro, at least the equivalent amount in such currency) or such other higher amount as may be required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.</p> <p>It is intended that all Covered Bonds denominated in Sterling will have a denomination of £100,000 and in integral multiples of £1,000 in excess thereof.</p>
Selling Restrictions	There are restrictions on the offer, sale and transfer of any Tranche of Covered Bonds in the United States, the European Economic Area and the UK. Other restrictions may apply in connection with the offering and sale of a particular Tranche of Covered Bonds. See " <i>Subscription and Sale and Transfer and Selling Restrictions</i> ".
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 overview of which is set out under the section of this Prospectus entitled " <i>Risk Factors</i> " from page 21.
Taxation	All payments in respect of the Covered Bonds will be made without deduction or withholding for or on account of UK taxes, subject as provided in Condition 7 (Taxation). In the event that any such withholding or deduction is made, the Issuer will, save in the limited circumstances provided in Condition 7 (Taxation), be required to pay additional amounts in respect of the amounts so withheld or deducted. Under the Covered Bond Guarantee, the LLP is not required to pay any additional amounts in respect of any withholding or deduction from payments and will not be liable to pay any such additional amounts that would have been payable by the Issuer under Condition 7 (Taxation).
Cross Default	If an Issuer Acceleration Notice is served in respect of any one Series of Covered Bonds, then the obligations of the Issuer to pay interest and principal in respect of Covered Bonds of all Series will be accelerated 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 <i>pari passu</i> 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	In addition to the obligations of the Issuer under the Covered Bonds, payment of interest and principal on the Covered Bonds (such amounts, the Guaranteed Amounts) 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 occurrence of an Issuer Event of Default, the service of an Issuer Acceleration Notice on the Issuer and the service of a Notice to Pay on the LLP or, if earlier, the occurrence of an LLP Event of Default and the service of an LLP Acceleration Notice on the LLP. The obligations of the LLP under the Covered Bond Guarantee will accelerate against the LLP upon the service of an LLP Acceleration Notice. The obligations of the LLP under the Covered Bond Guarantee constitute direct obligations of the LLP secured against the assets from time to time of the LLP and recourse against the LLP is limited to such assets.
Ratings	Covered Bonds to be issued under the Programme will have the ratings specified in the applicable Final Terms. Moody's is established in the UK and is registered under the UK CRA Regulation.
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.
RCB Regulations	The Issuer and the Programme were admitted to the register of issuers on 12 October 2011 and any Covered Bonds issued under the Programme will be admitted to the register of regulated covered bonds.
Governing Law	The Covered Bonds will be governed by, and construed in accordance with, English law.

RISK FACTORS

Introduction

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.

As at the date of this Prospectus, the Issuer and the LLP believe that the following risk factors may affect the Issuer's ability to fulfil its obligations, or the LLP's ability to perform its obligations, and could be material for the purpose of assessing the market risks associated with the Covered Bonds.

If any of the listed or unlisted risks actually occurs, the Issuer's or the LLP's business, operations, financial condition or reputation could be materially adversely affected, with the result that the trading price of the Covered Bonds of the Issuer could decline and an investor could lose all or part of its investment. Investors should consider carefully whether an investment in the Covered Bonds is suitable for them in light of the information in this Prospectus and their particular circumstances.

RISKS RELATING TO THE ISSUER AND THE CO-OPERATIVE BANK GROUP

The Issuer's business and financial performance has been and may continue to be affected by the general economic, political and social conditions in the UK and elsewhere, and adverse economic, social or political developments or health epidemics in the UK or elsewhere could cause the Issuer's earnings and profitability to decline

The Issuer is directly and indirectly subject to inherent risks arising from general economic conditions in the UK and other economies and the state of the global financial markets both generally and as they specifically affect financial institutions. The global economic, political and social conditions have also been, and are likely to continue to be, affected by concerns over increased geopolitical tensions, including those related to economic and trade policies and the effects of contagious diseases with human-to-human airborne or contact propagation effects, such as the coronavirus (**Covid-19**) pandemic. The occurrence of epidemics or pandemics is beyond the Issuer's control and the Issuer can provide no assurance on the future spread of Covid-19 or other contagious diseases in areas in which the Co-operative Bank Group operates or what the impact on its business will be, due to, among other things, quarantines or other restrictive measures.

A potential tightening of liquidity conditions in the future as a result of, for example, further deterioration of public finances of the UK or other European countries may lead to new funding uncertainty, resulting in increased volatility and widening of credit spreads. If there is a global, regional or national financial crisis, the Issuer may experience reductions in business activity, increased funding costs, decreased liquidity, decreased asset values, additional credit impairment losses and lower profitability and revenues. Covid-19 or other contagious diseases could also affect the Co-operative Bank Group's or its suppliers' operations, which could affect the Co-operative Bank Group's costs or ability to meet its core activities and initiatives. In addition, the occurrence of such health epidemics and contagious diseases in the UK can cause operational disruption as the Issuer can provide no assurance on what the impact of any future spread of Covid-19 or other contagious diseases on its business will be or how it may need to continue to review and adapt ways of working among its

employees and locations to ensure business continuity and support to colleagues and customers. Any of the foregoing factors could have a material adverse effect on the Issuer's business, financial condition and results of operations.

The aforementioned market dislocations were also accompanied by recessionary conditions and trends in the UK and many economies around the world. The widespread deterioration in these economies affected, among other things; consumer confidence, levels of unemployment, the housing market, the commercial real estate sector; bond markets, equity markets, counterparty risk, inflation, the availability and cost of credit, transaction volumes in wholesale and retail markets, the liquidity of the global financial markets and market interest rates, which in turn had, and continues to have, in a number of respects, a notable effect on the Issuer's business, operating results, financial condition and prospects.

There remain continued challenges and uncertainty for the UK economy, including the combined economic prospects of the Eurozone, which presents a risk of a slowdown in economic activity in the UK's principal export markets, the impact of any future government austerity measures, and the continued pressure on household incomes.

In addition, inflationary pressures in the UK and other developed economies have resulted in central banks raising interest rates rapidly throughout 2022 and 2023, resulting in increased costs of funding for the Issuer. The rising cost of living and the associated affordability pressure faced by the Issuer's customers could lead to material credit losses for the Issuer, particularly if inflation continues to outpace wage-growth, and/or if unemployment rises, as this pressure on households may lead to an increase in arrears in the Issuer's residential lending portfolios, and the Issuer's unsecured debt products (as described in "*The Issuer*" – "*Product Offering*" – "*Retail Lending*" – "*Unsecured Lending*") and an associated increase in retail impairment provisions. See also the risk factor entitled "*The Issuer's earnings and net interest margins may be adversely affected by a number of factors*".

Following the UK's entry into recession in Q4 2023, if GDP were to continue to decline, sterling were to further depreciate materially, or the Issuer's regulatory environment were to change dramatically, it could have a material adverse effect on the Issuer's business, operating results, financial condition and prospects.

The Issuer's earnings and net interest margins may be adversely affected by a number of factors

The Issuer's net interest margin and, consequentially, earnings are affected by the pricing on the lending products it offers to its customers and the cost of its funding. The Issuer's net interest margin improved during 2022 and 2023, mainly driven by the widening of liability margins as a result of increases in the Bank of England base rate to (at the date of this Prospectus) its highest level since 2009. However, the Issuer's current business Plan (as further discussed and defined below) assumes that the margin on deposit products will reduce as the Bank of England base rate reduces. There is a risk that margins fall further than current expectations. The Bank of England's rate decisions are affected by a large number of complex factors, and the trajectory of the base rate remains difficult to predict. The Plan also assumes that the mix of deposits on the balance sheet develops to include a greater proportion of deposits from small and medium-sized enterprises (SMEs), together with growth in retail current accounts which are typically superior margin products for the Issuer. There can be no assurance that the Issuer will be able to achieve these outcomes.

Actual or expected reductions in the Bank of England base rate in the future may adversely affect the Issuer's net interest margin if liability margins narrow as a result and the assumed income from the Issuer's structural hedging programmes is lower than forecast. In addition, the future expense of meeting current and future regulatory capital requirements may have an adverse effect on the Issuer's net interest margin.

Competition across the UK mortgage market is intense, particularly for lower loan-to-value (LTV) products, and is likely to continue, putting downward pressure on returns available for the lowest risk-weighted mortgage assets and potentially reducing the profitability of higher risk-weighted mortgage assets as competition in this segment intensifies.

The personal borrowing sector in the UK remains heavily indebted and vulnerable to increases in unemployment, rising interest rates and/or falling house prices.

Increased unemployment could lead to higher levels of arrears, in the Issuer's retail lending portfolios which, in turn, would lead to an increase in the Issuer's impairment charges in respect of these portfolios. Increased unemployment could also result in a lower demand for the Issuer's products.

Further rises in interest rates would put pressure on existing and new borrowers whose loans are linked to the base rate, other benchmark rates such as SONIA or the Issuer's variable rates, as well as borrowers who took out mortgages at an initial fixed rate in a low interest rate environment and will experience much higher interest rates upon such initial fixed rate period expiring. Such customers may have become accustomed to the historically low interest rate environment in recent years, and the affordability of their mortgage may have been based on such low interest rates. A significant portion of the Issuer's outstanding residential mortgage loan products are potentially subject to changes in interest rates. In an increasing interest rate environment, borrowers seeking to avoid increased monthly payments caused by interest rate increases by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates and this could lead to an increase in arrears in the Issuer's secured lending portfolios, as well as an increase in the Issuer's secured loan impairment charges. The majority of the remaining unsecured loan portfolio is on fixed rates.

The cost of living pressures and recent increases in the Bank of England's base rate, as well as other factors, have put increasing pressure on the UK housing market. If UK house prices continue to fall generally or in particular regions to which the Issuer has significant exposure, this could result in an increase in the Issuer's secured loan impairment charges as the value of the security underlying its mortgage loans is reduced.

Declining UK commercial property values, or weakening commercial loan performance affected by UK business and economic conditions, may also result in an increase in the Issuer's loan impairment charge and inflate commercial loan risk weighted assets (**RWAs**).

In addition, further increases or stabilisation in interest rates could trigger unforeseen, adverse movements in the Issuer's existing portfolio; in particular in relation to an accelerated run-off of current account balances, demand savings balances or standard variable rate mortgage balances, as customers perceive that there is greater incentive to review their finances. This could adversely affect the Issuer's operational and financial performance. Conversely, decreases in the Bank of England base rate, including a negative rate, may adversely impact the Issuer's net interest margin and profitability, as the Issuer may not fully pass on negative Bank of England base rates to retail or SME depositors.

The Issuer could be negatively affected by a deterioration or a perceived deterioration in the soundness of other financial institutions and counterparties

There is a high level of interdependence between financial institutions as a result of their credit, trading and clearing activity and other relationships. The Issuer routinely executes transactions with counterparties in the financial services industry, resulting in large daily settlement amounts and significant credit exposure. As a result, the Issuer is and will continue to be subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of other financial services institutions. Systemic risk in the banking system has become a point of considerable focus. The

speed of systemic risk crystallising has become more acute with the increased digital adoption by customers for their banking services. Within the financial services industry, the default or failure of any one institution could lead to defaults or failure by other institutions. Concerns about, or a default or failure by, one institution could lead to significant deposit outflows and liquidity problems, losses or defaults by other institutions (such as the Issuer), which can escalate rapidly, and can result in a loss of confidence in other financial institutions or the financial system more generally. This can be seen in the market disruption following the failure of Silicon Valley Bank in March 2023 and the ensuing events concerning other financial institutions, including Credit Suisse, Signature Bank and First Republic Bank. Even the perceived lack of creditworthiness of, or questions about, a financial institution (including the Issuer) or a counterparty may lead to significant deposit outflows, institution- or market-wide liquidity problems and losses or defaults by the Issuer or by other institutions. This systemic risk could have a material adverse effect on the Issuer's ability to raise new funding, its ability to meet its obligations in respect of its existing funding (including the Covered Bonds) and on its business, financial condition, results in operations, liquidity and/or prospects. Whilst the Co-operative Bank Group has not, as at the date of this Prospectus, been adversely impacted by the events surrounding Silicon Valley Bank, Credit Suisse, Signature Bank and First Republic Bank, markets remain subject to volatility and there remains a risk that similar events could occur in the future which would adversely affect the Issuer's business, financial condition or results in operations.

Risks relating to the Issuer's ability to implement its strategy

A failure to successfully implement, or a delay in implementing, the Issuer's strategy may adversely impact the Issuer's business, operating results, financial condition and prospects, its regulatory capital position and its future ability to comply with its regulatory capital requirements.

Background

In December 2018, the Issuer adopted a new five-year business plan (the **2019 Plan**), which was updated in 2021 following progress made to deliver the strategic objectives of the 2019 Plan, with particular focus on the material delivery of key strategic projects such as the separation from the Co-operative Group (including pension scheme and IT services separation) and desktop transformation, through upgrading IT hardware and software (the 2019 Plan as updated, the **Plan**). The Plan includes measures intended to reinvigorate customer interaction (for example through improved branch and digital channel capabilities); measures intended to improve its financial performance (for example the targeted increase in franchise deposits including SME liabilities); measures intended to improve its operational performance and measures intended to improve the Issuer's capital adequacy position. The Plan continues to focus on targets for improved growth and efficiency. The Plan sets out the refreshed and extended outlook over 2022-2026 (the **planning period**), with the Issuer targeting balance sheet growth, cost control, further technology transformation and sustained profitability.

The Co-operative Bank Group's latest update of the Plan was completed in H2 2023 and signed off by the Board in February 2024, adding further granularity to the period beyond 2024 and extending the strategic planning period through to 2028.

Plan Implementation Risk

There is a risk that the Issuer's strategy to deliver the Plan may be insufficient to deliver the projected benefits. The successful execution of the Issuer's strategy requires the simultaneous execution of a number of complex and overlapping projects, particularly the migration of heritage Britannia and WMS Platform IT infrastructure to single mainframe supported solutions for mortgages and savings, involving significant changes to the Issuer's systems and operations in a manner that does not impact negatively upon the Issuer's brand, reputation, customer satisfaction or its relationships with, and ability to retain,

its employees. As at the date of this Prospectus this project is materially complete. However, there is a risk that the Issuer does not deliver such large-scale changes within the timescales and budgets contemplated by the Plan. Key remaining changes required to execute the Issuer's strategy include:

- improving and diversifying revenue in its businesses;
- implementation of its IT strategy; and
- reinvigoration of its SME lending proposition.

Many of the risk factors relating to the Issuer and its business set out in this Prospectus could have a significant adverse impact on the Issuer's ability to deliver the above changes and its strategy.

The Issuer's ability to deliver its strategy and achieve the targets in the Plan is based on underlying assumptions that are subject to significant risks and uncertainties.

The Plan includes key assumptions on which the proposed actions and targets are premised. If actual operating results differ from those targeted or the assumptions underlying the Plan prove to be incorrect or require change throughout the life of the Plan, the Issuer may be unable to take management actions to address these differences effectively. There is a risk that the Issuer will be unable to implement the Plan as assumed or expected or at all.

While the Issuer is committed to delivering a number of significant regulatory changes throughout 2024 and beyond, there is a risk that the Issuer may not deliver regulatory changes within the required timescales. Should failure to deliver the Plan lead to a deficiency in the Issuer meeting its various capital requirements there is a risk that the PRA or FCA may, at its discretion, elect to exercise one or more of its various powers over the Issuer. This could include increased regulatory attention or requirements, restriction of distributions, a variation of the Issuer's permissions, restricting the Issuer's business or, in conjunction with the other resolution authorities, imposing a write-down of the Issuer's regulatory capital instruments, and, potentially, the commencement of a wider resolution procedure in respect of the Issuer, particularly if it were satisfied that the Issuer is failing, or is likely to fail.

The successful development and implementation of the Issuer's strategy requires difficult, subjective and complex judgements including about a range of factors which are not within the Issuer's control, e.g. forecasts of economic conditions, which remain challenging due to the uncertainties surrounding inflationary pressures and the causes thereof, as well as the trajectory of the Bank of England's base rate. Furthermore, the successful implementation of the Issuer's strategy is contingent upon a range of factors which are beyond the Issuer's control, including market conditions, interest rates, the general business environment, regulation (including currently unexpected regulatory change), the activities of its competitors and consumers and the legal and political environment. See further "*The Issuer's business and financial performance has been and may continue to be affected by the general economic, political and social conditions in the UK and elsewhere, and adverse economic, social or political developments or health epidemics in the UK or elsewhere could cause the Issuer's earnings and profitability to decline*".

Capital Management – MREL

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

In the UK, the BRRD was implemented by amendments made to the UK's existing special resolution regime contained principally in the Banking Act 2009 and associated regulatory rules.

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 last updated in December 2021) sets out the Bank of England's policy for exercising its power to direct institutions to maintain a minimum requirement for MREL under section 3A(4) of the Banking Act. Since 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 Bank of England also recently conducted a public consultation as part of its review of its approach to the resolution strategy thresholds, the calibration of MREL and MREL eligibility, which concluded on 1 October 2021. Following the conclusion of this public consultation, the Bank of England published a revised MREL Statement of Policy on 3 December 2021 which applied from 1 January 2022. This revised MREL Statement of Policy stipulated 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 1 January 2023.

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 Co-operative Bank Holdings p.l.c. has been designated as a single point of entry firm and the Co-operative Bank Finance PLC is compliant with its in-force, end state MREL requirement as at the date of this Prospectus. If MREL requirements change, the Issuer may need to raise additional eligible instruments or reduce total assets. Accordingly, the effects of these requirements, or changes thereto, could adversely impact the results of operations, financial condition and prospects of the Issuer.

The Issuer may be unable to increase or maintain the level of its mortgage assets

The Plan targets growing the Issuer's core customer assets in each year of the planning period. This is expected to be driven primarily by "The Co-operative Bank for Intermediaries", the Issuer's mortgage intermediary origination business. The Issuer's ability to achieve these targets depends on improvements in its customer proposition, delivery of a consolidated mortgage system solution, the success of a limited number of intermediaries who also sell mortgages of the Issuer's competitors, and the Issuer's ability to attract business in a crowded, competitive, and mature UK mortgage market. There is a risk that the growth of these assets will be significantly less than planned, and that mortgage retention and/or new mortgage origination may be significantly less than expected due to any number of internal or external factors. These factors include, for example, a possible contraction of the UK mortgage market, the Issuer's reliance on the intermediary mortgage market for new originations similar to competitors, volatility in relation to house prices in the UK and/or the risk of the Issuer being unable to support the underwriting process by improving its existing predictive credit modelling capability, and/or the risk that the Issuer's relationships with one or more intermediaries may deteriorate for a variety of reasons, including competitive factors, and/or that the pressure to achieve the targeted increase in mortgage assets may create new conduct, legal and regulatory risks.

The Issuer's high operating costs inhibit the Issuer's profitability and may hinder its ability to generate new capital

The Issuer's relatively high statutory cost:income ratio of 86 per cent. as at 31 December 2023 (31 December 2022: 73 per cent.) inhibits the Issuer's profitability and may hinder its ability to generate new capital and may be commercially unsustainable. The Plan originally targeted a reduction in operating costs with targeted total statutory costs in 2024 of less than £300 million. The Issuer's medium term cost target has been revised to £370 million to £380 million, driven by a combination of factors including inflationary pressure in staff and non-staff costs, partly offset by operating efficiency savings.

The Issuer expects costs to stabilise from 2026 following delivery of a strategic cost reduction programme in 2024 and 2025.

There is a risk that if the Issuer does not deliver its cost reduction initiatives there will be a negative impact on its profitability and capital position. Furthermore, the implementation of cost reduction initiatives, for example reductions in full time equivalent employee numbers, changes to third-party supplier arrangements, systems transformation activity, and simplification of the Issuer's product offering and distribution, may not achieve the targeted cost savings and, instead, may impede the Issuer from preserving its market share and expose the Issuer to competitive pressure from competitors investing in their product offerings and/or expose the Issuer to additional or new conduct and legal risks and furthermore may limit the Issuer's ability to deliver growth in its core customer asset base and mortgage asset volumes as assumed in the Plan.

Transformation programmes are high risk and could fail, may cost more than expected, take longer, or deliver less benefit than planned

The Issuer is targeting total (strategic and operational) project cash spend of approximately £73 million to develop digital transformation in 2024, inclusive of approximately £15 million of ongoing digital scrum spend, including completion of the consolidation and upgrading of its core mortgage and savings systems with the migration of the WMS mortgage book being completed in February 2024 and the Britannia-branded mortgage book planned for late H1 2024. The majority of the savings book has been migrated, with the final release due to complete in April 2024. In total, beyond 2024 the Plan assumes some costs are allocated to, as yet, unknown regulatory and mandatory projects, with future strategic projects to be considered for prioritisation based on the business case as part of the Issuer's updated strategy due before the end of 2024. Any deficiencies in project scoping, appropriate governance and related programme management processes to assist with the satisfactory delivery of these activities would have an adverse effect on the Issuer's operating results and financial condition compared with those targeted in the Plan.

There are risks that the Issuer may be unable to complete its transformation programme when planned, that there may be a requirement to upgrade the Issuer's systems, infrastructure, processes and controls, and that the programmes as a whole may cost significantly more than targeted or have a reduced scope for the same targeted costs, or deliver less benefit than planned, thereby impacting associated cost reductions or income-generation plans assumed in the Plan. This may have a material adverse impact on the performance of the Issuer, which may lead to a failure to meet its capital requirements and the risk that the PRA may, at its discretion, elect to exercise one or more of its various powers over the Issuer.

The Issuer may be unable to access liquidity and funding and/or adequately manage its liquidity position

There is a risk that the Issuer may be unable to maintain access at an appropriate cost to liquidity and funding to fund the requisite level of asset origination targeted in the Plan. If the Issuer cannot successfully attract or retain business, there is a risk that the Issuer may suffer a constraint on liquidity and/or breach its regulatory minimum liquidity requirement.

Furthermore, whilst the Issuer may be able to manage its liquidity position in such circumstances to avoid a breach of regulatory minimum liquidity requirements through any or a combination of options, or by increasing wholesale funding activity, significant levels of customer withdrawals would be likely to adversely affect its net interest income and/or balance sheet growth and, ultimately, the Issuer's ability to deliver its strategy. This may have a material adverse impact on the performance of the Issuer, which

may lead to a failure to meet its capital requirements and the risk that the PRA may, at its discretion, elect to exercise one or more of its various powers over the Issuer.

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

Various governments and central banks, including the UK government and the Bank of England, have in recent years taken measures to create liquidity, resulting in greatly improved levels of liquidity and a lower cost of funding at major UK banks and building societies. However, the Issuer does not have influence over the policy making behind 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. The Issuer has availed itself of certain measures made available by the government to financial institutions over recent years including the Bank of England's Funding for Lending Scheme (the **FLS**) and the Term Funding Scheme (the **TFS**). The Issuer did participate in both the FLS and the TFS but no longer has any drawings outstanding.

The Bank of England's Term Funding Scheme with additional incentives for SMEs (the **TFSME**) opened on 15 April 2020 and ran until 31 October 2021. The TFSME was designed to support banks and building societies which were finding it difficult to reduce deposit rates much further in a low interest rate environment. The continuation and extension of Government schemes designed to support lending may increase or perpetuate competition in the retail lending market, resulting in sustained or intensifying downward pricing pressures and consequent reductions in net interest margins. The Issuer participated in the TFSME and as at 31 December 2023 had outstanding TFSME drawings of £4.0 billion (31 December 2022: £5.2 billion).

The availability of Government support for UK financial institutions, to the extent that it provided access to cheaper and more attractive funding than other sources, reduced the need for those institutions to fund themselves in the retail or wholesale markets and, by participating in schemes such as FLS, TFS and TFSME, the Issuer has, in common with other participants in the schemes, reduced the need to fund itself in the wholesale and retail markets. The cessation of the TFS and TFSME can be expected to result in an increase in competition for other forms of funding, which can be expected to increase funding costs across the industry. The Issuer may see a reduction in the availability of funding, and an increase in the cost of such funding, as a result. A decrease in the availability of funding may adversely impact the Issuer's ability to support its lending operations. Any increase in the cost of funding, driven by this increased competition or by other factors, will adversely impact the Issuer's net interest margin, results of operations and financial position, which in turn could affect the ability of the Issuer to make payments under the Covered Bonds.

Conduct and legal risk provisions may need to be increased beyond those levels assumed in the Plan

The Plan assumes no new categories of conduct and legal risk provisions, and no net increase in provisions for existing categories of conduct and legal risk, charged during the planning period.

There is a risk that the Issuer becomes exposed to significant new conduct or legal risks, either as a result of the Issuer discovering new categories of conduct and legal risk issues (for example, from the Issuer's legacy or new systems and controls, product design and implementation, mis-selling or rate setting of mortgages and other products, or from increasing certain types of products or lending, or the pressures to increase the Issuer's new customer assets to meet the Issuer's targets, or from regulatory changes imposed on banks generally or on the Issuer specifically, or mortgage prisoners' claims) or existing conduct and legal risk issues developing, including in relation to the retrospective application

of regulatory decisions. As such, there is a risk that the current level of provision held is not deemed adequate in the future. Conduct provisions for present or future provisions may be made from time to time in respect of known issues as well as new categories of conduct and legal risk issues that may emerge during the life of the Plan, including as a result of ongoing remediation work which could lead to the identification of new conduct issues, and related remediation and project costs, may be much higher than expected over the life of the Plan.

Higher than expected operating costs, credit impairment, conduct provisions and one-off costs may impact the Co-operative Bank Group's ability to maintain profitability in the coming years

The Co-operative Bank Group's statutory profit before taxation for the year ended 31 December 2023 was £71.4 million (£132.6 million for the year ended 31 December 2022). There remain a number of challenges to maintaining profitability ahead, including a continuing need to control and reduce the cost base, generate additional income and manage strategic investment expenditure.

The successful development and implementation of the Issuer's strategy and the Plan is exposed to a range of internal and external factors. There is, therefore, a risk that the Co-operative Bank Group's profitability could differ materially from those anticipated in the Plan as a result of many factors and these differences could be material. Accordingly, the Issuer and the Co-operative Bank Group may not continue to operate profitably to the extent targeted in the Plan, or at all.

The agreed governance structure of the Issuer vests additional rights in the B Shareholders (as defined below) which may affect the Issuer's ability to deliver all actions agreed by its board including actions envisaged by the Issuer's current strategy and the Plan

It is uncertain whether the Issuer's B Shareholders (being those institutional shareholders that own 10 per cent. or more of the A Shares of the Co-operative Bank Holdings p.l.c. and satisfy certain other qualifying conditions (the **B Shareholders**) will seek to make changes to the Issuer's current strategy and whether or not any such changes would be successfully implemented. Following the restructuring of the Co-operative Bank Group in 2017, the ownership and governance structure of the Issuer concentrates significant rights with the B Shareholders. There is a risk that the B Shareholders may not give any approval required above for actions contemplated by the Issuer's strategy and the Plan, or may seek payment of dividends which could reduce the resources available to the Issuer to execute its strategy and the Plan. In the event that the Issuer is unable to implement any chosen additional management actions or otherwise implement any revised strategy as expected or planned or at all, this could have a material adverse effect on the Issuer's business, financial condition, operating results and prospects.

The Issuer could be subject to a consolidation, merger, acquisition or sale transaction, possibly in the near term, which could increase competitive pressures and/or materially impact the Issuer in other ways

The Issuer's B Shareholders are considering potential merger or sale opportunities, especially in light of the Issuer's achievements over recent performance periods. The Bank entered a period of exclusive discussions with Coventry Building Society in Q4 2023. On 18 April 2024 a joint RNS announcement was made in respect the possible acquisition of Co-operative Bank Holdings p.l.c. (the Bank's ultimate parent company). This announcement has since been followed by a joint RNS announcement made on 24 May 2024, which specified that the parties have signed a share purchase agreement pursuant to which Coventry Building Society will acquire the entire issued share capital of Co-operative Bank Holdings p.l.c. (the **Acquisition**). Upon completion of the Acquisition, an integration period will begin during which the Issuer will continue to operate under the Co-operative Bank name and branding while the

work to finalise integrated services is completed (the **Integration Period**). The Issuer will maintain its own banking licence during the Integration Period.

There can be no assurance that the Acquisition will complete. The Acquisition will be subject to the satisfaction of certain conditions, including the receipt of appropriate regulatory clearances. As of the date of this Prospectus, the Acquisition is expected to complete in the first quarter of 2025.

The Acquisition could impact the Issuer's future strategy, operations, management and/or board of directors. In particular, if the Issuer's current strategy, together with the statements regarding the Issuer's financial position and results of operations, or plans, objectives, goals and targets, may not reflect the views or intent of the Coventry Building Society and may not be an accurate guide to future performance of the Issuer following the Integration Period. Following completion of the Acquisition, or any other consolidation, merger, acquisition or sale transaction, the Issuer's strategy could materially change, which may adversely affect the Issuer's financial condition, results of operations and business performance as well as its ability to attract or retain key personnel.

This could also result in management bandwidth constraints, as well as additional expenditure being incurred (including professional adviser fees), which may continue for several months or longer. This could have a material adverse impact on the Issuer's operations and management's ability to deliver on the Plan.

Legal and regulatory risk arising from the UK's exit from the European Union could adversely impact the Co-operative Bank Group's business, operations, financial condition and prospects

The continuing effects of the UK's exit from the EU are difficult to predict and there remains both short- term and long-term political and economic uncertainty around the departure that may have a negative impact on the UK economy, affecting its growth.

Certain legislative and regulatory changes (including those referred to in "*Legal and Regulatory Risks – Changes of law*" below) have been made or proposed which could materially adversely affect the Issuer's business, results, financial condition or prospects. Following the UK's departure from the EU and the end of the Brexit transition period at the end of 2020, the extent to which the UK may elect to implement or mirror future changes in the EU regulatory regime, or to diverge from the current EU-influenced regime over time, remains to be seen, although it appears likely that the UK regulatory position will diverge to a material extent from that of the EU in the medium term. To the extent that the UK and EU trading relationship is premised on or influenced by the level of equivalence or convergence, or where initiatives are jointly designed on the basis of co-operation and shared outcomes, the EU regulatory regime may continue to have a significant effect on the regime which the UK government and regulators elect to implement. Legislative reforms are being introduced in the UK under the Financial Services and Markets Act (which received Royal Assent on 29 June 2023) and the other "Edinburgh Reforms" of UK financial services unveiled on 9 December 2022. The timing and details for the implementation of many of these reforms are expected to become clearer during the course of 2024, however several of the reforms contained in the Financial Services and Markets Act 2023 have now taken effect. In many cases, the provisions grant powers to HM Treasury and regulators to implement the contemplated reforms, so the effects of these are not yet in place. It is difficult to predict the full effect that any divergence between EU and UK regimes may have on the Co-operative Bank Group and its operations, business and prospects. Additionally, the risk of further divergence in the future between EU and UK regimes cannot be ruled out. Depending on the specific nature of the requirements and how they are enforced, such changes could have an impact on the Issuer's operations, structure, costs and/or capital requirements and therefore on the ability of the Issuer to meet its obligations under the Covered Bonds.

Risks relating to the Issuer's operations

The Issuer faces competition in all of the core markets in which it operates. There is a risk that the Issuer may lose market share to its competition and this could have a material adverse effect on the Issuer's business, operating results, financial condition and prospects.

Competition in the UK personal financial services market may adversely affect the Issuer's operations. The Issuer competes mainly with other providers of personal financial services, including other banks, building societies, insurance companies and, increasingly, new "Fintech" entrants to the market, and operates in an increasingly competitive UK personal financial services market. Each of the main personal financial services markets in which the Issuer operates is mature and slow-growing, such that growth requires taking market share from competitors. This places elevated focus on price and service as the key differentiators, each of which carries a cost to the provider. The quality of the Issuer's products and systems, including distribution and IT, in turn impact price and service. If the Issuer is unable to match its competitors in these respects it risks losing customers to its competitors, which may adversely affect its business and prospects and consequently its ability to meet its Plan.

The Issuer's heavy reliance on mortgage revenues and being able to fund growth in the most cost efficient manner to drive income may increase its susceptibility to competitive risks. Competition could result in the Issuer losing existing and potential new customers and, therefore, not preserving or growing its market share as assumed in the Plan in a number of situations, for example where:

- the Issuer is unable to match its competitors, for example, in the pricing, quality or scope of its product offering and customer service and the provision of additional services such as mobile banking, and in keeping up with consumer demand, regulatory and technological changes;
- competition for the highest quality mortgages is intense, putting downward pressure on returns available for the lowest risk-weighted mortgage assets;
- there is a risk of competition from new bank competitors (including, increasingly, new "Fintech" entrants), which could, for example, offer more innovative and more customer- or user- experience focused services;
- operational incidents stimulate potential or actual customer movement to competitors; and
- any failure to attract new, or retain existing, customers or to maintain the Issuer's market share may result in the loss of the Issuer's customer asset and liabilities balance to its competitors, which may in turn impact the Issuer's ability to deliver its strategy. See the risk factor entitled "*Reputational risk could cause harm to the Issuer, its business, operating results, financial condition and prospects and question the Issuer's commitment to co-operative values and ethics*" for further information.

The occurrence of any of the above situations could materially adversely affect the Issuer's business, operating results, financial condition and prospects.

Rating downgrades and/or negative market sentiment with respect to the Issuer, the sector and/or the UK may have an adverse effect on the Issuer's performance

The Issuer is currently rated:

- BB+ (long-term and ratings watch positive) and B (short-term) by Fitch Ratings Limited **Fitch**); and

- Baa3 (unsecured and ratings on review for upgrade) and P-3 (short-term) by Moody's.

Credit rating downgrades adversely affect the Issuer's funding profile and the cost of raising new funding. The impact on access to funding and increased cost of funding may, over the long-term have an adverse effect on the Issuer's business, operating results, financial condition and prospects and/or adversely affect the Issuer's ability to deliver the Plan.

Furthermore, any downgrade of the UK sovereign credit rating or the perception that such a downgrade may occur, could depress consumer confidence (which could result in withdrawals of customer deposits), restrict the availability, and increase the cost, of funding for the Issuer and/or its customers, further depress economic activity or inhibit any recovery, increase unemployment and reduce asset prices, destabilise the markets, impact the Issuer's individual ratings and borrowing costs and have a material adverse effect on the Issuer's operating results and financial condition.

There is also a risk that the implementation of the Plan or other actions taken by the Issuer may not improve the Issuer's credit rating. See further "*A failure to successfully implement, or a delay in implementing, the Issuer's strategy may adversely impact the Issuer's business, operating results, financial condition and prospects, its regulatory capital position and its future ability to comply with its regulatory capital requirements*". Further negative change in sentiment to the Issuer as a result of adverse publicity, market or other conditions could result in the Issuer's credit rating remaining below investment grade and/or being reduced further, which may impact the ability of the Issuer to raise additional funding, capital, when needed, on acceptable terms, or at all. Any future declines in those aspects of the Issuer identified by a rating agency as significant business or a failure by the Issuer to achieve its strategic objectives could also adversely affect that rating agency's perception of the Issuer's credit and cause them to take negative ratings actions.

The Issuer's business includes providing residential mortgages in the UK. As such, the Issuer is susceptible to changes in UK mortgage rules and regulation which could impact its ability to retain current mortgage customers and/or attract new mortgage customers.

The FCA has focused closely in recent years on the UK mortgage market, with a view to improving customer choice and the ability of customers to switch mortgage providers, including removing regulatory barriers to changing mortgages for "mortgage prisoners" (defined by the FCA to mean mortgage customers who would benefit from changing their mortgage product (either with their existing lender or with a new lender) but are unable to do so despite being up to date with their current mortgage payments). These reforms could lead to an increase in redemptions of mortgages sooner than anticipated, thereby reducing the interest payable on those loans.

The FCA has also introduced rules on mortgage advice and selling standards which are aimed at giving consumers more choice in how they buy a mortgage. The changes include expanding the perimeter on what constitutes mortgage advice and requiring advisers to explain why they have not recommended the cheapest of the suitable mortgages available. Failure to comply with these requirements could result in regulatory intervention, and could have a material adverse effect on the business, financial condition and results of operations of the Co-operative Bank Group, as well as its reputation.

It is possible that further changes may be made to the FCA's requirements for mortgage lending as a result of current and future reviews, studies, consumer duty compliance and regulatory reforms which could have a material adverse effect on the Issuer's business, finances or operations. Any failure to comply with these rules may entitle a borrower to claim damages for loss suffered or set-off the amount of the claim against monies owing under a regulated mortgage contract and the new rules may also negatively affect mortgage supply and demand. See also "*Mortgages are subject to certain legal and regulatory risks*" below.

The Issuer's operations are highly dependent on the proper functioning of IT and communication systems, and are susceptible to financial crime

The Issuer relies extensively on IT and communication systems to conduct its business, including the pricing and sale of its products, payment processing, data collection and management, assessing acceptable levels of risk exposure, setting required levels of provisions and capital, and maintaining customer service, accurate records and security. The Issuer relies on key providers of infrastructure for its core banking services. In addition, there is a risk that third-party providers could fail to supply services, IT, software, data or other assets that they have agreed to provide, either adequately, at all or at a higher cost than expected. If third-party providers fail to provide or procure the services that they have contracted to provide, or to provide them in a timely manner or to agreed levels, or the arrangements with those providers are terminated for whatever reason, such a failure or termination could have a material adverse effect on the Issuer's ability to conduct its business, operating results, financial condition and prospects.

A number of the Issuer's services are dependent on extended support arrangements, end of life, obsolete or out-of-support technologies (both in terms of hardware and software). As a result these components no longer receive regular updates (both functional and security related), and/or vendor support. This increases the likelihood of extended periods of service outage, caused by technology faults, introduction of change, failure of aging systems/components or exploitation of known security vulnerabilities.

The Issuer demonstrated its critical services disaster recovery capability during the implementation of the separation from Co-operative Group in 2016 and 2017 when services were moved from the Co-operative Group data centres to the IBM data centre at Warwick, which included the setting up of disaster recovery capability in a separate data centre in Birmingham. The Issuer has also regularly demonstrated its ability to successfully failover (switch to standby systems) and recover its digital (online and mobile) services. Payment scheme compliance is also adhered to by running various aspects of the Issuer's payment services from its disaster recovery and business continuity sites. The Issuer's industry standard acceptance criteria for all new projects that become live includes testing the disaster recovery capability. Due to the disruptive nature of a disaster recovery event, it is not possible to prove a full data centre recovery, however, the Issuer continues to test its critical business services via scheduled component service testing.

Operations are highly dependent on the proper functioning of IT and communication systems which comprise a complex array of legacy systems and some newer in-house and third party IT systems. Any delays in, or failure by the Issuer to deliver the remediation of the IT estate in line with the requirements of the strategy may extend an on-going risk of technology failure or compromise, result in significant additional investment costs, subject the Issuer to further regulatory scrutiny which may result in the PRA and/or the FCA taking action in relation to any future breaches of threshold conditions and impact the Issuer's ability to deliver its business strategy, which may, in turn, adversely affect the future operational and financial performance of the Issuer's business.

The Issuer and its customers are exposed to risks and potential loss associated with cyber-crime and fraud

As with other financial institutions, reflecting the increased use of technology in financial services, the Issuer and its customers are at risk of actual or attempted cyber-attacks from parties with criminal or malicious intent, including attacks designed to overload the Issuer's systems. These risks are accentuated as the Issuer increasingly digitalises its products, services, key functions and distribution channels and as cyber-attacks become more sophisticated and prevalent. The Issuer is subject to the risk that any cyber-attack may result in temporary loss of operational availability of the Issuer's systems to

its employees and/or customers which could have a material adverse effect on the Issuer's business, financial condition, operating results and prospects.

There is a risk that the Issuer may not continue to invest sufficiently in its information security controls in response to emerging threats, such as cyber-crime and fraud, and to seek to ensure that controls for known threats remain robust. The risks associated with cyber-attacks, where an individual or group seeks to exploit vulnerabilities in IT systems for financial gain or to disrupt services, are a material risk to the Issuer and the UK financial system, which has a high degree of interconnectedness between market participants, centralised market infrastructure and in some cases complex legacy IT systems. There is a known vulnerability to cyber-attacks inherent in older technologies, especially with older operating systems. The Issuer has some exposure to such systems. There is a risk that the Issuer's infrastructure and controls may be seen to be ineffective or have material weaknesses or significant deficiencies and any failure of the controls to anticipate, prevent or mitigate a network failure or disruption could entail a temporary loss of operational availability to employees and/or customers and could result in significant financial losses and have a material adverse effect on the Issuer's operational performance and reputation.

Furthermore, any breach in security of the Issuer's systems, for example from increasingly sophisticated attacks by cybercrime groups or fraudulent activity in connection with customer accounts, could disrupt its business, result in the disclosure of confidential information, create significant financial and/or legal exposure and damage the Issuer's reputation and/or brand.

Additionally, the Issuer and its customers are exposed to growing increased levels of card, account, identity and other frauds, some of which are becoming more sophisticated, organised and technology-led. This growth in sophisticated fraud increases the risk to which the Issuer is exposed including due to the need (in certain circumstances) to reimburse its customers for resultant losses. These losses can arise notwithstanding the Issuer's investment in systems-based preventative measures to reduce such fraud. Even with greater investment, it may not be possible to materially reduce such losses, but such investment will increase the Issuer's costs.

There is an enhanced level of focus by the UK Government, regulatory bodies, law enforcement and consumer protection groups in respect of bank-related fraud and the impact upon customers. In particular, there is particular focus on "Authorised Push Payment" fraud and incoming changes to regulation with the introduction of the PSR Mandatory Reimbursement Policy (expected in 2024). This could result in a rise in the level of fraud of this type for which the Issuer, as opposed to its customers, is held liable (liability for reimbursement will be split between equally between sending and receiving firms) thereby increasing the Issuer's losses.

Any of these fraudulent or cyber-crime activities may be difficult to prevent or detect, and the Issuer's internal policies designed to mitigate these risks may prove to be inadequate or ineffective. The Issuer may not be able to recover the losses caused by these activities or events, and it could suffer reputational harm as a result, which could have a material adverse effect on the Issuer's business, financial condition, operating results or prospects.

Failure to adequately maintain and protect customer and employee information could have a material adverse effect on the Issuer

The Issuer is exposed to the risk that the personal data processed for its purposes could be accessed and/or used without authorisation, whether by employees or other third parties, or otherwise lost or disclosed in breach of data protection laws. If the Issuer or any of the third-party service providers on which it relies fail to process such personal data in a secure manner or if any such theft or loss of personal data were otherwise to occur, the Issuer could face action under data protection laws. This

could also result in damage to the Issuer's brands and reputation, as well as the loss of new or repeat business, any of which could have a material adverse effect on the Issuer's business, operating results, financial condition and/or prospects.

Risks relating to the outsourcing of IT infrastructure, functions and business services to third-party providers

There is a risk that contracts with third-party providers on which the Issuer relies may be or may have been negotiated and/or managed inadequately. The Issuer has a large number of material third party relationships which underpin the Issuer's IT infrastructure, critical functions and important business services.

The Issuer outsourced its mortgage processing services for all of its residential mortgage portfolios to Capita in August 2015. In December 2021 the Issuer served a termination notice on Capita and formally exited that outsourcing contract on 28 February 2024, bringing mortgage servicing in-house, although the Issuer has entered into a further outsourcing contract with Capita/WMS for the management of the IT platform relating to WMS and The Co-operative Bank for Intermediaries (formerly Platform) brand administered mortgage books. This Mortgage Book has been successfully migrated to the Issuer's new Mortgage Platform in February 2024 and the relationship with WMS has now ceased.

If third-party staff do not act in accordance with established controls and procedures, there is a risk personal data could be accessed and/or used without authorisation, or otherwise lost or disclosed in breach of data protection laws.

Furthermore, if the services provided by such third parties or outsourcing partners were to: (i) prove to be insufficient or inadequate; (ii) be compromised by computer viruses, attempts at unauthorised access or cyber-security attacks; or (iii) result in financial losses, or if such services ceased to be provided for any reason, or issues were to arise that would prevent or significantly delay the effective transfer or operation of the Issuer's systems, processes and services, this could have a material adverse effect on the Issuer's business, results of operations and financial position. There is also a risk that the performance by the Issuer of any regulatory obligations, to the extent they rely on outsourced arrangements, may be negatively affected following, without limitation: (i) the failure of, or a significant degradation in service received from, such third parties or outsourcing partners; or (ii) any compromise by computer viruses, attempts at unauthorised access or cyber-security attacks on the systems of such third parties or outsourcing partners. The Issuer is also susceptible to risks associated with the potential financial instability of such third parties or outsourcing partners.

The Issuer will continue to rely on the Co-operative brand

The Issuer is dependent on the strength of the "Co-operative Bank" brand (which it owns), the wider "Co-operative" brand (as used by Co-operative Group and other co-operative societies) and its reputation with customers and potential customers of the Issuer. Whilst the Issuer seeks to manage material risks to the Co-operative Bank brand through careful monitoring, ultimately the Issuer is exposed to the risk that Co-operative Group or another co-operative acts, fails to act or is speculated to act in a way such as to bring the Co-operative Bank brand into disrepute. This could include litigation, employee misconduct or the misconduct (including criminal activity) of anyone associated with the Co-operative brand (whether through Co-operative Group, the Issuer or otherwise), operational failures, accidents, the outcome of regulatory investigations, press speculation and negative publicity, disclosure of confidential customer information, inadequate products and services, amongst other factors, and could negatively impact the Co-operative brand or Co-operative Group's reputation. For example, adverse findings about Co-operative Group arising out of investigations into past actions could adversely affect the Co-operative brand. Should, as a result of matters relating to Co-operative Group,

the Issuer's brand, levels of customer satisfaction or the co-operative movement more generally be damaged, this could have a negative effect on the Issuer's business, operating results, financial condition and prospects and negatively impact the ability of the Issuer to achieve its stated strategy. See the risk factor entitled "*Reputational risk could cause harm to the Issuer, its business, operating results, financial condition and prospects and question the Issuer's commitment to co-operative values and ethics*" for further information.

Other risks associated with the Co-operative brand include:

- *Co-operative status and name (including trademark and membership issues)* – the Issuer's participation in Co-operative Group membership scheme ended in 2018 and the Issuer may face challenges on the use of the term "co-operative". This could result in a loss of support from Co-operatives UK Limited for the Issuer's continued use of the term "co-operative". Co-operative Group has objected to the Issuer's application to register "the Co-op Bank" and "Co-op Bank" as trademarks.
- *Co-operative Group launching its own financial services competitor* - the risk that Co-operative Group or another co-operative may build a brand in financial services. This creates risk to the Issuer's ability to retain its brand territory and risk that Co-operative Group may eventually challenge the Issuer's ability to use "co-operative" in its name as described above.

Reputational risk could cause harm to the Issuer, its business, operating results, financial condition and prospects and question the Issuer's commitment to co-operative values and ethics

The Issuer's reputation is one of its most important assets. Its ability to attract and retain customers and deposits and to conduct business with its counterparties could be adversely affected to the extent that its reputation or its brand is damaged. The act of addressing or failing to address, or appearing to fail to address, issues that could give rise to reputational risk is likely to cause harm to the Issuer and its business prospects. The Issuer's reputation could be impacted by both known issues and issues not yet identified (some of which could only have an ancillary connection to the Issuer). For example, litigation, or the misconduct of employees or other persons (including criminal activity) at any time associated with the Co-operative brand or the "Co-operative Bank" brand, operational failures, accidents, the outcome of regulatory investigations, media speculation and negative publicity, breaches of data protection or other laws, any failure or compromise of the Co-operative Bank Group's IT systems, products considered to be inappropriate and sub-standard customer service, among other factors, could impact the Issuer's reputation. Reputational damage could arise from, without limitation, any of the following (along with media speculation regarding the same where relevant):

- the reputational damage arising from downgrades to the Issuer's credit ratings and the implementation of the Issuer's strategy;
- a requirement to raise further capital in the future, which could affect, or be perceived to affect, confidence in the Issuer;
- a failure to implement and execute the Issuer's strategy and the Plan in whole or in part;
- breaching or facing allegations of having breached legal and regulatory requirements, including those relating to Anti Money Laundering (AML), sanctions, anti-bribery and corruption requirements and a subsequent enforcement action or regulatory investigation (for further information, see the risk factor entitled "*Anti-money laundering, anti-bribery, sanctions and other compliance risks*");

- acting or facing allegations of having acted unethically (including having adopted inappropriate sales and trading practices);
- material or major failure of or inability to promptly recover key services, IT capability, or other infrastructure, particularly where this disrupts the Issuer's ability to service customer transactions for a prolonged period; and
- a perception that the Issuer is failing to meet its environmental, social and governance (ESG) targets, or is perceived to be making less or slower progress compared with its competitors.

A failure to address these or any other relevant issues appropriately could make significant numbers of customers, depositors and investors unwilling to do business with the Issuer. For example, if negative newsflow continued for a significant period of time, there is the risk that the Issuer would lose a material number of customers and liability/asset balances to competitors. This could materially adversely affect the Issuer's business, operating results, financial condition and prospects and could damage its relationships with its regulators. The Issuer cannot ensure that it will be successful in avoiding damage to its business from reputational risk.

The Issuer is exposed to a number of conduct risks

The Issuer is exposed to many forms of conduct-related risk. Conduct risk is the risk that the Issuer's behaviours, products or services will result in poor outcomes or harm for customers. In recent years, the Issuer has undertaken redress and remediation activity in relation to the mis-selling of PPI and packaged bank accounts, breaches of the Consumer Credit Act and mortgage interest rate calculations and mortgage arrears charges. The provisioned liability in relation to these issues has reduced significantly relative to historical levels. See the risk factor entitled "*Unfair relationships*" for further information.

However, there is a risk of exposure to significant new conduct or legal risks, including by discovering significant risk issues from legacy systems and controls or from regulatory changes imposed on banks generally. There is a risk that the cost of redress, remediation and project costs may be higher than current provisions and those expected over the life of the Plan. Inherent risks remain relating to the mis-selling of financial products, acting in breach of regulatory principles or requirements and giving negligent advice or other conduct determined by the regulators to be inappropriate, unfair or non-compliant with applicable law or regulations. Any failure to manage these risks adequately could lead to further provisions, costs and liabilities and/or reputational damage. In particular, the Issuer is subject to risks arising from challenges to both current and historic interest rates charged by the Co-operative Bank Group. These challenges have been the subject of consideration by the Financial Ombudsman Service (FOS). The Co-operative Bank Group has recognised a provision of £28.9m in 2023 in respect of refunding certain mortgage interest charges. However, as at the date of this Prospectus the Issuer does not consider that any further financial impact on the Co-operative Bank Group resulting directly from this matter would be material. As part of its strategy to identify and resolve outstanding liability issues, the Issuer has a structured risk based product review process, which may result in the discovery of further conduct-related issues. It is recognised that, whilst progress has been made in identifying conduct issues, no assurance can be given that further issues or breaches will not be identified.

Where regulatory rules are applied retrospectively or in a manner that is not anticipated by the Issuer or the market, the Issuer may not be able to appropriately manage conduct and regulatory risks, which could lead to significant liabilities or reputational damage, reduce (directly or indirectly) the attractiveness of the Issuer to stakeholders, including customers, and may lead to negative publicity, loss of revenue, litigation, higher scrutiny and/or intervention from regulators, regulatory or legislative action, loss of existing or potential client business, reduced workforce morale and difficulties in

recruiting and retaining talent. Sustained damage arising from conduct and reputation risks could have a materially negative impact on the Issuer's business, operating results, financial condition and prospects, its regulatory capital position, its ability to comply with regulatory capital requirements and customer relations.

The Issuer's policies and processes for risk management may prove inadequate for the risks faced by its business. Any failure to properly manage the risks which it faces could cause harm to the Issuer and its business prospects

Managing Risks. The Issuer's embedded risk-management framework (RMF) may lead to the identification of further risks and control failings which could potentially impact the business, operating results, financial condition and prospects of the Issuer. The Issuer's RMF divides its "business as usual" risks into areas such as credit risk, liquidity risk, market risk and operational risk:

Credit Risk. Credit risk is an inherent part of the business activities of the Issuer (and all other banks). It is inherent in both traditional banking products (loans, mortgages and other credit products) and in "traded products" (derivative contracts such as forwards, swaps and options), repurchase agreements, securities borrowing and lending transactions. The risks arising from the general economic environment continue as a result of the prolonged period of significant turbulence and uncertainty affecting the global economy, financial systems and continued economic malaise. The Issuer continues to be exposed to these risks and their consequences, including lower consumer confidence, high levels of unemployment, interest rate volatility and the increased cost of credit, which may result in increased credit risk and could have a material adverse effect on the Issuer's business, operating results, financial condition and prospects.

Liquidity Risk. The Issuer faces liquidity risk, particularly if the availability of traditional sources of funding such as retail deposits becomes limited and/or more expensive whether as a result of regulatory action (such as the FCA's plan, announced on 31 July 2023 and intended to ensure banks and building societies pass on interest rate rises to customers appropriately) or otherwise. Liquidity risk is the risk that an institution may not have sufficient funds at any point in time to make full payment in respect of liabilities falling due, or can only do so at excessive cost. This may result in an inability to operate in the ordinary course of business and/or a failure to meet liquidity or regulatory capital requirements, and/or may adversely impact the Issuer's business and/or the implementation of its strategy. The Issuer raises the majority of its funding through accepting retail and commercial deposits. Whilst the Issuer undertakes strategic transactions, or during times of continued adverse press attention and speculation, the Issuer's liquidity risk may significantly increase as a result of the difficulty in accurately modelling expected customer behaviour in these circumstances. The Issuer seeks to manage its liquidity risk through stress and sensitivity testing on a daily basis and monitors its liquidity position against internally-defined stress scenarios. However, there can be no guarantee that such liquidity risk management will ensure adequate liquidity resources are maintained by the Issuer. Adverse and unexpected customer behaviour that the Issuer is unable to manage could result in the withdrawal of material amounts of customer deposits which would adversely impact the Issuer's liquidity position which in turn could adversely affect the Issuer's and the Co-operative Bank Group's business, profitability and ability to meet liabilities as they fall due.

Market Risk. The Issuer risks losses arising as a result of the value of financial assets or liabilities (including off-balance sheet instruments) being adversely affected by movements in market rates or prices. The Issuer's Treasury function manages and creates market risk through its portfolio management activities and hedging programmes. Changes in currency rates affect the value of assets and liabilities denominated in foreign currencies and may affect income from assets and liabilities denominated in foreign currency. The Issuer also faces risks arising out of changes in interest rate levels, yield curves and spreads, which may affect the Issuer's interest rate margin realised between lending

and borrowing costs. The Issuer seeks to minimise the volatility of future earnings from interest rate changes and all fixed interest rate risk exposure is removed from business and consolidated centrally where it is managed within agreed limits. See the risk factor entitled "*The Issuer's earnings and net interest margins may be adversely affected by a number of factors*" for further information.

Model Risk. The Issuer uses models which are mathematical representations of business systems designed to help describe, predict, experiment with or optimise decisions and scenarios and are used throughout the Issuer's business. There is a risk that adverse outcomes might occur as a result of weaknesses or failures in the design or use of a model. New requirements for Model Risk Management will be introduced as part of SS1/23 from May 2024 and therefore there is a risk of additional regulatory scrutiny in respect of Model Risk Management.

Operational Risk. Operational risk levels are elevated due to factors including, but not limited to, a number of specific issues such as reliance on manual controls for key processes (such as payments) and legacy IT systems (Technical Debt) that may cause business disruption and concerns from the evolving external cyber threats. In each case, programmes of work are in place to seek to remediate; however, there can be no assurance that such programmes will fully or adequately protect the Issuer against such cyber threats. Systems of control have been historically weak, however, since 2018 significant progress has been made to meet regulatory expectations of the overall effectiveness and embeddedness of the RMF. The Co-operative Bank Group's focus throughout 2023 was, and throughout 2024 will be, to seek to ensure robust risk and control activities remain an integral part of the business as usual activities while looking to simplify and ensure focus on material aspects of risk management. There is an awareness of the RMF with an improvement shown in key RMF metrics, supported by the following activity: (a) deeper understanding of the RMF through collegiate working across all three lines of defence and simplification to assist the first line of defence by focusing resources appropriately; (b) ensuring that significant risks (such as Technical Debt) are accurately reflected in the RMF to understand their impacts against risk appetite and the operational risk profile; and (c) implementing and embedding new regulatory requirements, for example, operational resilience and third party supplier management for material and outsourced services within the RMF. Third party management and service outsourcing is a key area for risk focus. The risk of a supplier not being able to provide the service they are contracted to could lead to significant disruption to services and functions, reputational damage and possible regulatory scrutiny, all of which may adversely affect the business, operating results and financial condition of the Co-operative Bank Group. The work on operational resilience and the introduction of this as a thematic principal risk is designed to support the mitigation of this risk; however, there can be no assurance that these initiatives can fully or adequately protect the Co-operative Bank Group against this risk.

Climate change and ESG risks. 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 posed by it, 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 Co-operative Bank Group, drive asset impairments and result in regulatory fines or other action if the Co-operative Bank Group is unable to implement adequate reforms sufficiently quickly. How the Co-operative Bank Group 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.

Transition plans. The UK has launched a Transition Plan Taskforce (TPT) to develop a gold standard for climate transition plans. One of the drivers is a concern about greenwashing. An increasing number of firms and other businesses are making public commitments to reach net zero. However, existing transition plans vary in detail, quality and credibility. The TPT has published draft recommendations so far, suggesting 19 sub-elements within five elements (foundations, implementation strategy, engagement strategy, metrics and targets, and governance). Disclosure recommendations are included for each sub-element. There is also draft implementation guidance, and a recommendation on disclosure: a standalone transition plan should be published at least each three years, or sooner if there are significant changes. Progress should be reported annually in general financial reporting. The TPT published the finalised framework in October 2023, and is now expected to begin work on detailed sector guidance. Given the importance of transition plans and net zero commitments (both commercially and otherwise), it is likely that, over time, there will be increased pressure for issuers, and financial services firms generally, to publish robust transition plans, and for these to align with the TPT framework. These plans are likely to come under scrutiny by investors, and may require significant internal resource to prepare and maintain.

ESG ratings. ESG ratings are becoming increasingly important in the market and to investors. However, concerns exist, such as to conflicts, transparency and a lack of comparability between the ESG ratings provided by one firm versus another. There may also be concerns as to data gaps and how/what assumptions are made. In December 2022, the UK government announced that it will consult in 2023 on a proposal to require ESG ratings providers to be subject to authorisation in the UK going forward. It has stated that these services are increasingly a component of investment decisions, and the government wants to ensure improved transparency and good market standards. Industry work is also underway on a code of conduct. These initiatives may have significant knock-on impacts for issuers, given the increased commercial pressure from investors and the market for ESG data and for issuers and/or financial instruments to be the subject of ESG ratings or scores. Among other things, this enables investors and the market to assess how ESG friendly a financial instrument and/or issuer may be. It may also assist investors in incorporating ESG risk into their investment decision making process, which is an increasingly trend and the preferred approach from a regulatory perspective.

Greenwashing risks and issues. The term 'greenwashing' is used to describe public claims or statements that give a false impression about the environmental credentials of a business (known as entity-level greenwashing) or a particular product or service (known as product-level greenwashing). Greenwashing is a concern for various reasons, including that regulators may be concerned as to investor protection and market integrity. The market and individual investors may be concerned as to the credibility and reliability of information used to support investment decisions. A business or issuer may be concerned as to the risk of litigation or enforcement, if they are considered to have made ESG related statements that are exaggerated, misleading or otherwise not well founded (e.g. in a transition plan or Task Force on Climate-Related Financial Disclosures report). Beyond this, concerns as to greenwashing risks and issues have given rise to a number of initiatives which may have a significant impact on UK businesses, including the Co-operative Bank Group. This includes the initiatives referred to above in respect of disclosure, reporting and transition plans. It also includes a new anti-greenwashing rule proposed by the FCA, which will apply to the Co-operative Bank Group in common with all other regulated firms. Put simply, firms must ensure that any reference to the sustainability characteristics of a product or service is consistent with the sustainability profile of that product or service, and is clear, fair and not misleading. The FCA has said that it wishes to have “*an explicit rule on which to challenge firms that we consider to be potentially greenwashing their products or services, and take enforcement action against them as appropriate.*” The FCA has also noted: “*We will continue to consider responses to serious misconduct in this space, including the use of our enforcement power in the event of serious misconduct.* Other initiatives include the Green Claims Code published by the Competition and Markets Authority, which sets out principles for businesses making ESG claims. The Advertising Standards Authority can also

consider potential greenwashing issues in advertisements. Non-governmental organisations with an interest in climate change and environmental protection may also take an interest in such matters, making a complaint or commencing litigation for strategic reasons and to advance their goals.

Regulatory burden and risk of non-compliance. Governments and regulators may introduce increasingly stringent rules and policies designed to achieve targeted ESG outcomes, which could increase compliance costs for the Co-operative Bank Group, drive asset impairments and result in regulatory fines or other action if the Co-operative Bank Group is unable to implement adequate reforms sufficiently quickly. How the Co-operative Bank Group 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.

Many of the Issuer's business, operational, reporting and financial processes rely on significant manual processes and intervention, which is inefficient and significantly increases the risk of errors in the Issuer's operational processes, including customer-facing processes, data and financial reporting, by comparison with automated processes

Key business and operational processes, including processes supporting payments and financial reporting (including, *inter alia*, statutory, regulatory and management reporting, which incorporates management reporting of actual results, planning, forecasting, generating appropriate assumptions and stress testing reporting), in some circumstances rely on manual process steps and on managing data using spreadsheets and other end-user tools, some of which are not subject to the same controls as the Issuer's core systems. Data validation in some cases relies on manual checks where automated checks might be expected, leading to an increased risk of processing errors, adverse customer impact, compliance breaches and reputational harm to the Issuer. Errors may also be made in the assumptions used in forecasting, which can lead to adjustments being required to the Issuer's budget. The Issuer periodically experiences actual and near-miss risk events, including where manual errors cause incorrect payments to be made or nearly made. Where such payment is retrieved from a customer, this is termed a "near-miss". Where such payment is not recovered, this constitutes an actual operational loss event.

Due to the Issuer's reliance on legacy systems its financial reporting processes are complex. In particular, while the migration of heritage Britannia and WMS platform IT infrastructures to a single mainframe is core to the Issuer's strategy and substantially progressed, these infrastructures have not yet been fully integrated following the merger of the Issuer and Britannia. The Issuer relies on manual processes to consolidate its financial results and other data, and there is reliance on the use of spreadsheets, manual controls and adjustments and other end-user computing systems, as opposed to fully automated consolidation and reporting processes. The manual nature of the processes increases the risk of a material misstatement in financial reporting.

The Issuer may suffer loss as a result of fraud, theft or cyber-crime

As a financial institution, the Issuer is subject to a heightened risk that it will be the target of criminal activity, including fraud or theft. Due to the nature of the Issuer's business, it has exposure to many different customers and third-party service providers. The Issuer's selection and screening processes with respect to its third-party service providers and lending customers, as well as its internal relationship management processes, may be ineffective if the Issuer's customers or third-party service providers engage in fraudulent activity.

For example, the Issuer is exposed to potential losses resulting from customers or third-party service providers providing the Issuer with falsified or fictitious information in order to secure financing or receive sales commissions. Such fraudulent activity could have a material adverse effect on the Issuer's business, financial condition, operating results or prospects. This exposure may also be impacted when the PSR New Reimbursement Requirements for Victims of Authorised Push Payments comes into force, expected in 2024. See further the risk factor "*The Issuer and its customers are exposed to risks and potential loss associated with cyber-crime and fraud*".

In addition, losses arising from staff misconduct may result from, amongst other things, a failure to document transactions properly or obtain proper internal authorisation in an attempt to defraud the Issuer, or from theft by staff of customer data or physical theft at the Issuer's premises. This risk may be increased by the Issuer employing hybrid working practices for head office colleagues where office interaction is more limited than before the emergence of Covid-19. Such behaviour may be difficult to prevent or detect and the Issuer's internal policies to mitigate these risks may be inadequate or ineffective. The Issuer may not be able to recover the losses caused by these activities and it could suffer reputational harm as a result, each of which could have a material adverse effect on its business, financial condition, and operating results or prospects.

The Issuer is dependent on its Directors, senior management team and skilled personnel and the loss of one or more Directors or members of senior management or the loss of or failure to recruit and retain skilled personnel may have an adverse effect on the Issuer's business, operating results, financial condition and prospects and its ability to achieve its strategy

People risk is defined as the risk associated with inappropriate employee behaviour and inadequate resources (people, capability and frameworks), resulting in customer or financial detriment and/or legal or regulatory censure.

The Issuer depends on the continued contributions of its Directors, senior management and other key persons with the experience, knowledge and skills in banking necessary for its success.

The failure to have succession plans in place for the Chairman, Senior Independent Director and other members of the board and to recruit and retain non-executive directors in a timely manner could negatively impact on the effective governance and oversight of the Issuer. The loss of one or more members of the Issuer's executive team without finding suitable replacements or having appropriate succession plans in place may delay or impact on the ability of the Issuer successfully to implement its strategy and lead to a disruption of the business and a loss of specialist knowledge.

Retention of personnel remains a significant risk due to budgetary constraints limiting changes to fixed pay, ability to offer reliable variable pay, scale and complexity of change, and the ongoing pressure on cost reduction. The risk remains that if senior or specialist staff exit unexpectedly or earlier than planned, the Issuer may experience difficulties in replacing those individuals with appropriate and sufficiently skilled candidates, potentially exposing the Issuer to operational disruption and delay in the execution of key Plan deliverables.

Legal, Accounting and Tax risks

The Issuer is currently involved in litigation and may in the future become involved in further litigation. The outcome of any legal proceedings is difficult to predict

The Issuer is engaged in various legal proceedings in the UK, involving claims both by and against it, which arise in the ordinary course of business, including (but not limited to) debt collection, mortgage enforcement, consumer claims, claims from closed book standard variable rate customers and

contractual disputes – see the section "*The Issuer is exposed to a number of conduct risks*" for further information. Whilst the Issuer does not expect the ultimate resolution of any of these known legal proceedings to which the Issuer is party to have a material adverse effect on the results of operations, cash flows or its financial position, and whilst provisions have been recognised for those cases where the Issuer is able reliably to estimate the probable loss (where the probable loss is not *de minimis*), the outcome of any litigation is inherently difficult to predict and there can be no assurance that such provisions will be sufficient to cover the costs associated with such litigation. The outcome of any such litigation could adversely impact the Issuer's reputation and brand, could result in additional similar claims being brought and/or, if perceived as a systemic or pervasive conduct issue, could result in further investigations or enquiries by the Issuer's regulators. The costs of pursuing or defending legal proceedings, and the outcome of any such proceedings (including if an adverse outcome results in similar additional claims being brought), could have a material adverse impact on the financial condition of the Issuer.

Anti-money laundering, anti-bribery, sanctions and other compliance risks

Combating money laundering, bribery and terrorist financing and compliance with economic sanctions continues to be a major focus of the FCA. Legislation and regulations impose obligations on the Issuer to maintain appropriate policies, procedures, systems and controls to detect, prevent and report money laundering and terrorist financing. Failure by the Issuer to implement and maintain adequate policies, procedures and controls to combat money laundering, bribery and terrorist financing or to ensure economic sanction compliance could have serious legal and reputational consequences for the institution, including exposure to fines, public censure, penalties and damages, which may have a material adverse impact on the Issuer's operational and financial performance.

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

The preparation of financial statements in accordance with the international financial reporting standards (**IFRS**) issued by the International Accounting Standards Board (the **IASB**) as adopted in the UK requires the use of estimates. It also requires management to exercise significant judgement in applying relevant accounting policies so that they comply with IFRS, including in determining appropriate assumptions and estimates when valuing assets, liabilities, commitments, provisions and contingent liabilities. Significant judgement is also used in developing targets, forecasts and assumptions

Accordingly, there is a risk that if the judgement exercised or the estimates or assumptions used subsequently turn out to be incorrect, this could result in significant loss to the Co-operative Bank Group beyond that anticipated or provided for, which could have an adverse impact on the Co-operative Bank Group's financial condition, operating results and prospects.

Furthermore, provisions for liabilities in the Co-operative Bank Group's accounts may not be adequate. Provisions are recognised for legal or constructive obligations arising from past events if it is probable (more likely than not) that there will be outflows of financial resources and the amounts can be reliably estimated. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic resources is uncertain and cannot reasonably be measured. Contingent liabilities are not recognised on the balance sheet, but are disclosed unless the outflow of resources is judged to be remote. These liabilities may be underestimated or there may be liabilities of which the Co-operative Bank Group is currently unaware.

The Issuer has established policies and control procedures that are intended to ensure that the judgements (and the associated assumptions and estimates) that are applied in its financial statements are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing accounting policies and methodologies is applied in an appropriate manner. However, the Issuer cannot guarantee that it will not be required to make (potentially material) changes in accounting policies, methodologies or estimates or restate prior period financial statements in the future.

There is also a risk the Issuer's accounting policies and related judgements, estimates and determinations are challenged by regulatory bodies, including the Financial Reporting Council. This or any of the above potential challenges to the Issuer's accounting policies or managements' judgements, estimates and determinations, and any associated restatements of previously published financial statements and any related litigation against the Issuer arising from any such restatements could have a material adverse effect on the Issuer's financial condition, operating results or prospects.

Changes in the Issuer's accounting policies or in accounting standards could materially affect how it reports its financial condition and operating results

From time to time, the International Accounting Standards Board (the **IASB**) may change the 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 prior period financial statements.

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, or 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.

The contributions that the Issuer is required to make to its pension schemes may change over time.

The Issuer is the principal employer of the legally segregated Bank Section (**Bank Section**) of the Co-operative Pension Scheme (**Pace**), which has both an active defined contribution section and a closed defined benefit section (**Pace DB**), and a wholly-owned subsidiary controlled by the Issuer is the principal employer of the Britannia Pension Scheme (**BPS**), which is a closed defined benefit scheme.

The Issuer is not currently obliged to make deficit recovery contributions to Pace, however the trustee of Pace (the **Pace Trustee**) has a right to funds in an escrow arrangement in certain circumstances, including on the insolvency of the Issuer, to repair a deficit against the low risk target basis (a secondary funding measure for Pace) or to enable Pace to meet the premium payable against the scheme assets in order to fully insure the Bank Section of the liabilities with a third party insurance company. The terms of this escrow arrangement are documented in a payment agreement (the **Payment Agreement**) and a security deed (the **Security Deed**), each entered into in June 2020.

In December 2022, the Pace Trustee completed a full "residual risks buy-in" transaction with Rothesay Life Plc, a specialist UK insurer, to fully insure scheme benefits through a bulk annuity insurance policy. In conjunction with this transaction the Issuer and the Pace Trustee agreed that no further contributions into this escrow arrangement would be required. As at 31 December 2023, £37.5 million in cash was pledged in the escrow arrangement (excluding accrued interest which is for the benefit of The Co-

operative Bank and may be withdrawn from time to time). The Issuer and the Pace Trustee have subsequently agreed in March 2024 that the escrow requirement be reduced to £25 million.

The Issuer is not currently required to make deficit recovery contributions to BPS; however, the Issuer provides contingent security to the BPS in the form of £175.6 million AAA-rated RMBS notes, subject to a 22 per cent. haircut. This security becomes enforceable in the event that deficit recovery payments are not met, as may be agreed with the BPS Trustee from time to time, on insolvency of the Issuer or a failure to adhere to the terms of the applicable Security Deed.

The Issuer continues to actively participate in the management of the pension fund investment strategy in partnership with both the BPS and Pace Trustees.

The nature of the "residual risks buy-in" insurance transaction in Pace is such that the Bank's exposure to the primary investment and longevity risks associated with Pace have been substantially eliminated. However, while the scheme remains in existence, the Issuer may be required to provide financial support to the scheme in the event that scheme liabilities arise which are not met through the bulk annuity insurance contract, or to meet costs to achieve wind-up of the scheme in the event that scheme assets are not sufficient to do so.

BPS employs hedging techniques to mitigate exposure to macro-economic factors, however there is a risk of macro-economic volatility in relation to the scheme's investments and actuarial assumptions. If sufficiently severe, these factors could impact CET1 resources, capital requirements, and additional buffer requirements and could result in a materially adverse effect on the business's financial condition and prospects. There are also risks that should the Issuer's covenants weaken, and if the schemes' financial position deteriorates, further deficit contributions could be required in the future. This could also have a material adverse effect on the Issuer's financial condition and prospects.

RISK FACTORS RELATING TO THE COVERED BONDS

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) (*Issuer Events of Default*). Following service of a Notice to Pay on the LLP, under the terms of the Covered Bond Guarantee the LLP will be obliged to pay Guaranteed Amounts as and when the same are Due for Payment. In these circumstances, the LLP will not be obliged to pay any other amounts which become payable for any other reason.

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

Subject to any grace period, if the LLP fails to make a payment when Due for Payment under the Covered Bond Guarantee or any other LLP Event of Default occurs, then the Bond Trustee may (but is not obliged to unless 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 directed by an Extraordinary Resolution of all the Covered Bondholders in accordance with Condition 9(b) (LLP Events of Default) and indemnified and/or secured and/or prefunded to its satisfaction) accelerate the obligations of the LLP under the Covered Bond Guarantee by service of an LLP Acceleration Notice, whereupon the Bond Trustee will have a claim under the Covered Bond Guarantee for an amount equal to the Early Redemption Amount of each Covered Bond, together with accrued interest and all other amounts then due under the Covered Bonds (other than any additional amounts payable by the Issuer under Condition 7 (Taxation)), although in such circumstances the LLP will not be obliged to gross up in respect of any withholding or deduction which may be required in respect of any payment 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.

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

If the LLP enters into a Covered Bond Swap and the dates on which the LLP is obliged to make payments thereunder differ from the dates on which the relevant Covered Bond Swap Provider is obliged to make corresponding payments to the LLP, then should such Covered Bond Swap Provider fail to meet its payment obligations to the LLP under the relevant Covered Bond Swap and such Covered Bond Swap Provider does not make a termination payment that has become due from it to the LLP, the LLP may have a larger shortfall in funds with which to make payments under the Covered Bond Guarantee with respect to the Covered Bonds than if the Covered Bond Swap Provider's payment obligations coincided with LLP's payment obligations under the Covered Bond Guarantee. Hence, the difference in timing between the obligations of the LLP and the Covered Bond Swap Providers under the Covered Bond Swaps may affect the LLP's ability to make payments under the Covered Bond Guarantee with respect to the Covered Bonds.

Covered Bonds where denominations involve integral multiples; definitive Covered Bonds

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

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 and payment to the LLP of such Excess Proceeds will not reduce or discharge any such obligations. Covered Bondholders should note that such Excess Proceeds shall be paid to the LLP in accordance with Priorities of Payments and therefore may not be readily available.

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.

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 to or premium above 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) and provided that no LLP Event of Default has occurred, payment of the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of such Series of the Covered Bonds is not made in full, then the payment of such Guaranteed Amounts may be automatically deferred. The Issuer is not required to notify Covered Bondholders of such deferral.

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

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.

Ratings of 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. The Rating Agency may lower its rating or withdraw its rating if, in the sole judgement of the Rating Agency, the credit quality of the Covered Bonds has declined or is in question. In addition, at any time the 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 Agency may have a negative impact on the ratings of the Covered Bonds.

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 from the Rating Agency that the then current ratings of the Covered Bonds will not be adversely affected by or withdrawn as a result of the relevant event or matter.

In respect of the Rating Agency, if receipt of a Rating Agency Confirmation or other response by the 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 the Rating Agency is delivered to the Rating Agency by or on behalf of the Issuer (copied to the Bond Trustee and the Security Trustee, as applicable) and:

- (a) (i) the 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, the 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 the 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 the Rating Agency to downgrade or withdraw the then current ratings of the Covered Bonds in a manner as it sees fit.

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

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

Issuer liable to make payments when due on the Covered Bonds

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

The LLP has no obligation to pay the Guaranteed Amounts payable under the Covered Bond Guarantee until 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.

Obligations under the Covered Bonds

The Covered Bonds will not represent an obligation or be the responsibility of any of the 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.

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 the 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 the Covered Bonds which may be issued by the Issuer in a manner other than pursuant to this Prospectus.

If an Issuer Event of Default occurs in respect of a particular Series of Covered Bonds, the Covered Bonds of all Series outstanding will accelerate at the same time against the Issuer (following service of an Issuer Acceleration Notice) but will be subject to, and have the benefit of, payments made by the LLP under the Covered Bond Guarantee (following service of a Notice to Pay). If an LLP Event of Default occurs, following service of an LLP Acceleration Notice, the Covered Bonds of all Series outstanding will accelerate against the Issuer (if not already accelerated following an Issuer Event of Default) and the obligations of the LLP under the Covered Bond Guarantee will accelerate.

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

- the Issuer will be obliged to apply the proceeds of any issue of Covered Bonds to make a Term Advance to the LLP. The LLP will use the proceeds of such Term Advance (if not denominated in Sterling, after swapping the same into Sterling under the relevant Covered Bond Swap Agreement) as consideration for: (i) the acquisition of Loans and their Related Security; 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 to an amount not exceeding the Reserve Fund Required Amount);
- the Asset Coverage Test will be required to be met both before and immediately after any further issue of Covered Bonds; and
 - on or prior to the date of issue of certain further Covered Bonds, the Issuer will be obliged to obtain a Rating Agency Confirmation (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.

For further information on Rating Agency Confirmations in respect of the Programme see the section of this Prospectus entitled "*Risk Factors – Rating Agency Confirmation in respect of Covered Bonds*" above.

Covered Bonds not in physical form

Covered Bonds issued under the Programme may be represented by instruments in global form (as further described in the section entitled "*Form of the Covered Bonds*").

While Covered Bonds are represented by instruments in global form the Issuer will discharge its payment obligations under such Covered Bonds by making payments through the applicable clearing system for distribution to their respective account holders. A holder of an interest in an instrument in global form must rely on the procedures of the relevant clearing system to receive payments under the relevant Covered Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, interests in global instruments.

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

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

- mean that Covered Bondholders will be permitted to exercise voting rights only to the extent that they are enabled by the relevant clearing system to appoint appropriate proxies under and in accordance with the rules of such clearing system.

RISKS RELATING TO THE ASSET POOL

Limited description of the Portfolio

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

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

There is no assurance that the characteristics of the New Loans assigned to the LLP on a Transfer Date will be the same as those of the Loans in the Portfolio as at that Transfer Date. However, each Loan will be required to meet the Eligibility Criteria and the Representations and Warranties set out in the Mortgage Sale Agreement – see "*Summary of the Principal Documents – Mortgage Sale Agreement – Sale by the Seller of Loans and Related Security*" (although the Eligibility Criteria and Representations and Warranties may change in certain circumstances – see the risk factor entitled "*The Bond Trustee and the Security Trustee may agree to certain modifications to the Transaction Documents without, respectively, the Covered Bondholders' or Secured Creditors' prior consent*"). 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 Investor Reports that will set out certain information in relation to the Asset Coverage Test. See "*General Information – Reports*" for further information.

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 (due to local, national and/or global macroeconomic and geopolitical factors such as the war between Russia and Ukraine) or housing conditions, changes in tax laws, interest rates, inflation and the costs of living (including rising energy costs), the availability of financing, periods of stagflation, yields on alternative investments, political developments, government policies and widespread health crises or the fear of such crises (including, but not limited to, coronavirus or measles or other epidemic diseases). Global interest rates have risen from their historical lows, as central banks seek to manage inflation, and 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.

Sale of Selected Loans and their Related Security following the Service of an Asset Coverage Test Breach Notice or the Service of a Notice to Pay

If an Asset Coverage Test Breach Notice or a Notice to Pay is served on the LLP, then the LLP (and, in the case of an Asset Coverage Test Breach Notice, for as long as such notice remains outstanding) 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 further "*Summary of the Principal Documents – LLP Deed – Sale of Selected Loans and their Related Security following service of an Asset Coverage Test Breach Notice*" and "*Summary of the Principal Documents – LLP Deed – Sale of Selected Loans and their Related Security following service of a Notice to Pay*".

There is no guarantee that a buyer will be found to acquire Selected Loans and their Related Security at the times required and there can be no guarantee or assurance as to the price which may be able to be obtained, which may affect payments under the Covered Bond Guarantee. If the Selected Loans are sold as a result of 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 True Balance, the Asset Coverage Test would be satisfied on the next Calculation Date taking into account the payment obligations of the LLP on the LLP Payment Date immediately following that Calculation Date (assuming for this purpose that the Asset Coverage Test Breach Notice is not revoked on the next Calculation Date). Following the service of a Notice to Pay on the LLP, the Selected Loans may not be sold by the LLP for less than an amount equal to the Adjusted Required Redemption Amount for the relevant Series of Covered Bonds until six months prior to the Extended Due for Payment Date under the Covered Bond Guarantee in respect of such Covered Bonds.

In the six months prior to the 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 after payment of certain items ranking higher in the Guarantee Priority of Payments, 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.

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 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 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).

Interest Only Loans

The Portfolio may contain Loans that may be repayable on an interest-only basis. Where the Borrower is only required to pay interest during the term of the Loan, with the capital being repaid in a lump sum at the end of the term, the Borrower is recommended to ensure that some repayment mechanism such as an investment policy is put in place to ensure that funds will be available to repay the capital at the end of the term. Whilst the Seller does not verify or does not require proof that such repayment mechanism is in place and does not take security over any investment policies taken out by Borrowers, the Seller will decline the application if this repayment mechanism is deemed to be unacceptable.

Borrowers may not have been making payment in full or on time of the premiums due on any relevant investment or life policy, which may therefore have lapsed and/or no further benefits may be accruing thereunder. In certain cases, the policy may have been surrendered but not necessarily in return for a cash payment and any cash received by the Borrower may not have been applied in paying amounts due under the Loan. Thus the ability of such a Borrower to repay an interest-only loan at maturity without resorting to the sale of the underlying property depends on such Borrower's responsibility in ensuring that sufficient funds are available from a given source such as pension policies, personal equity plans, individual savings accounts or endowment policies, as well as the financial condition of the Borrower, tax laws and general economic conditions at the time. If a Borrower cannot repay an interest-only loan and a loss occurs, this may affect repayments on the Covered Bonds. However, 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.

Maintenance of the Portfolio

Asset Coverage Test: Pursuant to the terms of the Mortgage Sale Agreement and the LLP Deed, the Seller has agreed to use all reasonable endeavours 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 equal to the difference between the True 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, the Issuer (in its capacity as a 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 guarantee that the Seller will have the resources available to transfer further Loans or make any Cash Capital Contribution and 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 the Issuer if it does not make Cash Capital Contributions to the LLP. In addition, Covered Bondholders should be aware that the FCA may take certain actions under the RCB Regulations in relation to the Seller, including prohibiting the Seller from transferring further Loans to the LLP. Any such action may have an adverse effect on the ability of the Issuer and the LLP to meet their respective obligations under the Covered Bonds and the Covered Bond Guarantee, as applicable.

Amortisation Test: Pursuant to the LLP Deed, the LLP and Seller (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 Sterling Equivalent of the aggregate Principal Amount Outstanding under the Covered Bonds. The Amortisation Test is intended to ensure that the assets of the LLP do not fall below a certain threshold and to ensure that the assets of the LLP are sufficient to meet its obligations under the Covered Bond Guarantee together with senior expenses that rank in priority to or *pari passu* with amounts due on the Covered Bonds. However, there is no assurance that the assets of the LLP will be sufficient for such purposes.

If the collateral value of the Portfolio has not been maintained in accordance with the terms of the Asset Coverage Test 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 Initial 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.

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 Interest Rate 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.

Limited recourse to the Seller

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

If any Loan sold by the Seller does not materially comply with any of the Representations and Warranties made by the Seller as at the Transfer Date of that Loan, then the Seller will be required to notify the LLP and the Security Trustee as soon as reasonably practical after becoming aware of the fact and upon receipt of a request to do the same from the LLP, use all reasonable endeavours to remedy the breach within 90 days from and including the date upon which the LLP or the Security Trustee gives notice.

If the Seller fails to remedy the breach of a Representation and Warranty within 90 days, then the Seller will be required (but only prior to the occurrence of an Issuer Event of Default and after the service of a Loan Repurchase Notice) to repurchase on or before the last Business Day of the month in which the Loan Repurchase Notice was served (or such other date that may be agreed between the LLP and the Seller) the relevant Loan and its Related Security and any other Loan secured or intended to be secured by that Related Security or any part of it, at their True Balance on the date of repurchase.

There can be no assurance that the Seller, in the future, will have the financial resources to repurchase a Loan or Loans and its or their Related Security. However, if the Seller does not repurchase those Loans and their Related Security (and any other Loan secured or intended to be secured by that Related Security or any part of it) which are in breach of the Representations and Warranties then the True 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 or Warranty.

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

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

- representations or warranties not being given by the LLP or (unless otherwise agreed with the Seller) the Seller;
- default by Borrowers of amounts due on their Loans;
- the Loans of New Sellers being included in the Portfolio;
- changes to the Lending Criteria of the Seller;
- the LLP not having legal title to the Loans in the Portfolio;
- risks in relation to some types of Loans which may adversely affect the value of Portfolio or any part thereof;
- limited recourse to the Seller;
- possible regulatory changes by FCA, the PRA, the Competition & Markets Authority (CMA) and other regulatory authorities; and
- regulations in the UK that could lead to some terms of the Loans being unenforceable, cancellable or subject to set-off.

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.

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, acting on the instructions of the Bond Trustee, itself acting on advice of a financial or other adviser (selected or approved by it) opining or confirming that the provision of any such warranties and/or indemnities is appropriate in the circumstances and in accordance with market practice and neither the Security Trustee nor the Bond Trustee will have any liability or be liable to any other person for acting upon such advice, opinion or confirmation). The Security Trustee will not be required to release the Selected Loans from the Security unless the conditions relating to release of the Security as set out in Clause 4 of the Deed of Charge are satisfied. 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.

The Loans of New Sellers may be included in the Portfolio

New Sellers which are members of the Co-operative Bank 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.

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.

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 Loans and their Related Security has taken or will take effect by way of an equitable assignment. As a result, legal title to all of 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:

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

Once notice has been given to the Borrowers of the completed assignment 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 a "*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.

Mortgages are subject to certain legal and regulatory risks.

Certain regulatory risks exist in relation to the Mortgages, including in relation to the legal and regulatory considerations relating to the Mortgages and their Related Security, changes in law, regulation, the possibility of complaints by Borrowers in relation to the terms of the Mortgages 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*" below and certain specific risks are set out below:

Regulated Mortgage Contracts. A Borrower who is a private person may be entitled to claim damages for loss suffered as a result of any contravention by an authorised person of the FCA or PRA rules, and may set off the amount of the claim against the amount owing by the Borrower under the Mortgage or any other loan that the Borrower has taken with that authorised person. Any such set-off in respect of the Mortgages may adversely affect the LLP's ability 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 – Regulated Mortgage Contracts*" below.

Guidance issued by the regulators. The regulation of residential mortgages 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 changes in legislation, guidance or case law as it relates to the Portfolio will not have a material adverse effect on the Seller, the LLP and/or the Servicer and their respective businesses and operations. There can be no assurance that any such changes (including changes in any regulators' responsibilities) will not affect the Mortgages. 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 –* " and "*Further Information relating to the Regulation of Mortgages in the UK – FCA Consumer Duty*".

Unfair relationships. If a court has determined that there was an unfair relationship between the lender and the Borrowers in respect of the Mortgages (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 Mortgages, such redress may adversely affect the ultimate amount received by the LLP in respect of the relevant Mortgages, and the realisable value of the Portfolio and/or the ability

of the LLP to make payments under the Covered Bond Guarantee. Further detail is included in the section headed "*Further Information relating to the Regulation of Mortgages in the UK - Unfair Terms in Consumer Contracts Regulations 1994 and 1999 and the Consumer Rights Act 2015*".

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 CRA may contain unfair terms which may result in the possible unenforceability of the terms of the underlying loans. If any term of a Loan entered into on or after 1 July 1995 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 this may adversely affect the LLP's ability to make payments on the Covered Bond Guarantee.

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

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

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.

Consumer Protection from Unfair Trading Regulations 2008. The Consumer Protection from Unfair Trading Regulations 2008 (the **CPUTR**) prohibits certain practices which are deemed "unfair" within the terms of the CPUTR. A breach of the CPUTR does not (of itself) render an agreement void or unenforceable, but is a criminal offence punishable by a fine and/or imprisonment. Under the CPUTR, the possible liabilities for misrepresentation or breach of contract in relation to the underlying credit agreements may result in irrecoverable losses on amounts to which such agreements apply. The CPUTR did not originally provide consumers with a private act of redress. Instead, consumers had to rely on existing private law remedies based on the law of misrepresentation and duress. The Consumer Protection (Amendment) Regulations 2014 (SI No. 870/2014) was laid before Parliament on 1 October 2014. 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.

Financial Ombudsman Service. Under the FSMA, the Ombudsman is required to make decisions on, among other things, complaints relating to activities and transactions under its jurisdiction on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all circumstances of the case, taking into account, among other things, law and guidance, rather than strictly on the basis of compliance with law. Complaints brought before the Ombudsman for consideration must be decided on a case-by-case basis, with reference to the particular facts of any individual case. Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman. As the Ombudsman is required to make decisions on the basis of, among other things, the principles of fairness, and may order a monetary award to the complaining borrower, it is difficult to predict how any future decision of the Ombudsman would affect the ability of the LLP to make payments of amounts due to Covered Bond Guarantee.

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. Investors should note the Tailored Support Guidance described in the section entitled "*Further Information relating to the Regulation of Mortgages in the UK – Repossessions*" below that from 1 April 2021, subject to any relevant government restrictions on repossessions, firms may enforce repossession provided they act in accordance with (as applicable) the Tailored Support Guidance, MCOB 13 and relevant regulatory and legislative requirements. The Tailored Support Guidance provides that action to seek possession should be a last resort and should not be started unless all other reasonable attempts to resolve the position have failed. Further detail is included in the section headed "*Further Information relating to the Regulation of Mortgages in the UK – Repossessions*" below.

Breathing Space Regulations. The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020 establish a scheme which gives eligible individuals in debt problems the right to legal protections from creditor action for up to 60 days while they receive debt advice, as well as a separate scheme providing for borrowers receiving mental health crisis treatment to be protected by a similar moratorium for the duration of their mental health crisis treatment and then for a further 30 days following the end of such treatment. Protections under the scheme are not extended to mortgage payments on the principal and interest, but will extend to payments of mortgage arrears not capitalised and interest, fees or any other charges on those arrears. Any such moratoria may adversely affect the LLP's ability to make payments under the Covered Bond Guarantee.

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

FCA response to the cost of living crisis. On 16 June 2022, the FCA sent a "Dear CEO" letter which stated that the FCA considers that the Mortgages Tailored Support Guidance published on 25 March 2021 (the **Mortgages Tailored Support Guidance**) which was issued to address exceptional circumstances arising out of the coronavirus pandemic, is also relevant for borrowers in financial difficulties due to other circumstances such as the rising cost of living. Therefore, if a borrower indicates that they are experiencing or reasonably expect to experience payment difficulties due to the rising cost of living, the FCA have said that lenders should offer prospective forbearance to enable them to avoid, reduce, or manage any payment shortfall that would otherwise arise. This includes borrowers who have not yet missed a payment. The FCA makes clear in the Mortgages Tailored Support Guidance that it expects lenders of both owner-occupied and buy-to-let mortgage loans to act in a manner consistent with the guidance. If the Issuer is required to offer prospective forbearance to a significant proportion of Mortgages in the Portfolio it may adversely affect the ability of the Issuer to make payments on the Covered Bonds when due or (if applicable) the ability of the LLP to meet its obligation under the Covered Bond Guarantee.

The FCA opened a consultation on 25 May 2023 on changes to the Handbook to reflect their planned withdrawal of the Mortgages Tailored Support Guidance, and the consultation closed for comments on 13 July 2023. The FCA expects the rules to come into force in the first half of 2024 and proposes to withdraw the Mortgages Tailored Support Guidance at the same time. There can be no assurance that the FCA, or other UK government or regulatory bodies, will not take further steps in response to the rising cost of living in the UK which may impact the performance of the Loans, including further amending and extending the scope of the above guidance. Further detail in relation to the FCA response to the cost of living crisis is included in the section headed "*Risks relating to the Asset Pool – FCA response to the cost-of-living crisis*".

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

RISKS RELATING TO REGULATION OF THE COVERED BONDS

UK regulated covered bond regime

On 12 October 2011, the Issuer was admitted to the register of issuers, the Programme was admitted to the register of regulated covered bonds and any Covered Bonds issued under the Programme will be admitted to the register of regulated covered bonds.

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

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

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

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

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

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

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

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

Investors should be aware that the euro risk-free rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, among other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. On 11 May 2021, the euro risk-free rate working group published its recommendations on EURIBOR fallback trigger events and fallback rates.

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

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

- (a) any of these reforms or pressures described above or any other changes to a relevant interest rate benchmark (including EURIBOR and SONIA) could affect the level of the published rate, including to cause it to be lower and/or more volatile than it would otherwise be;
- (b) if EURIBOR or SONIA is discontinued or is otherwise unavailable, then the rate of interest on the Covered Bonds will be determined for a period by the fallback provisions provided for under Condition 4 (Interest) of the Terms and Conditions of the Covered Bonds, although such provisions in respect of EURIBOR, being dependent in part upon the provision by reference banks of offered quotations for leading banks in the Eurozone interbank market (in the case of EURIBOR), may not operate as intended (depending on market circumstances and the availability of rates information at the relevant time) and may in certain circumstances result in the effective application of a fixed rate based on the rate which applied in the previous period when EURIBOR or SONIA was available;
- (c) while an amendment may be made under Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution) in the Terms and Conditions of the Covered Bonds to change the EURIBOR or SONIA rate (as applicable) on the relevant Floating Rate Covered Bonds to an alternative base rate under certain circumstances broadly related to EURIBOR or SONIA (as applicable) dysfunction or discontinuation and subject to certain conditions, there can be no assurance that any such amendment will be made or, if made, that it: (i) will fully or effectively mitigate all relevant interest rate risks or result in an equivalent methodology for determining the interest rates on the relevant Floating Rate Covered Bonds; or (ii) will be made prior to any date on which any of the risks described in this risk factor may become relevant; and
- (d) if EURIBOR, SONIA or any other relevant interest rate benchmark is discontinued, there can be no assurance that the applicable fallback provisions under the Swap Agreements would operate to allow the transactions under the Swap Agreements to fully or effectively mitigate interest rate risk in respect of the Covered Bonds.

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

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

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

RISKS RELATING TO COUNTERPARTIES

Reliance of the LLP on third parties

The LLP has entered into agreements with a number of third parties, who have agreed to perform services for the LLP. In particular, but without limitation, the Servicer has been appointed to service Loans in the Portfolio sold to the LLP, the Cash Manager has been appointed to calculate and monitor compliance with the Asset Coverage Test and the Amortisation Test and to provide cash management services to the LLP, the Account Bank will provide the Transaction Account to the LLP and the Standby Account Bank will provide certain standby bank accounts. In the event that any of the third parties fail 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.

Reliance on Swap Providers

To provide a hedge against, among other things, possible variances in the rates of interest payable on 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 the Interest Rate Swap Agreement with the 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 such Swap Agreement may be terminated. Further, a Swap Provider is only obliged to make payments to the LLP as long as and to the extent that the LLP complies with its payment obligations under the relevant Swap Agreement. If a Swap Agreement terminates or the Swap Provider is not obliged to make payments thereunder 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.

In the event that the relevant rating of the Interest Rate Swap Provider or any guarantor, as applicable, falls below the Minimum Swap Counterparty Rating and, where applicable, as a result of the downgrade, the then current ratings of the Covered Bonds would or may, be adversely affected, the Interest Rate Swap Provider will be required to take certain remedial measures. If a Swap Agreement terminates, then the LLP may be obliged to make a termination payment to the relevant Swap Provider. There can be no assurance that the LLP will have sufficient funds available to make a termination payment under the relevant Swap Agreement, nor can there be any assurance that the LLP will be able to find a replacement swap counterparty which has sufficiently high ratings as may be specified in current rating agency criteria published by or as otherwise agreed with the Rating Agency as being sufficient to maintain the current ratings of the Covered Bonds and which agrees to enter into a replacement swap agreement.

Furthermore, if the LLP is obliged to pay a termination payment under any Swap Agreement, such termination payment will, in accordance with the Priorities of Payments, rank: (a) ahead of amounts due on the Covered Bonds in respect of the Interest Rate Swap; and (b) *pari passu* with amounts due on the Covered Bonds in respect of the Covered Bond Swaps, except in each case 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.

Change of counterparties

The parties to the Transaction Documents who receive and hold monies pursuant to the terms of such documents (such as the Account Bank and, if applicable, the Standby Account Bank) 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 Agency from time to time in relation to the short-term, unguaranteed and unsecured ratings ascribed to such party by Moody's. If the party concerned ceases to satisfy the applicable criteria, including the ratings criteria detailed above, then the rights and obligations of that party (including the right or obligation to receive 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. Furthermore, and as a specific case, in the event that the Account Bank ceases to hold the required Account Bank Rating, pursuant to the terms of the Bank Account Agreement, any funds standing to the credit of the Transaction Account held with the Account Bank shall be transferred to the Standby Transaction Account and held by the Standby Account Bank on the terms set out in the Standby Bank Account Agreement.

In addition, should the applicable criteria cease to be satisfied, 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.

RISKS RELATING TO STRUCTURAL AND DOCUMENTATION CHANGES

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 Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution), and certain provisions of the Trust Deed and the Deed of Charge, the Bond Trustee has the ability to agree to and/or direct the Security Trustee to agree to certain modifications, waivers and authorisations under the Covered Bonds and the Transaction Documents, without the consent or sanction of any of the Covered Bondholders or any of the other Secured Creditors (including that any Event of Default or Potential Issuer Event of Default or Potential LLP Event of Default will not be treated as such), **provided that** the Security Trustee is so directed by: (a) the Bond Trustee, so long as there are any Covered Bonds outstanding; or (b) all of the other Secured Creditors (excluding the Security Trustee and the Bond Trustee), if there are no Covered Bonds outstanding.

Subject to Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution) and the Trust Deed, the Bond Trustee must, or must direct the Security Trustee to, agree to modifications, waivers and authorisations as referred to above if so directed by: (a) an Extraordinary Resolution of the Covered Bondholders of the relevant one or more Series; or (b) 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.

In the case of the waiver of an Issuer Event of Default or an LLP Event of Default, the relevant one or more Series will be all Series taken together as a single Series. In all other cases referred to above, the relevant one or more Series will be those Series which, in the opinion of the Bond Trustee, are affected by the modification, waiver or authorisation, taken together as a single Series if, in the opinion of the Bond Trustee, there is no conflict between the interests of the Covered Bondholders of the affected Series, but otherwise taken separately.

In respect of any proposed modification, waiver, authorisation or determination prior to the Bond Trustee agreeing to any such modification, waiver, authorisation or determination, the Issuer must send written confirmation to the Bond Trustee (which confirmation the Bond Trustee shall be entitled to rely on absolutely):

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

See further Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution) for more particulars of the modification, waiver and authorisation provisions applicable to the Covered Bonds.

Any amendments to the Transaction Documents that affect the amount, timing or priority of any payments due between the Interest Rate Swap Provider or a Covered Bond Swap Provider and the LLP may, if so specified in the relevant Swap Agreement, constitute an additional termination event under that Swap Agreement unless the prior consent of the Interest Rate Swap Provider or Covered Bond Swap Provider is sought by the LLP to the proposed amendments. In addition, in relation to any amendments that affect the amount, timing or priority of any payments due between the Interest Rate Swap Provider or any Covered Bond Swap Provider, the LLP may, if so specified in the Swap Agreement, have a positive obligation to obtain the consent of the Swap Provider to such amendments prior to such amendments being effected.

Security Trustee's and Bond Trustee's powers

In the exercise of its duties, powers, trusts, authorities and discretions the Bond Trustee will only have regard to the interests of the Covered Bondholders. In the exercise of its duties, powers, trusts, authorities and discretions, the Security Trustee will not act on behalf of the Seller. In having regard to the interests of the Covered Bondholders, the Security Trustee will be entitled to rely solely on a written confirmation from the Bond Trustee as to whether, in the opinion of the Bond Trustee, any matter, action or omission is or is not in the interests of, or is not prejudicial or materially prejudicial to the interests of, the Covered Bondholders. The Bond Trustee will have sole responsibility for resolving

conflicts of interest as between the Covered Bondholders or any Series of them, subject to and in accordance with the provisions of the Trust Deed and the Conditions.

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.

MACROECONOMIC AND MARKET RISKS

Absence of secondary market

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

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

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

There is a risk that the market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the Conditions and used in relation to Floating Rate Covered Bonds that reference a SONIA rate issued under this Prospectus. Investors should carefully consider how any mismatch between the use of SONIA reference rates across other markets, such as the derivatives and loan markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Covered Bonds referencing Compounded Daily SONIA. Interest on Covered Bonds which reference a SONIA rate is only capable of being determined at the end of the relevant Observation Period and immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Covered Bonds which reference a SONIA rate to reliably estimate the amount of interest which will be payable on such Covered Bonds. Some

investors may be unable or unwilling to trade such Covered Bonds without changes to their IT systems, both of which could adversely impact the liquidity of the Covered Bonds. Further, if the Floating Rate Covered Bonds become due and payable under Condition 9 (Events of Default and Enforcement), the Rate of Interest payable shall be determined on the date on which the Covered Bonds became due and payable and shall not be reset thereafter. Investors should consider these matters when making their investment decision with respect to any such Floating Rate Covered Bonds.

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

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

LEGAL AND REGULATORY RISKS

Changes of law

The structure of the issue of the Covered Bonds and the ratings which are to be assigned to them are based on English law and, in relation to the 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 (including any change in regulation which may occur without a change in primary legislation) or administrative practice (in the UK or to UK taxation law or the practice of HMRC, 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.

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 included in the Transaction Documents relating to subordination of payments under the Priorities of Payments.

The 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 this conflict remain unsolved.

If a creditor of the LLP (such as a swap counterparty) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales (including, but not limited to, the U.S.), and it is owed a payment by the LLP, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the English law governed Transaction Documents (such as a provision of the Priorities of Payments which refers to the ranking of the swap counterparties' payment rights). In particular, based on the decision of the U.S. Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under U.S. bankruptcy laws. Such laws may be relevant in certain circumstances with respect to a range of entities which may act as swap counterparty, including U.S. established entities and certain non-U.S. established entities with assets or operations in the U.S. (although the scope of any such proceedings may be limited if the relevant non-U.S. entity is a bank with a licensed branch in a U.S. state). In general, if a subordination provision included in the Transaction Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales and any relevant foreign judgment or order was recognised by the English courts, there can be no assurance that such actions would not adversely affect the rights of the Covered Bondholders, the market value of the Covered Bonds and/or the ability of the LLP to satisfy its obligations under the Covered Bond Guarantee.

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

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*".

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 not settled. The fixed charges purported to be granted by the LLP may take effect under English law as floating charges only, if, for example, it is determined that the Security Trustee does not exert sufficient control over the Charged Property for the security to be said to constitute fixed charges. If the charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Security Trustee in respect of the floating charge assets. In particular, the "prescribed part" (referred to below), the expenses of any administration and/or winding-up and the claims of any preferential creditors would rank ahead of the claims of the Security Trustee in this regard. Although the Enterprise Act 2002 abolished the preferential status of certain Crown debts (including the claims of the UK tax authorities), the Finance Act 2020 took effect from 1 December 2020 and reintroduced certain amounts owed to the UK tax authorities as 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. Further, certain employee claims (in respect of contributions to pension schemes and wages) 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.

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. In certain circumstances,

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

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

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

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 such a reduction in floating charge realisations.

Limited Liability Partnerships

The LLP is a limited liability partnership. Limited liability partnerships, created by statute pursuant to the 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.

UK Banking Act 2009

The Banking Act 2009 (the **Banking Act**), as amended, 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 Registrar, the Account Bank, the Standby Account Bank and the Interest Rate Swap Provider and may include some Covered Bond Swap Providers. In addition, powers may be used in certain circumstances in respect of UK established banking group companies, where such companies are in the same group as a relevant UK or third-country institution.

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

In general, the Banking Act requires the UK authorities to have regard to specified objectives in exercising the powers provided for by the 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 the relevant 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) 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 Registrar, the Account Bank, the Standby Account Bank, the Interest Rate Swap Provider or the Covered Bond Swap Provider 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 the entities referred to above and there has been no indication that any such instrument or order will be made, but there can be no assurance that this will not change and/or that Covered Bondholders will not be adversely affected by any such instrument or order if made. While there is provision for compensation to be ordered in certain circumstances under the Banking Act, there can be no assurance that Covered Bondholders would recover compensation promptly and equal to any loss actually incurred. It should also be noted that any extraordinary public financial support provided to a relevant institution through any stabilisation action (such as temporary public ownership) would be used by the UK authorities as a last resort only after having assessed and exploited, to the maximum extent practicable, the resolution tools and powers described above.

Lastly, as a result of the BRRD providing for the establishment of an EEA-wide framework for the recovery and resolution of credit institutions and investment firms and any relevant national implementing measures, it is possible that an institution with its head office in an EEA state and/or certain group companies (such as a relevant Covered Bond Swap Provider) could be subject to certain resolution actions in that 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.

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. Prospective investors should therefore make themselves aware of such requirements (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.

In particular, it should be noted that the Basel Committee on Banking Supervision (the **BCBS**) has approved a series of significant changes to the Basel regulatory capital and liquidity framework 7 (such changes being referred to by the BCBS as **Basel III** and referred to, colloquially, as Basel III in respect of reforms finalised prior to 7 December 2017 and **Basel IV** 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 BCBS released a statement on 3 October 2023 which shows good progress among member states in implementing Basel III standards. However, as implementation of Basel III requires national legislation, the final rules and the timetable for its implementation in each jurisdiction, as well as the treatment of covered bonds, may be subject to some level of national variation. It should also be noted that changes to regulatory capital requirements have been made for insurance and reinsurance undertakings through participating jurisdiction initiatives, such as the Solvency II framework in EU member states. 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.

In addition, it should be noted that in the UK, the PRA published a Consultation Paper on 30 November 2022 (CP 16/22) on the implementation of the Basel IV standards (which the PRA refers to as Basel 3.1). The consultation closed on 31 March 2023. This consultation, among other things, proposed changes relating to the use of external credit ratings, a floor for the use of internal models, and a stricter delineation between the banking and trading books. Taking into account the publicly announced implementation timetables in other major jurisdictions, and the need to provide firms with sufficient time to implement the final policies, the PRA proposed in its statement in September 2023 that it intends to move the implementation date of the final Basel IV policies by six months to 1 July 2025 and intends to reduce the transitional period to 4.5 years to ensure full implementation by 1 January 2030. Furthermore, the PRA intends to publish its near-final Basel IV policies on the implementation of the final Basel standards in Q2 2024.

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

Such changes, either individually and/or in aggregate, may lead to further unexpected and enhanced requirements in relation to the Co-operative Bank Group's capital, leverage, liquidity and funding ratios or alter the way such ratios are calculated. The changes may also affect investors that are subject to regulatory capital requirements.

A market perception or actual shortage of capital issued by the Co-operative Bank Group could result in governmental actions, including requiring the Co-operative Bank Group to issue additional common equity tier 1 securities, requiring the Co-operative Bank Group to retain earnings or suspend dividends or issuing a public censure or the imposition of sanctions. This may affect the Co-operative Bank Group's capacity to continue its business operations, generate a return on capital, pay future dividends or pursue acquisitions or other strategic opportunities, impacting future growth potential. If the Co-operative Bank Group is unable to raise this capital, this could affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

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

In addition, preferential regulatory treatment under Article 129 of the EU CRR is not available in respect of the Covered Bonds after 31 January 2020 following the UK's departure from the EU. Furthermore, none of the Covered Bonds will be grandfathered under the EU covered bond reforms, given that the new covered bond directive provides for permanent grandfathering for Article 52(4) UCITS Directive-compliant covered bonds issued by an issuer with its registered office in an EU member state before the relevant implementing measures came into force, provided there is continued supervision by the relevant designated competent authority in the EU (similar grandfathering provisions are also provided for in the new regulation). The Covered Bonds may be eligible as Level 2A assets under Delegated Regulation (EU) 2018/1620 (as amended), provided that certain equivalence and transparency requirements are met, as to which no assurances are made and prospective investors should therefore make themselves aware of the changes in addition to any other applicable regulatory requirements with respect to their investment in the Covered Bonds.

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 OTC derivatives, central counterparties and trade repositories (**EU EMIR**), each as amended from time to time. UK EMIR and EU EMIR establish certain requirements for OTC derivatives contracts, including (i) a mandatory clearing obligation for certain classes of OTC derivatives contracts (the **Clearing Obligation**), (ii) margin posting, daily valuation and other risk-mitigation techniques for OTC derivatives contracts not cleared

by a central counterparty (the **Risk Mitigation Requirements**), and (iii) certain reporting and recordkeeping requirements.

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) do not exceed a specified clearing threshold (**NFC-s**). Whereas FCs (excluding small FCs) and NFC+ entities must clear in-scope OTC derivatives contracts that are entered into on or after the effective date for the relevant Clearing Obligation, such obligation does not apply in respect of NFC- entities.

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

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

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. It should also 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 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 Swap and Covered Bond Swap, 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 Swap and Covered Bond Swap 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.

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.

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 and shall direct the Security Trustee to agree to modifications to satisfy the requirements of EU EMIR and/or UK EMIR, as applicable, 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 the Covered Bondholders' interests (see risk factor "*Risks Relating to structural and documentation changes - 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*").

Financial Services Compensation Scheme

The Financial Services and Markets Act 2000 (the **FSMA**) established the Financial Services Compensation Scheme (the **FSCS**), which pays compensation to eligible customers of authorised financial services firms which are unable, or are likely to be unable, to pay claims against them. Claims on the FSCS are funded by levies on UK deposit-taking institutions. An institution's FSCS levy is linked to its share of the UK deposit market. The FSCS levy may have a notable impact on the profits of the Issuer.

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

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

EU CRA Regulation and UK CRA Regulation

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

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

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third-country non-UK credit rating agencies, third-country credit ratings can either be: (a) endorsed by a UK-registered credit rating agency; or (b) issued by a third-country credit rating agency that is certified in accordance with the UK CRA Regulation. Note 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.

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. The Issuer 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 with" the Issuer.

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.

Volcker Rule

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

If the SEC or a court of competent jurisdiction were to find that the Issuer is required to register as an investment company under the Investment Company Act but failed to do so, possible consequences include, but are not limited to, the following: (i) the SEC may seek an order of a district court enjoining the LLP from continuing to conduct business as an unregistered investment company; and (ii) any

contract to which the Issuer is a party would be rendered unenforceable in a proceeding by an aggrieved party against the Issuer, unless a court were to find that under the circumstances enforcement would produce a more equitable result than non-enforcement and would not be inconsistent with the purposes of the Investment Company Act. Should the LLP be subjected to any or all of the foregoing, the LLP and the investors in the Covered Bonds could be materially and adversely affected.

The general effects of the Volcker Rule remain uncertain. Any prospective investor in the Covered Bonds, including a U.S. or foreign bank or a subsidiary or other affiliate thereof, should consult its own legal advisers regarding such matters and other effects of the Volcker Rule (including, but not limited to, whether such investor is a banking entity subject to regulation under the Volcker Rule).

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. The Covered Bonds will be issued outside the United States in reliance on Regulation S, or in transactions otherwise exempt from registration under the Securities Act.

Bearer Covered Bonds

Each Tranche of Bearer Covered Bonds will be initially issued in the form of a temporary global covered bond without 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 will:

- (a) if the Bearer Global Covered Bonds are intended to be issued in 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 (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, S.A. (**Clearstream, Luxembourg**); and
- (b) if the Bearer Global Covered Bonds are not intended to be issued in NGCB form, be delivered on or prior to the original issue date of the Tranche to a common depository (the **Common Depository**) for Euroclear and Clearstream, Luxembourg.

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

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

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

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

The exchange of a Permanent Global Covered Bond for definitive Covered Bond 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 in with a minimum Specified Denomination (such as €100,000 (or its equivalent in another currency)) plus one or more higher integral multiples of another smaller amount (such as €1,000 (or its equivalent in another currency)). Furthermore, such Specified Denomination construction is not permitted in relation to any issue of 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 Permanent Global Covered Bonds and Bearer Definitive Covered Bonds which have an original maturity of more than one year and on all interest coupons relating to such Bearer Covered Bonds:

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

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

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

Registered Covered Bonds

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

Registered Global Covered Bonds will either: (i) in the case of Registered Global Covered Bonds not to be held in the New Safekeeping Structure, be deposited with a common depository for Euroclear and Clearstream, Luxembourg, and registered in the name of a common nominee of the common depository; or (ii) in the case of Registered Global Covered Bonds to be held in the New Safekeeping Structure, be registered in the name of the common safekeeper or its nominee for Euroclear and Clearstream, Luxembourg and/or any other relevant clearing system, each as specified in the applicable Final Terms.

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

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

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

Interests in a Registered Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for Registered Definitive Covered Bonds without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that: (a) in the case of Covered Bonds registered in the name of a nominee for a common depository or common safekeeper, as the case may be for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or (b) 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 (Notices) if an Exchange Event occurs. In the event of the

occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any registered holder of an interest in such Registered Global Covered Bond) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (c) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.

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 which are different from the common code and ISIN 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 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.

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

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 to be 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 intraday credit operations by the Eurosystem at issuance or at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

FORM OF FINAL TERMS

[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 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 target market assessment) and determining appropriate distribution channels.]³

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.

Dated [●]

THE CO-OPERATIVE BANK P.L.C.

Legal entity identifier (LEI): 213800TLZ6PCLYPSR448

Issue of Regulated [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds] irrevocably and unconditionally guaranteed as to payment of principal and interest by Moorland Covered Bonds LLP under the £4 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 supplement[s] dated [date] [and [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 such Prospectus in order to obtain all the relevant information. Copies of the Prospectus [and the supplements] [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.co-operativebank.co.uk/about-us/investor-relations/debt-investors/>.

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

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

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

9. 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 [●]]
10. Interest Basis: [[●] per cent. Fixed Rate]
[[Compounded Daily SONIA/EURIBOR] +/- [●] per cent.]
[Floating Rate]
[Zero Coupon]
11. Redemption/Payment Basis: [●] per cent of the nominal value
12. Change of Interest Basis or Redemption/Payment Basis: [●]/[in accordance with paragraphs [18] and [19] below]
13. Call Options: [Issuer Call]/[Not Applicable]
14. [Date [Board] approval for issuance of Covered Bonds and Guarantee obtained: [●][and [●], respectively]]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Covered Bond Provisions: [Applicable/Not Applicable]
- (i) Fixed Rate(s) of Interest: [●] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [●] in each year up to and including the [Final Maturity Date] [Extended Due for Payment Date/(provided however that after the Extension Determination Date, the Interest Payment Date shall be [monthly])]
- (iii) Business Day(s): [●]
- (iv) Additional Business Centre(s): [●]/[Not Applicable]
- (v) Fixed Coupon Amount(s): [●] per Calculation Amount
- (vi) Initial Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]/[Not Applicable]
- (vii) Final Broken Amount: [●]
- (viii) Day Count Fraction: [30/360]/[Actual/Actual (ICMA)]
- (ix) Determination Date(s): [[●] in each year]/ [Not Applicable]

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

[Where Index Determination is applicable, "Shift" should be specified as the Observation Method]

- (vii) ISDA Determination: [Applicable]/[Not Applicable]
- Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
- (viii) Margin(s): [+/-] [●] *per cent.* per annum.
- (ix) Minimum Rate of Interest: [●] *per cent.* per annum
- (x) Maximum Rate of Interest: [●] *per cent.* per annum
- (xi) Day Count Fraction: [Actual/Actual (ISDA)
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30/360
360/360
Bond Basis
30E/360
Eurobond Basis
30E/360 (ISDA)]
17. Zero Coupon Covered Bond Provisions: [Applicable/Not Applicable]
- Accrual Yield: [●] *per cent.* per annum
- Reference Price: [●]
- (i) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (ii) Business Day(s): [●]
- (iii) Additional Business Centre(s): [●]/[Not Applicable]
- (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Condition 6(e) (Early Redemption Amounts) applies]

PROVISIONS RELATING TO REDEMPTION BY THE ISSUER

18. Issuer Call: [Applicable/Not Applicable]

- (i) Optional Redemption Date(s):
- (ii) Optional Redemption Amount and method, if any, of calculation of such amount(s): per Calculation Amount
19. Final Redemption Amount: [Nominal Amount]/[per Calculation Amount]
20. 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

21. New Global Covered Bond: [Yes] [No]
22. 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 Date /on not less than 60 days' notice]
 [Temporary Global Covered Bond exchangeable for Bearer Definitive Covered Bonds only after an Exchange Date]
 [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:
 [Registered Global Covered Bond registered in the name of a nominee for [a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]]
23. 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 safekeeper⁴]

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

and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Covered Bonds are capable of meeting them the Covered Bonds may then be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper⁵]. 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.]

24. Additional Financial Centre(s): /[Not Applicable]
25. 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]

⁵ Include this text for Registered Covered Bonds.

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing and 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/ are expected to be] rated:

Moody's: [●]

[Include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]

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 and may in the future engage in investment banking and/or commercial banking transactions with and may perform other services for the Issuer and/or the LLP and/or it or their affiliates in the ordinary course of business.

4. REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

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

5. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) Name(s) of Dealer(s): [Not Applicable/give names]
- (iii) Stabilising Manager(s) (if any): [Not Applicable/[●]]

- (iv) U.S. Selling Restrictions: [Regulation S compliance Category 1/2/3]; [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)

- (i) Indication of yield: [●]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

7. OPERATIONAL INFORMATION

- (i) ISIN Code: [●]
- (ii) Common Code: [●]
- (iii) 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]
- (iv) 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]
- (v) Delivery: Delivery [against/free of] payment
- (vi) Names and addresses of additional Paying Agent(s) (if any): [●]/ [Not applicable]

8. RELEVANT BENCHMARKS

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

the scope of the UK Benchmarks Regulation]/[Not
Applicable]

Signed on behalf of the Issuer:

Signed on behalf of the LLP:

By:
Duly authorised

By:
Duly authorised

TERMS AND CONDITIONS OF THE COVERED BONDS

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

This Covered Bond is one of a Series (as defined below) of Covered Bonds issued by the Co-operative Bank p.l.c. (the **Issuer**) constituted by a trust deed entered into by, *inter alios*, the Issuer, the Bond Trustee (as defined below) and the Security Trustee (as defined below) on 20 April 2009 (the **Initial Programme Date**), as modified and supplemented on 13 October 2011 (the **Programme Date**) and as further supplemented on 31 October 2012 and 21 September 2023 (such trust deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) made between the Issuer, Moorland 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 includes any successor as Bond Trustee) and as security trustee (in such capacity, the **Security Trustee**, which expression shall include any successor as Security Trustee).

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

- (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 on the Initial 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 registrar (in such capacity, the **Registrar**, which expression shall include any successor registrar) and as transfer agent (in such capacity, a **Transfer Agent** and together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents as amended and restated on the Programme Date, 31 October 2012 and 21 September 2023 and as further amended and/or restated and/or supplemented from time to time. As used herein, **Agents** means the Paying Agents 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.

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) in the applicable Final Terms, 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, first Interest Payment Date, amount of first Interest Payment 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 an Issuer Event of Default and service by the Bond Trustee of an Issuer Acceleration Notice on the Issuer or, if earlier, service by the Bond Trustee of a Notice to Pay on the LLP 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 21 September 2023 (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 are available for inspection: (i) during normal business hours at the registered office for the time being of the Bond Trustee being as at the date of this Prospectus 8 Canada Square, Canary Wharf, London, E14 5HQ and at the specified office of each of the Paying Agents; (ii) electronically on request to the Bond Trustee or any of the Paying Agents; or (iii) online at <https://www.co-operativebank.co.uk/about-us/investor-relations/debt-investors/>. Copies of the applicable Final Terms for all Covered Bonds of each Series (including in relation to unlisted Covered Bonds of any Series) are obtainable during normal business hours at the specified office of each of the Paying Agents and any 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 the Initial Programme Date as amended and restated on the Programme Date, 31 October 2012, 17 January 2014 and 21 September 2023 (as the same may be amended and/or supplemented and/or restated and/or varied 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.

This Covered Bond may be denominated in any currency.

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 depository (in the case of a CGCB (as defined below)) or common safekeeper (in the case of a NGCB (as defined below)) or a Registered Global Covered Bond held under the New Safekeeping Structure) for Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking, S.A. (**Clearstream, Luxembourg**) or so long as a common safekeeper or a common depository (as applicable) for Euroclear and/or Clearstream, Luxembourg is the registered holder of a Registered Global Covered Bond, each

person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Covered Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Covered Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error and any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream's Cedcom system) in accordance with its usual procedures and in which the holder of a particular nominal amount of the Covered Bonds is clearly identified with the amount of such holding) shall be treated by the Issuer, the LLP, the Paying Agents, the Security Trustee and the Bond Trustee as the holder of such nominal amount of such Covered Bonds for all purposes other than with respect to the payment of principal or interest or other amounts on such nominal amount of such Covered Bonds, for which purpose the bearer of the relevant Global Covered Bond or the registered holder of the relevant Registered Global Covered Bond shall be treated by the Issuer, the LLP, any Paying Agent, the Security Trustee and the Bond Trustee as the holder of such nominal amount of such Covered Bonds in accordance with and subject to the terms of the relevant Global Covered Bond and the expression **Covered Bondholder** and related expressions shall be construed accordingly. Covered Bonds which are represented by a Global Covered Bond will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

References to 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 registered Global Covered Bonds (**Registered Global Covered Bonds**) will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Covered Bond will, subject to compliance with all applicable legal and regulatory restrictions, be exchangeable for 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 Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

(b) Transfers of Registered Covered Bonds in definitive form

Subject as provided in Conditions 2(e) (Transfers of interests in Registered Global Covered Bonds) and 2(f) (Exchanges and transfers of Registered Covered Bonds generally) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Covered Bond in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer: (i) the holder or holders must: (A) surrender the Registered Covered Bond for registration of the transfer of the Registered Covered

Bond (or the relevant part of the Registered Covered Bond) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing; and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent; and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Bond Trustee, 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 (Redemption and Purchase), the Issuer shall not be required to register the transfer of any Registered Covered Bond, or part of a Registered Covered Bond, called for partial redemption.

(d) *Costs of registration*

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

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

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

(f) *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.

(g) Definitions

In the Conditions, the following expressions 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);

New Global Covered Bond or 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;

Regulation S means Regulation S under the Securities Act; and

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

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

(a) Status of the Covered Bonds

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

(b) Status of the Covered Bond Guarantee

The payment of Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for Payment has been unconditionally and irrevocably guaranteed by the LLP (the **Covered Bond Guarantee**) in the Trust Deed. However, the LLP shall have no obligation under the Covered Bond Guarantee to pay any Guaranteed Amounts until the occurrence of an Issuer Event of Default, service by the Bond Trustee on the Issuer of an Issuer Acceleration Notice and service by the Bond Trustee on the LLP of a Notice to Pay or, if earlier, following the occurrence of an LLP Event of Default and service by the Bond Trustee of an LLP Acceleration Notice. The obligations of the LLP under the Covered Bond Guarantee are direct (following an Issuer Event of Default, service of an Issuer Acceleration Notice and service of a Notice to Pay or an LLP Event of Default and service of an LLP Acceleration Notice), unconditional and unsubordinated obligations of the LLP, which are secured and limited in recourse 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 (Events of Default and Enforcement)) 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 obligations of the LLP 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 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 where a Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

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

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

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

- (i) if **Actual/Actual (ICMA)** is specified in the applicable Final Terms:
 - (A) in the case of Covered Bonds where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of: (1) the number of days in such Determination Period; and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (B) in the case of Covered Bonds where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of: (x) the number of days in such Determination Period; and (y) the number of Determination Dates that would occur in one calendar year; and
 - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of: (x) the number of days in such Determination Period; and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if **30/360** is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

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

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

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

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

(b) Interest on Floating Rate Covered Bonds

(i) Interest Payment Dates

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

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

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

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

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

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

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre (other than T2) specified in the applicable Final Terms;
- (B) if T2 is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System or any successor or replacement for that system (**T2**) is open; and
- (C) 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 (in addition to London and any Additional Business Centre); or (2) in relation to any Covered Bonds denominated or payable in euro, a day on which T2 is open.

(ii) ***Rate of Interest***

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

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

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this 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 those terms in the ISDA Definitions.

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

(B) Screen Rate Determination for Floating Rate Covered Bonds

EURIBOR

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined and the Reference Rate in respect of the 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 fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11:00 a.m. 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.

SONIA

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

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

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

$$\left[\prod_{i=1}^{d_0} \left(1 + \frac{SONIA_{i-PLBD} \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

or

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

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

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

where:

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

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

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

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

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

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

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

LBD means a London Business Day;

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

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

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

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

Fallback provisions

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

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

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

- (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 (Events of Default and Enforcement), the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Final Terms, be deemed to be the date on which such Covered Bonds became due and payable and the Rate of Interest on such

Covered Bonds shall, for so long as any such Covered Bond remains outstanding, be that determined on such date.

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

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

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of this Condition 4 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 this Condition 4 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** or **Actual/Actual (ISDA)** is specified in the applicable Final Terms the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of: (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366; and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (B) if **Actual/365 (Fixed)** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

- (C) if **Actual/365 (Sterling)** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (D) if **Actual/360** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (E) if **30/360, 360/360** or **Bond Basis** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + [(D_2 - D_1)]}{360}$$

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;

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

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + [(D_2 - D_1)]}{360}$$

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;

- (G) 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:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + [(D_2 - D_1)]}{360}$$

where:

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

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

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

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

D₁ is the first calendar day, expressed as a number, of the Interest Period, unless: (i) that day is the last day of February; or (ii) such number would be 31, in which case **D₁** will be 30;

D₂ is the calendar day, expressed as a number, immediately following the last day of the Interest Period, unless: (i) that day is the last day of February but not the Final Maturity Date (or, as the case may be, the Extended Due for Payment Date); or (ii) such number would be 31, in which case **D₂** will be 30.

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

The Principal Paying Agent (in the case of Floating Rate Covered Bonds) will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Bond Trustee and to any stock exchange or other relevant competent authority or quotation system on which the relevant Floating Rate Covered Bonds are for the time

being listed, quoted and/or traded or by which they have been admitted to listing and to be published in accordance with Condition 13 (Notices) as soon as possible after their determination but in no event later than the fourth Business Day (as defined in Condition 4(b)(i) (Interest Payment Dates)) thereafter by the Principal Paying Agent. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment or alternative arrangements will be promptly notified to the Bond Trustee and each stock exchange or other relevant authority on which the relevant Floating Rate Covered Bonds 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 (Notices).

(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 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 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 (Taxation); and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or guidance thereunder, any official interpretations thereof, any intergovernmental agreement for the implementation of the foregoing or any law implementing such an intergovernmental agreement. 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 its territories, its possessions and other areas subject to its jurisdiction)).

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 (Taxation)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8 (Prescription)) or, if later, six years from the date on which such Coupon would otherwise have become due.

Upon amounts in respect of any Fixed Rate Covered Bond in definitive bearer form becoming due and repayable by the Issuer (in the absence of a Notice to Pay) or LLP under the Covered Bond Guarantee prior to its Final Maturity Date (or, as the case may be, Extended Due for Payment Date), all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the due date for redemption of any Floating Rate Covered Bond 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 (other than instalments of principal prior to the final instalment) in respect of each Registered Covered Bond (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Covered Bond at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by 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 maintained by a holder with a Designated

Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Covered Bond (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the Business Day in the city where the specified office of the Registrar is located on the relevant due date to the holder (or the first named of joint holders) of the Registered Covered Bond appearing in the Register at the close of business on the Business Day before the relevant due date (the **Record Date**) at the holder's address shown in the Register on the Record Date and at the holder's risk. Upon application of the holder to the specified office of the Registrar not less than three Business Days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Covered Bond, the payment may be made by electronic transfer on the due date in the manner provided in the preceding paragraph. Any such application for electronic transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Covered Bonds which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Covered Bond on redemption will be made in the same manner as payment of the principal in respect of such Registered Covered Bond.

Holders of Registered Covered Bonds will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Covered Bond as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Covered Bonds.

None of the Issuer, the LLP, the Bond Trustee, the Security 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 Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Covered Bonds represented by such Global Covered Bond must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for their share of each payment so made by the Issuer or the LLP to, or to the order of, the holder of such Global Covered Bond (or the Bond Trustee, as the case may be). No person other than the holder of the relevant Global Covered Bond (or, as provided in the Trust Deed, the Bond Trustee)

shall have any claim against the Issuer or the LLP in respect of any payments due on that Global Covered Bond.

Notwithstanding the foregoing provisions of this Condition, payments of principal and/or interest in U.S. Dollars in respect of the Bearer Covered Bonds will only be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. Dollars at such specified offices outside the United States of the full amount of interest on the Bearer Covered Bonds in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. Dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the LLP, adverse tax consequences to the Issuer or the LLP.

(f) *Payment Day*

If the date for payment of any amount in respect of any Covered Bond or Coupon is not a Payment Day (as defined below), the holder thereof shall not be entitled to payment of the relevant amount due until the next following Payment Day and shall not be entitled to any interest or other sum in respect of any such delay. In this Condition (unless otherwise specified in the applicable Final Terms), **Payment Day** means any day which (subject to Condition 8 (Prescription)) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (A) the relevant place of presentation;
 - (B) London; and
 - (C) any Additional Financial Centre specified in the applicable Final Terms; and
- (ii) either: (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London or any Additional Financial Centre); or (2) in relation to any sum payable in euro, a day on which T2 is open.

(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 and without double counting:

- (A) any additional amounts which may be payable with respect to principal under Condition 7 (Taxation) or under any undertakings or covenants given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (B) the Final Redemption Amount of the Covered Bonds;
- (C) the Principal Amount Outstanding of the Covered Bonds;
- (D) the Early Redemption Amount of the Covered Bonds;
- (E) the Optional Redemption Amount(s) (if any) of the Covered Bonds;
- (F) in relation to Zero Coupon Covered Bonds, the Amortised Face Amount (as defined in Condition 6(e) (Early Redemption Amounts));
- (G) any premium and any other amounts (other than interest) which may be payable under or in respect of the Covered Bonds; and
- (H) any Excess Proceeds which may be payable by the Bond Trustee under or in respect of the Covered Bonds.

Any reference in these Conditions to interest in respect of the Covered Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 (Taxation) or under any undertakings given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

(h) 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 and Floating Rate Covered Bonds, as determined in, or as determined in the manner specified in, the applicable Final Terms.

Treaty means the Treaty on the Functioning of the European Union, as amended.

6. Redemption and Purchase

(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 (Events of Default and Enforcement), after the expiry of any applicable grace period set out in Condition 9(a) (Issuer Events of Default):

- (i) an Issuer Event of Default in respect of non-payment of the Final Redemption Amount occurs under Condition 9(a)(i), and following service of a Notice to Pay on the LLP, the LLP has insufficient moneys available to apply under the Guarantee Priority of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of the relevant Series of Covered Bonds in full on the Extension Determination Date; or
- (ii) any other Issuer Event of Default occurs, and following service of a Notice to Pay on the LLP, the LLP has insufficient moneys available under the Guarantee Priority of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of the relevant Series of Covered Bonds in full on the earlier of:
 - (A) the Extension Determination Date; and
 - (B) the later of: (x) the Final Maturity Date; and (y) the date falling two Business Days after the service of such Notice to Pay,

then payment of the unpaid Final Redemption Amount referred to in paragraphs (i) and (ii) above by the LLP under the Covered Bond Guarantee shall be deferred until the Extended Due for Payment Date, provided that such unpaid amount (or part thereof) may (subject to the order of priority set out in the Guarantee Priority of Payments) be paid by the LLP on each 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 or not payment will 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 (Notices)), the Rating Agency, the Swap Providers, 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 two Business Days prior to the earlier of the dates specified in paragraph (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: (a) the date falling two Business Days after the service of a Notice to Pay or if later the Final Maturity Date (or, in each case, after the expiry of the grace period set out in Condition 9(a)(i));

and (b) the Extension Determination Date, apply the moneys (if any) available (after paying or providing for payment of higher ranking or *pari passu* amounts in accordance with the Guarantee Priority of Payments) *pro rata* in part payment of an amount equal to the Final Redemption Amount of each Covered Bond of the relevant Series of Covered Bonds and shall pay Guaranteed Amounts constituting the Scheduled Interest in respect of each such Covered Bond on such date. The obligation of the LLP to pay any amounts in respect of the balance of the Final Redemption Amount not so paid shall be deferred as described above. Such failure to pay by the LLP shall not constitute an LLP Event of Default.

Any discharge of the obligations of the Issuer as the result of the payment of Excess Proceeds to or to the order of 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) (Final redemption).

For the purposes of these Conditions:

Extended Due for Payment Date means, in relation to any Series of Covered Bonds, the date 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 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 (after the expiry of the grace period set out in Condition 9(a)(i); or (b), 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.

Final Maturity Date means the Interest Payment Date on which each Series of Covered Bonds will be redeemed at their Final Redemption Amount in accordance with the Conditions.

Guarantee Priority of Payments means the priority of payments relating to moneys standing to the credit of the Transaction Account to be paid on each LLP Payment Date in accordance with the Trust Deed.

Rating Agency means Moody's Investors Service Limited or its successors, to the extent they provide ratings in respect of the Covered Bonds.

(b) *Redemption for taxation reasons*

The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time (if such Covered Bond is not a Floating Rate Covered Bond), or on any Interest Payment Date (if such Covered Bond is a Floating Rate Covered Bond), on giving not less than 30 nor more than 60 days' notice to the Bond Trustee, the Swap Providers and, in accordance with Condition 13 (Notices), the Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Bond Trustee immediately before the giving of such notice that on the occasion of the next date for payment of interest, the Issuer is or will be required to pay additional amounts as provided in Condition 7 (Taxation). Covered Bonds redeemed pursuant to this Condition 6(b) will be redeemed at their Early Redemption Amount referred to in Condition 6(e) (*Early*

Redemption Amounts) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) *Redemption at the option of the Issuer (Issuer Call)*

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having 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, the Swap Providers and, in accordance with Condition 13 (Notices), 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. In the case of a partial redemption of Covered Bonds, the Covered Bonds to be redeemed (the **Redeemed Covered Bonds**) will be selected individually by lot, in the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Covered Bonds represented by a Global Covered Bond, in each case, not more than 60 days' prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, a list of the serial numbers of such Redeemed Covered Bonds will be published in accordance with Condition 13 (Notices) not less than 30 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Covered Bonds represented by Definitive Covered Bonds shall bear the same proportion to the aggregate nominal amount of all Redeemed Covered Bonds as the aggregate nominal amount of Definitive Covered Bonds outstanding bears to the aggregate nominal amount of the Covered Bonds outstanding, in each case on the Selection Dates, **provided that** such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Covered Bonds represented by a Global Covered Bond shall be equal to the balance of the Redeemed Covered Bonds. No exchange of the relevant Global Covered Bond will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6(c) and notice to that effect shall be given by the Issuer to the Covered Bondholders in accordance with Condition 13 (Notices) at least 30 days prior to the Selection Date.

(d) *Redemption due to illegality*

The Covered Bonds of all Series may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bond Trustee, the Swap Providers, the Principal Paying Agent, the Registrar and, in accordance with Condition 13 (Notices), 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) (Early Redemption Amounts) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(e) *Early Redemption Amounts*

For the purpose of Conditions 6(b) (Redemption for taxation reasons), 6(d) (Redemption due to illegality) and Condition 9 (Events of Default and Enforcement), each Covered Bond will be redeemed at its Early Redemption Amount calculated as follows:

- (i) in the case of a Covered Bond with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Covered Bond (other than a Zero Coupon Covered Bond) 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 the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (iii) in the case of a Zero Coupon Covered Bond, at an amount (the **Amortised Face Amount**) equal to the sum of:
 - (a) the Reference Price; and
 - (b) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date of the first Tranche of the Covered Bonds to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Covered Bond becomes due and repayable, or such other amount as is provided in the applicable Final Terms.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made: (i) in the case of a Zero Coupon Covered Bond payable in a Specified Currency other than euro, on the basis of a 360-day year consisting of 12 months of 30 days each; or (ii) in the case of a Zero Coupon Covered Bond payable in euro, on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed falls in a leap year, the sum of: (x) the number of those days falling in a leap year divided by 366; and (y) the number of those days falling in a non-leap year divided by 365); or (iii) on such other calculation basis as may be specified in the applicable Final Terms.

(f) Purchases

The Issuer or any of its subsidiaries or the LLP may at any time subscribe for, 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).

If the Issuer or any of its subsidiaries purchases or otherwise acquires Covered Bonds other than in connection with an Issue Date, the Issuer shall, or the Issuer shall procure that its subsidiaries shall, no later than 30 Business Days prior to such purchase or acquisition notify each relevant Swap Provider of its intention to purchase or otherwise acquire the relevant Covered Bonds.

(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) (Purchases) above 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) (Final redemption), 6(b) (Redemption for taxation reasons) and 6(c) (Redemption at the option of the Issuer (Issuer Call)) above or upon its becoming due and repayable as provided in Condition 9 (Events of Default and Enforcement) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Covered Bond will be the amount calculated as provided in Condition 6(e)(iii) 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 the date on which:

- (i) all amounts due in respect of such Zero Coupon Covered Bond have been paid; and
- (ii) the full amount of the moneys payable in respect of such Zero Coupon Covered Bonds has been received by the Principal Paying Agent or the Bond Trustee or the Registrar and notice to that effect has been given to the Covered Bondholders either in accordance with Condition 13 (Notices) or individually.

(i) Certification on redemption under Condition 6(b), 6(b) and 6(d)

Prior to the publication of any notice of redemption pursuant to Conditions 6(b) (Redemption for taxation reasons), 6(c) (Redemption at the option of the Issuer (Issuer Call)) and 6(d) (Redemption due to illegality), the Issuer shall deliver to the Bond Trustee a certificate signed by two Authorised Signatories (as defined in the Master Definitions 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.

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 free and clear of, and 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 UK 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 such 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 presented for payment:

- (a) in the United Kingdom; or
- (b) by or on behalf of a holder who: (i) is able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration of non-residence or other claim for exemption to the relevant taxing authority but fails to do so; or (ii) is liable for such taxes, duties, assessments or governmental charges in respect of such Covered Bonds or Coupons (as the case may be) by reason of them having some connection with the UK other than merely by reason of the holding of such Covered Bonds or Coupons; or
- (c) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on the last day of such period of 30 days; or
- (d) where the holder is able to avoid such withholding or deduction by presenting an appropriate certificate; or
- (e) where such withholding or deduction is 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 guidance thereunder, any official interpretations thereof, any intergovernmental agreement for the implementation of any of the foregoing or any law implementing such intergovernmental agreement.

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 moneys payable on such date has not been duly received by the Bond Trustee, the Registrar or the Principal Paying Agent on or prior to such date, it means the date on which such moneys have been so received, notice to that effect having been given to the 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.

8. Prescription

The Covered Bonds (whether in bearer or registered form) and Coupons will become void unless presented for payment within 10 years (in the case of principal) and 5 years (in the case of interest) in each case from the Relevant Date (as defined in Condition 7 (Taxation)) therefor, subject in each case to the provisions of Condition 5 (Payments).

There shall not be included in any Coupon sheet issued on exchange of a Talon, any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5 (Payments) or any Talon which would be void pursuant to Condition 5 (Payments).

9. Events of Default and Enforcement

(a) *Issuer Events of Default*

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds then outstanding (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) to (vii) below, only if the Bond Trustee has certified in writing 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 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 being indemnified and/or secured and/or prefunded to its satisfaction), give notice (an **Issuer Acceleration Notice**) in writing to the Issuer that as against the Issuer (but not, for the avoidance of doubt, against the LLP under the Covered Bond Guarantee), each Covered Bond of each Series is, and each such Covered Bond shall thereupon immediately become, due and repayable at its Early Redemption Amount together with 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) there is default for more than seven days from the relevant Final Maturity Date in respect of the payment of principal in respect of the Covered Bonds, or for more than 14 days from the relevant Interest Payment Date in respect of the payment of interest in respect of the Covered Bonds; or
- (ii) there is default by the Issuer in the performance or observance of any covenant, Condition or provision contained in the Trust Deed or any other Transaction Document or in the Covered Bonds or Coupons and on its part to be performed or observed (other than the covenant to pay principal and interest in respect of any of the Covered Bonds, or any covenant or obligation contained in the Programme Agreement or any 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 (except where the Bond Trustee determines that such default is not capable of remedy when no such continuation or notice as is hereinafter mentioned shall be required) such default 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 and indicating that this provision may be invoked if it is not; or
- (iii) any other borrowings of the Issuer or any of its Principal Subsidiaries (which borrowings have an outstanding aggregate amount of at least £10,000,000 or its equivalent in any other currency or currencies) shall become due and payable prior to the stated maturity thereof as a result of a default in respect thereof; or any such borrowings of such amount shall not be paid at the maturity thereof as extended by any applicable grace period as originally provided, or any guarantee given by the Issuer or any of its Principal Subsidiaries in respect of any such borrowings of such amount is not honoured when due as extended by any applicable grace period as originally provided and called upon; or any security over any property owned by the Issuer or any of its Principal Subsidiaries in respect of any such borrowings of such amount shall be or become enforceable and steps are taken to enforce the same; or
- (iv) if the Issuer becomes insolvent or is unable to pay its debts as they mature or applies for or consents to or suffers the appointment of a liquidator or receiver or administrator or bank liquidator or bank administrator or similar officer of itself or the whole or any substantial part of its undertaking, property, assets or revenues or takes any proceeding under any law for a readjustment or deferment of its obligations or any part thereof or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors or stops or threatens to cease to carry on its business or any substantial part of its business or an order is made or an effective resolution is passed for the winding-up or dissolution of the Issuer except in any case in connection with a substitution pursuant to Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution) or for the purpose of a reconstruction, union, transfer (of engagements or of business), merger, amalgamation or reorganisation the terms of which have previously been approved in writing by the Bond Trustee or by an Extraordinary Resolution of the Covered Bondholders; or

- (v) any Principal Subsidiary becomes insolvent or is unable to pay its debts as they mature or applies for or consents to or suffers the appointment of a liquidator or receiver or administrator or bank liquidator or bank administrator or similar officer of itself or the whole or any substantial part of its undertaking, property, assets or revenues or takes any proceeding under any law for a readjustment or deferment of its obligations or any part thereof or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors or stops or threatens to cease to carry on its business or any substantial part of its business or an order is made or an effective resolution is passed for the winding-up or dissolution of any Principal Subsidiary (except for the purposes of an arrangement 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 a resolution for the winding-up of a solvency Principal Subsidiary or in connection with the transfer of the whole or substantially the whole of the business of a Principal Subsidiary to another Subsidiary or to the Issuer); or
- (vi) an administrative or other receiver or an administrator or other similar official is appointed or an administration order is made in relation to the Issuer or any Principal Subsidiary or in relation to the whole or a substantial part of the assets of any of them or an encumbrancer takes possession of the whole or any substantial part of the undertaking, property or assets of the Issuer or any of its Principal Subsidiaries or a distress, diligence or execution is levied or enforced upon or sued out against the whole or any substantial part of the chattels or property of the Issuer or any of its Principal Subsidiaries and, in any such case, is not discharged within 30 days; 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.

Principal Subsidiary means a Subsidiary of the Issuer whose total assets (attributable to the Issuer) represent 10 per cent. or more of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole. A certificate signed by two Authorised Signatories (as defined in the Master Definitions and Construction Agreement) 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 Principal Subsidiary may be relied upon by the Bond Trustee without further enquiry or evidence and, if so relied upon shall, in the absence of manifest or proven error, be conclusive and binding on all parties.

Upon the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice on the Issuer in accordance with this Condition 9(a), the Bond Trustee shall forthwith serve a notice to pay (the **Notice to Pay**) on the LLP pursuant to the Covered Bond Guarantee and the LLP shall be required to make payments of Guaranteed Amounts when the same shall become Due for Payment in accordance with the terms of the Covered Bond Guarantee.

Following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice, the Bond Trustee may or shall take such proceedings against the Issuer in accordance with the first paragraph of Condition 9(c) (Enforcement).

The Trust Deed provides that all moneys received by the Bond Trustee from the Issuer or any receiver, liquidator, administrator or other similar official appointed in relation to the Issuer following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice and a Notice to Pay (the **Excess Proceeds**), shall be paid by the Bond Trustee on behalf of the 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 moneys 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 an Issuer Acceleration Notice and a 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 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 holders of the Covered Bonds then Outstanding (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) as if they were a single Series (with the Principal Amount Outstanding of Covered Bonds not denominated in Sterling converted into Sterling at the relevant Covered Bond Swap Rate) or if so directed by an Extraordinary Resolution of all the Covered Bondholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), but in the case of the happening of any of the events described in paragraphs (ii) to (vii) below, only if the Bond Trustee has certified 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 to be materially prejudicial to the interests of the Covered Bondholders by the Bond Trustee, give notice (the **LLP Acceleration Notice**) in writing to the Issuer, all Swap Providers and 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 any other amount due and payable under the Covered Bonds (other than additional amounts payable under Condition 6 (Redemption and Purchase)); 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 (7) days or more in the payment of any Guaranteed Amounts when Due for Payment in respect of the Covered Bonds of any Series except in the case of the payments of a Guaranteed Amount when Due for Payment under Condition 6(a) (Final redemption) where the LLP shall be required to make payments of Guaranteed Amounts which are Due for Payment on the dates specified therein; or
- (ii) default is made by the LLP in the performance or observance of any obligation, Condition or provision binding on it (other than any obligation for the payment of Guaranteed Amounts in respect of the Covered Bonds of any Series) under the Trust Deed, the Deed of Charge or any other Transaction Document to which the LLP is a party and, except where such default is or the effects of such default are, in the opinion of the Bond Trustee, not capable of remedy when no such continuation and notice as is hereinafter mentioned will be required, such default continues for 30 days (or such longer period as the Bond Trustee may permit) after written notice thereof has been given by the Bond Trustee to the LLP requiring the same to be remedied; or
- (iii) an order is made or an effective resolution passed for the liquidation or winding-up of the LLP; or
- (iv) the LLP ceases or threatens to cease to carry on its business or substantially the whole of its business; or
- (v) the LLP stops payment or is unable, or admits inability, to pay its debts generally as they fall due or is 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 is 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 is levied or enforced upon or sued out against the whole or any part of its assets, or if the LLP initiates or consents to judicial proceedings relating to itself under any applicable liquidation, winding-up, insolvency, bankruptcy, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition with, its creditors generally; or
- (vii) a failure to satisfy the Amortisation Test (as set out in the LLP Deed) on the 10th day of each month (or, if that is not a Business Day, then the immediately preceding Business Day) (the **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 (subject in either case to being indemnified and/or secured and/or prefunded to its satisfaction) take such proceedings or steps in accordance with the first and second paragraphs, respectively, of Condition 9(c) (Enforcement) and the Covered Bondholders (or the Bond Trustee on their behalf) shall have a claim against the LLP, under the Covered Bond Guarantee, for an amount equal to the Early Redemption Amount for each Covered Bond of each Series together with accrued interest and any other amount due under the Covered Bonds (other than additional amounts payable under Condition 7 (Taxation)) as provided in the Trust Deed in respect of each Covered Bond.

(c) *Enforcement*

The Bond Trustee may at any time, at its discretion and without further notice, take such proceedings or other action against the Issuer and/or the LLP, as the case may be, and/or any other person as it may think fit to enforce the provisions of the Trust Deed, the Covered Bonds and the Coupons or any other Transaction Document, but it shall not be bound to take any such enforcement proceedings or other action in relation to the Trust Deed, the Covered Bonds or the Coupons or any other Transaction Document unless: (i) it has been so directed by an Extraordinary Resolution of all the Covered Bondholders of all Series (with the Covered Bonds of all Series taken together as a single Series and converted into Sterling at the relevant Covered Bond Swap Rate as aforesaid) or so requested in writing by the holders of not less than 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (taken together and converted into Sterling at the relevant Covered Bond Swap Rate as aforesaid); and (ii) it has been 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 and shall not have regard to the interests of any other Secured Creditors.

The Bond Trustee may at any time, at its discretion and without further notice, direct the Security Trustee to take such proceedings, steps or actions against the LLP and/or any other person as it may think fit to enforce the provisions of the Deed of Charge or any other Transaction Document to which it is a party and may, at any time after the Security has become enforceable, direct the Security Trustee to take such proceedings or steps as it may think fit to enforce the Security, but the Bond Trustee shall not be bound to give any such direction unless: (i) the Bond Trustee has been so directed by an Extraordinary Resolution of all the Covered Bondholders of all Series (with the Covered Bonds of all Series taken together as a single Series and converted into Sterling at the relevant Covered Bond Swap Rate as aforesaid) or a request in writing by the holders of not less than 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (taken together and converted into Sterling at the relevant Covered Bond Swap Rate as aforesaid); and (ii) the Bond Trustee has been indemnified and/or secured and/or prefunded to its satisfaction. The Security Trustee shall not be bound to take any proceeding, steps or actions against the LLP and/or any other person as it may think fit to enforce the

provisions of the Deed of Charge or any other Transaction Document or to take such proceedings or steps as may be required to enforce the security unless: (i) it is directed to do so by the Bond Trustee; and (ii) the Security Trustee has been indemnified and/or secured and/or prefunded to its satisfaction. In exercising any of its powers, trusts, authorities and discretions under this paragraph each of the Bond Trustee and Security Trustee shall only have regard to the interests of the Covered Bondholders of all Series and shall not have regard to the interests of any other Secured Creditors. In having regard to the interests of the Covered Bondholders, the Security Trustee shall be entitled to rely solely on a written confirmation from the Bond Trustee as to whether, in the opinion of the Bond Trustee, any matter, action or omission is or is not materially prejudicial to the interests of, the Covered Bondholders.

No Covered Bondholder or Couponholder shall be entitled to proceed directly against the Issuer or the LLP or to take any action with respect to the Trust Deed, the Covered Bonds, the Coupons, or the Security.

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 has been published in accordance with Condition 13 (Notices) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Covered Bonds, Coupons or Talons must be surrendered before replacements will be issued.

11. Principal Paying Agent, Paying Agents, Registrar and Transfer Agent

The names of the initial Principal Paying Agent, the other initial Paying Agents, the initial Registrar, the initial Transfer Agent and their initial specified offices are set out below.

In the event of the appointed office of any such bank being unable or unwilling to continue to act as the Principal Paying Agent, or failing duly to determine the Rate of Interest, if applicable, or to calculate the Interest Amounts for any Interest Period, the Issuer shall appoint the London office of such other bank as may be approved by the Bond Trustee to act as such in its place. The Principal Paying Agent may not resign its duties or be removed from office without a successor having been appointed as aforesaid.

The Issuer is entitled, with the prior written approval of the Bond Trustee, to vary or terminate the appointment of any Paying Agent or the Registrar and/or appoint additional or other Paying Agents or the Registrar and/or approve any change in the specified office through which any Paying Agent or the Registrar acts, **provided that:**

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) the Issuer will, so long as any of the Covered Bonds is outstanding, maintain a Paying Agent (which may be the Principal Paying Agent) having a specified office in a city approved by the Bond Trustee in continental Europe;
- (c) so long as any of the Covered Bonds are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (in the

case of Bearer Covered Bonds) and a Transfer Agent (in the case of Registered Covered Bonds) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or as the case may be, other relevant authority.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5(e) (General provisions applicable to payments). Notice of any such variation, termination, appointment or change will be given by the Issuer to the Covered Bondholders as soon as reasonably practicable in accordance with Condition 13 (Notices).

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the LLP and, in certain circumstances specified therein, of the Bond Trustee and do not assume any obligation to, or relationship of agency or trust with, any Covered Bondholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

12. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Bearer Covered Bond to which it appertains) a further Talon, subject to the provisions of Condition 8 (Prescription).

13. Notices

All notices regarding the Bearer Covered Bonds will be valid if published in 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 the United Kingdom. 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 Euroclear and/or Clearstream, Luxembourg, there may be substituted for such publication in such newspaper(s) or such mailing the delivery of the relevant notice to Euroclear

and/or Clearstream, Luxembourg for communication by them to the 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, 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 Euroclear and/or Clearstream, Luxembourg.

14. Meetings of Covered Bondholders, Modification, Waiver and Substitution

Covered Bondholders, Couponholders and other Secured Creditor should note that the Issuer, the LLP and the Principal Paying Agent may without their consent or the consent of the Bond Trustee or the Security Trustee agree to modify any provision of any Final Terms which is of a formal, minor or technical nature or is made to correct a proven or manifest error or to comply with any mandatory provisions of law.

The Trust Deed contains provisions for convening meetings (including by way of conference call or by use of a videoconference platform) of the Covered Bondholders of any Series to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Conditions or the provisions of the Trust Deed. The quorum at any such meeting in respect of any Covered Bonds of any Series for passing an Extraordinary Resolution is one or more persons holding or representing not less than a clear majority of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any adjourned meeting one or more persons being or representing the Covered Bondholders of such Series whatever the nominal amount of the Covered Bonds of such Series so held or represented, except that at any meeting the business of which includes 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 or the Issuer may convene a single meeting of the holders of Covered Bonds of more than one Series if in the opinion of the Bond Trustee there is no conflict between the respective interest of such Covered Bondholders, in which event the provisions of this paragraph shall apply thereto *mutatis mutandis*.

Notwithstanding the provisions of the immediately preceding paragraph, any Extraordinary Resolution to direct the Bond Trustee to accelerate the Covered Bonds pursuant to Condition 9(a) (Issuer Events of Default) or to give an LLP Acceleration Notice pursuant to Condition 9(b) (LLP Events of Default) or to direct the Bond Trustee or the Security Trustee to take any enforcement action (each a **Programme Resolution**) shall only be capable of being passed at a single meeting of the Covered Bondholders of all Series then outstanding. Any such meeting to consider a Programme Resolution may be convened by the Issuer, the LLP or the Bond Trustee by the Covered Bondholders of any Series. The quorum at any such meeting for passing a Programme Resolution is one or more persons holding or representing at least a clear majority of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series for the time being outstanding or at any adjourned such meeting one or more persons holding or

representing Covered Bonds whatever the nominal amount of the Covered Bonds of any Series so held or represented. A Programme Resolution passed at any meeting of the Covered Bondholders of all Series shall be binding on all the Covered Bondholders of all Series, whether or not they are present at the meeting, and on all related Couponholders in respect of such Series of Covered Bonds.

In connection with any meeting of the holders of Covered Bonds of more than one Series where such Covered Bonds are not denominated in Sterling, the nominal amount of the Covered Bonds of any Series not denominated in Sterling shall be converted into Sterling at the relevant Covered Bond Swap Rate.

The Bond Trustee, the Security Trustee (acting on the directions of the Bond Trustee, so long as there are any Covered Bonds outstanding or all the Secured Creditors, if there are no Covered Bonds outstanding), the LLP and the Issuer may also agree, without the consent of the Covered Bondholders or Couponholders of any Series and without the consent of the other Secured Creditors (other than any Secured Creditor who is a party to the relevant document), to:

- (a) any modification (other than in relation to a Series Reserved Matter) of the Covered Bonds of one or more Series, the related Coupons or any Transaction Document provided that, in the opinion of the Bond Trustee, such modification is not materially prejudicial to the interests of the Covered Bondholders of any Series; or
- (b) any modification of the Covered Bonds of any one or more Series, the related Coupons or any Transaction Document which in the opinion of the Bond Trustee is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law.

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

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

with regards to:

- (i) any modifications of the terms and conditions applying to Covered Bonds of any one or more Series (including these Terms and Conditions) and/or Coupons or any Transaction Document as requested by the Issuer and/or the LLP in order to enable the Issuer and/or the LLP to comply with any requirements which apply to it under EU EMIR and/or UK EMIR in accordance with the terms of the Trust Deed, subject to receipt by the Bond Trustee and the Security Trustee of a certificate of two Directors or Authorised Signatories of the Issuer or the LLP certifying to the Bond Trustee and the Security Trustee that the requested amendments are to be made solely for the purpose of enabling the Issuer or the LLP to satisfy the relevant requirements of EU EMIR and/or UK EMIR and have been drafted solely, to such effect; or
- (ii) any modification for the purpose of allowing the Issuer to maintain compliance with the RCB Regulations in respect of the Programme and the Covered Bonds provided that two Directors or Authorised Signatories of the Issuer and the LLP certify to the

Bond Trustee and to the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or

- (iii) the partial termination of any Covered Bond Swap following the redemption in part or cancellation in part of the related Series of Covered Bonds (for the avoidance of doubt, if there is more than one Covered Bond Swap in place in relation to such Series of Covered Bonds, each such Covered Bond Swap may be partially terminated in any amount as determined by the LLP) provided that two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and the Security Trustee that following such partial termination (or partial terminations, as the case may be) the LLP remains adequately hedged in relation to such Series of Covered Bonds and provided further that two Directors or Authorised Signatories of the Issuer and the LLP have certified to the Bond Trustee and the Security Trustee that such partial termination (or partial terminations, as the case may be) will not result in: (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Series of Covered Bonds by any Rating Agency; or (y) any Rating Agency placing any Covered Bonds on rating watch negative (or equivalent); or
- (iv) any modifications to the Interest Rate Swap Agreement or a Covered Bond Swap Agreement requested by the LLP or the Interest Rate Swap Provider or Covered Bond Swap Provider, as applicable, for the sole purpose of complying with, or implementing or reflecting the updated criteria of one or more Rating Agencies which may be published after the Programme Date (the **New Rating Criteria**), provided: (i) that any conditions precedent to making of such amendments as set out in the Interest Rate Swap Agreement or relevant Covered Bond Swap Agreement have been satisfied immediately prior to the date on which it is proposed that the amendments are effected; and (ii) two Directors or Authorised Signatories of the Issuer and the LLP certify in writing to the Bond Trustee and the Security Trustee that such modification is necessary to comply with or to reflect and/or implement the New Rating Criteria 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. For the avoidance of doubt, such modifications may include, without limitation, modifications which would allow the Interest Rate Swap Provider or any 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 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 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 United Kingdom, registered under the UK CRA Regulation and endorsed by an affiliate who is registered under the EU CRA Regulation providing a rating in respect of the Programme and any Covered Bonds then outstanding, provided that two Directors or Authorised Signatories of the Issuer and the LLP certify the same in writing to the Bond Trustee and the Security Trustee; or
- (viii) any modification for the purpose of enabling the Covered Bonds to be (or to remain) listed on the London Stock Exchange, provided that two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or
- (ix) any modification for the purpose of enabling the Issuer or any of the other transaction parties to comply with FATCA (or any voluntary agreement entered into with a taxing authority in relation thereto), provided that two Directors or Authorised Signatories of the Issuer and the LLP or the relevant transaction party, as applicable, certify to the Bond Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or
- (x) any modification for the purpose of allowing any additional Account Banks to be appointed and/or additional LLP Accounts to be opened provided that: (i) in respect of any additional Transaction Account, such additional Account Bank has the Account Bank Rating; (ii) any additional Account Bank accedes as a secured creditor to the Deed of Charge; (iii) any additional LLP Account is secured in favour of the Security Trustee; and (iv) 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, provided that two Directors or Authorised Signatories of the Issuer and the LLP certify the same in writing to the Bond Trustee and the Security Trustee; or
- (xii) any modification for the purpose of appointing a replacement counterparty in respect of any of the Transaction Documents, provided that two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect and any Rating Agency has been informed of the proposed modification and such Rating Agency has not indicated that such

modification would result in: (i) a downgrade, withdrawal or suspension of the then current ratings assigned to any Series of Covered Bonds by such Rating Agency; (ii) such Rating Agency placing any Covered Bonds on rating watch negative (or equivalent); (iii) the replacement counterparty accedes as a secured creditor to the Deed of Charge; and (iv) the LLP's rights against the replacement counterparty under the relevant Transaction Document are secured in favour of the Security Trustee; or

- (xiii) any modification for the purpose of allowing any Back-Up Servicer or Back-Up Cash Manager to be appointed, provided that: (i) any such Back-Up Servicer or Back-Up Cash Manager accedes as a secured creditor to the Deed of Charge; (ii) the LLP's rights against the Back-Up Servicer or Back-Up Cash Manager under the relevant Transaction Document are secured in favour of the Security Trustee; and (iii) 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 for the purpose of appointing any Securities Custodian, provided that: (i) any such Securities Custodian accedes as a secured creditor to the Deed of Charge; (ii) the LLP's rights against the Securities Custodian under the relevant Transaction Document are secured in favour of the Security Trustee; and (iii) 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
- (xvi) following the occurrence of a Standard Variable Rate Swap Event, any modification for the purpose of the LLP's entry into the Standard Variable Rate Swap and any associated amendments to 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; or
- (xvii) any modification to: (i) the Fixed Rate Spread (as defined in the Interest Rate Swap Agreement) effected in accordance with the Interest Rate Swap Agreement; and/or (ii) the Standard Variable Rate Spread (as defined in the Interest Rate Swap Agreement) effected in accordance with the terms of the relevant 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; or
- (xviii) any modification (other than in respect of a Series Reserved Matter (and provided that a Base Rate Modification (as defined below) does not constitute a Series Reserved Matter)) to the Conditions and/or any Transaction Document (including, for the avoidance of doubt but without limitation, the Covered Bond Swap in relation to the relevant Series of Covered Bonds and subject to the consent only of the Secured Creditors: (i) party to the relevant Transaction Document being amended; or (ii) whose ranking in any Priorities of Payments is affected) that the Issuer considers necessary for the purpose of changing the base rate in respect of the Covered Bonds from

EURIBOR, SONIA or another benchmark rate (each, a **Reference Rate**) to an alternative base rate (any such rate, an **Alternative Base Rate**) and make such other amendments as are necessary or advisable in the reasonable judgement 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 Extended Due for Payment Date; 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 Extended Due for Payment Date; 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 reasonable and documented fees, costs and expenses (including legal fees) incurred by the Bond Trustee and the Security Trustee in connection with such Base Rate Modification;
- (F) the Issuer has provided at least 30 days' notice to the Covered Bondholders of the relevant Series of Covered Bonds of the Base Rate Modification in accordance with Condition 13 (Notices) and by publication on Bloomberg on the "Company News" screen relating to the Covered Bonds (in each case specifying the date and time by which Covered Bondholders must respond), and Covered Bondholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds then outstanding have not contacted the Issuer or the Principal Paying Agent in

accordance with the then current practice of any applicable Clearing System through which such Covered Bonds may be held by the time specified in such notice that such Covered Bondholders do not consent to the Base Rate Modification.

If Covered Bondholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds then outstanding have notified the Issuer or the Principal Paying Agent in accordance with the then current practice of any applicable Clearing System through which the Covered Bonds may be held by the time specified in such notice that such Covered Bondholders do not consent to the Base Rate Modification, then the Base Rate Modification will not be made unless an Extraordinary Resolution of the Covered Bondholders of the relevant Series then outstanding is passed in favour of the Base Rate Modification in accordance with this Condition 14.

- (ii) When implementing any modification pursuant to paragraph (xviii) above:
 - (A) (save to the extent the Bond Trustee considers that the proposed modification would constitute a Series Reserved Matter, provided that a Base Rate Modification will not constitute a Series Reserved Matter), the Bond Trustee shall not consider the interests of the Covered Bondholders, any other Secured Creditor or any other person and shall act and rely solely and without investigation or liability on any Base Rate Modification Certificate or other certificate or evidence provided to it by the Issuer and shall not be liable to the Covered Bondholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and
 - (B) neither the Bond Trustee nor the Security Trustee shall be obliged to agree to any modification which, in the sole opinion of the Bond Trustee and/or the Security Trustee would have the effect of: (i) exposing the Bond Trustee and/or the Security Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction; or (ii) increasing the obligations or duties, or decreasing the rights, powers, authorisations, discretions, indemnification or protections, of the Bond Trustee and/or the Security Trustee in the Transaction Documents and/or these Conditions,

provided that, in implementing any other modification than that which is contemplated by the provisions of paragraph (xviii) 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) will be binding on the Covered Bondholders and/or the related Couponholders; and (2) will be notified by the Issuer or the Guarantor (as the case may be) to the Covered Bondholders in accordance with Condition 13 (Notices) and other Secured Creditors in accordance with Condition 14 as soon as practicable thereafter.

The Security Trustee may agree to any such modifications as directed by the Bond Trustee, so long as there are any Covered Bonds outstanding, or by all the Secured Creditors, if there are no Covered Bonds outstanding, and otherwise with the consent of the other Secured Creditors (other than any Secured Creditor who is a party to the relevant document).

Notwithstanding the above:

- (i) the Issuer, the LLP and the Principal Paying Agent may agree, without the consent of the Bond Trustee, the Security Trustee, the Covered Bondholders or Couponholders or any of the other Secured Creditors, to any modification of any of the provisions of any Final Terms which is of a formal, minor or technical nature or is made to correct a proven or manifest error or to comply with any mandatory provisions of law;
- (ii) subject as provided in paragraph (iv) below, the Bond Trustee shall be bound to concur in and to effect, and to direct the Security Trustee to concur in and to effect, with the Issuer and the LLP and any other party in making any of the above-mentioned modifications if it is: (a) so directed by an Extraordinary Resolution of the Covered Bondholders of the relevant one or more Series (with the Covered Bonds of all such Series taken together as a single Series in the circumstances provided in the Trust Deed and, if applicable, converted into Sterling at the relevant Covered Bond Swap Rate); or (b) requested to do so in writing by the holders of not less than twenty-five per cent. of the Principal Amount Outstanding of the Covered Bonds of the relevant one or more Series (with the Covered Bonds of all such Series taken together as a single Series in the circumstances provided in the Trust Deed and, if applicable, converted into Sterling at the relevant Covered Bond Swap Rate) then outstanding and at all times then only if it is first indemnified and/or secured and/or pre-funded to its satisfaction against all liabilities to which it may thereby render itself liable or which it may incur by so doing;
- (iii) subject as provided in paragraph (iv) below, the Bond Trustee shall be bound to concur in and to effect, and to direct the Security Trustee to concur in and to effect, any modifications to the Transaction Documents that are requested by the LLP or the Cash Manager to accommodate the accession of a New Seller to the Programme, provided that the LLP or the Cash Manager, as the case may be, has certified to the Security Trustee and the Bond Trustee in writing that: (i) such modifications are required in order to accommodate the addition of a New Seller to the Programme; and (ii) all other conditions precedent to the accession of a New Seller to the Programme; set out in the Programme Agreement and the Mortgage Sale Agreement have been satisfied at the time of the accession and at all times then only if it is first indemnified and/or secured and/or pre-funded to its satisfaction against all liabilities to which it may thereby render itself liable or which it may incur by so doing; and
- (iv) notwithstanding any of the foregoing, 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 or the Security Trustee, as the case may be, would have the effect of: (a) exposing the Bond Trustee 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 (b) increasing the obligations or duties, or decreasing the protections, of the Bond Trustee

or the Security Trustee in the Transaction Documents and/or the Terms and Conditions of the Covered Bonds.

The Bond Trustee shall also agree to the waiver or authorisation of any breach by the Issuer or the LLP or any other person of any of the covenants or provisions contained in the Trust Deed, the other Transaction Documents or the Conditions or proposed breach of any of the provisions of the Covered Bonds of any Series, or determine, without any such consent as aforesaid, that any Issuer Event of Default or LLP Event of Default or Potential Issuer Event of Default or Potential LLP Event of Default shall not be treated as such, for the purposes of the Trust Deed if it is: (A) in the case of any such waiver or authorisation: (a) so directed by Extraordinary Resolution of the Covered Bondholders of the relevant one or more Series (with the Covered Bonds of all such Series taken together as a single Series in the circumstances provided in the Trust Deed and, if applicable, converted into Sterling at the relevant Covered Bond Swap Rate); or (b) requested to do so in writing by the holders of not less than twenty-five per cent. of the Principal Amount Outstanding of the Covered Bonds of the relevant one or more Series (with the Covered Bonds of all such Series taken together as a single Series in the circumstances provided in the Trust Deed and, if applicable, converted into Sterling at the relevant Covered Bond Swap Rate); or (B), in the case of any such determination: (a) so directed by an Extraordinary Resolution of the Covered Bondholders of all Series then outstanding (with the Covered Bonds of all Series taken together as a single Series and, if applicable, converted into Sterling at the relevant Covered Bond Swap Rate); or (b) requested to do so in writing by the holders of not less than twenty-five per cent. of the Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (with the Covered Bonds of all Series taken together as a single Series and, if applicable, converted into Sterling as aforesaid), and at all times then only if it is indemnified and/or secured and/or pre-funded to its satisfaction against all liabilities to which it may thereby render itself liable or which it may incur by so doing.

The Security Trustee may, without the consent of the Secured Creditors (other than any Secured Creditor who is a party to the relevant document) and without prejudice to its right in respect of any further or other breach, from time to time and at any time, but only if so directed by: (a) the Bond Trustee, so long as there are any Covered Bonds outstanding; or (b) all of the other Secured Creditors, if there are no Covered Bonds outstanding, modify, or authorise or waive any proposed or actual breach of, any of the covenants or provisions contained in the Deed of Charge or any other Transaction Document.

Prior to the Bond Trustee or Security Trustee agreeing to any such modification, waiver, authorisation or determination pursuant to this Condition 14, two Directors or Authorised Signatories of the Issuer must certify in writing to the Bond Trustee or Security Trustee, as applicable, (which confirmation the Bond Trustee or Security Trustee shall be entitled to rely on absolutely) that such modification, waiver, authorisation or determination, as applicable, would not result in a breach of the RCB Regulations or the RCB Sourcebook or result in the Issuer, the Programme and/or any Covered Bonds issued under the Programme ceasing to be registered under the RCB Regulations and that either:

- (a) such modification, waiver, authorisation or determination would not require the FCA to be notified in accordance with Regulation 20 of the RCB Regulations; or
- (b) if such modification, waiver, authorisation or determination would require the FCA to be notified in accordance with Regulation 20 of the RCB Regulations, the Issuer has provided all information required to be provided to the FCA and the FCA has given its consent to such proposed modification, waiver, authorisation or determination.

Any such modification, waiver, authorisation or determination 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 the relevant terms and conditions as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Bond Trustee 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 (Taxation) and/or in any undertaking or covenant given in addition to, or in substitution for, Condition 7 (Taxation) pursuant to the Trust Deed.

In having regard to the interests of the Covered Bondholders, the Security Trustee shall be entitled to rely solely on a written confirmation from the Bond Trustee as to whether, in the opinion of the Bond Trustee, any matter, action or omission is or is not in the interests of or is not prejudicial or materially prejudicial to the interests of, the Covered Bondholders. The Bond Trustee shall have sole responsibility for resolving conflicts of interest as between Covered Bondholders or any Series of them, subject to and in accordance with the provisions of the Trust Deed and the Conditions.

In exercising or performing any of its discretions, rights, powers, trusts or duties under or in relation to these presents or any other Transaction Document (including without limitation, any consent, approval, modification, waiver, authorisation or determination referred to in these Conditions), the Bond Trustee may have regard to any Rating Agency Confirmation whether or not any such confirmation is addressed to, or provides that it may be relied on by, the Bond Trustee and irrespective of the method by which such confirmation is conveyed.

Substitution

Subject as provided in the Trust Deed, the Bond Trustee, if it is satisfied that so to do would not be materially prejudicial to the interests of the Covered Bondholders of any Series, may agree, without the consent of the Covered Bondholders or Couponholders, to the substitution of a Subsidiary of the Issuer or a Successor in Business in place of the Issuer as principal debtor under the Covered Bonds and the Trust Deed.

Any substitution pursuant to this Condition 14 shall be binding on the Covered Bondholders and the Couponholders and, unless the Bond Trustee agrees otherwise, shall be notified by the Issuer to the Covered Bondholders as soon as practicable thereafter in accordance with this Condition 14.

It shall be a condition of any substitution pursuant to this Condition 14 that:

- (a) 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 which is proposed to be substituted for the Issuer as principal debtor under the Covered Bonds and the Trust Deed; and
- (b) any Successor in Business or any Subsidiary of the Issuer 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.

Rating Agency

If:

- (a) a confirmation of rating or other response by the Rating Agency is a Condition to any action or step under any Transaction Document; and
- (b) a written request for such confirmation or response is delivered to the Rating Agency by any of the LLP, the Issuer, Bond Trustee and/or the Security Trustee, as applicable (each a **Requesting Party**) and the Rating Agency indicates that it does not consider such confirmation or response necessary in the circumstances, the Requesting Party shall be entitled to assume that the then current ratings of the Covered Bonds on issue will not be downgraded or withdrawn by the Rating Agency as a result of such action or step. However, nothing in this Condition 14 shall in any way affect the right of the Rating Agency to downgrade or withdraw its then Current Ratings of the Covered Bonds in such a manner as it sees fit.

The Bond Trustee and/or the Security Trustee shall be entitled to treat as conclusive a certificate signed by an Authorised Signatory of the Issuer or a Designated Member of the LLP as to any matter referred to in paragraph (b) above, and the Bond Trustee and/or the Security Trustee, shall not be responsible for any loss, liability, costs, damages, expenses or inconvenience that may be caused as a result.

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 any entity which: (i) acquires all or substantially all of the undertaking and/or assets of the Issuer; or (ii) acquires the beneficial ownership of the whole of the issued voting stock and/or share capital of the Issuer; or (iii) into which the Issuer is amalgamated, merged or reconstructed and where the Issuer is not the continuing company where, in each case, the terms of the proposed transaction have been previously notified to the

Bond Trustee and the Bond Trustee has determined that the transaction will not be materially prejudicial to the Covered Bondholders, or by an Extraordinary Resolution of the Covered Bondholders; and

Series Reserved Matter in relation to Covered Bonds of a Series means: (i) increase, 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 quorum or majority required to pass an Extraordinary Resolution; (iv) any amendment to the Covered Bond Guarantee or the Deed of Charge (except in a manner determined by the Bond Trustee not to be materially prejudicial to the interests of the 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 this definition or the proviso to paragraph 5 or paragraph 6 of Schedule 4 to the Trust Deed.

15. Indemnification of the Bond Trustee and/or Security Trustee and Bond Trustee and/or Security Trustee Contracting with the Issuer and/or the LLP

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

The Trust Deed and the Deed of Charge also contain provisions pursuant to which each of the Bond Trustee and Security Trustee, respectively, is entitled, *inter alia*: (i) to enter into 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, Couponholders or the other Secured

Creditors; and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

Neither the Bond Trustee nor the Security Trustee will be responsible for any loss, expense or liability, which may be suffered as a result of any Loans or Related Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Bond Trustee and/or the Security Trustee. Neither the Bond Trustee nor the Security Trustee will be responsible for: (i) supervising the performance by the Issuer or any other party to the Transaction Documents of their respective obligations under the Transaction Documents and the Bond Trustee and the Security Trustee will be entitled to assume, until they each have written notice to the contrary, that all such persons are properly performing their duties; (ii) considering the basis on which approvals or consents are granted by the Issuer or any other party to the Transaction Documents under the Transaction Documents; (iii) monitoring the Portfolio, including, without limitation, whether the Portfolio is in compliance with the Asset Coverage Test or the Amortisation Test; or (iv) monitoring whether Loans and Related Security satisfy the Eligibility Criteria. Neither the Bond Trustee nor the Security Trustee will be liable to any Covered Bondholder or any 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.

Each of the Bond Trustee and the Security Trustee may refrain from taking any action or exercising any right, power, authority or discretion vested in it relating to the transactions contemplated in the Transaction Documents until it has been indemnified and/or secured and/or prefunded to its satisfaction against any and all actions, charges, claims, costs, damages, demands, expenses, liabilities, losses and proceedings which might be sustained by it as a result and none of them will be required to do anything which may cause it to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights, powers or discretions if it has reasonable grounds for believing that repayment of such funds or adequate indemnity or security against such risk or liability is not assured to it.

16. Limited Recourse

The Covered Bondholders agree with the LLP and the Security Trustee that, notwithstanding any other provision of any Transaction Document, all obligations of the LLP to the Covered Bondholders in respect of the Secured Obligations owing to the Covered Bondholders are limited in recourse to the Charged Property and, upon the Security Trustee giving written notice to the Covered Bondholders that:

- (a) it has determined in its sole opinion that there is no reasonable likelihood of there being any further realisations in respect of the Charged Property (whether arising from enforcement of the Security or otherwise) which would be available to pay amounts outstanding under the Transaction Documents; and
- (b) all amounts available to be applied to pay amounts owing under the Transaction Documents have been so applied in accordance with the Transaction Documents,

the Covered Bondholders shall have no further claim against the LLP in respect of any amounts owing to them which remain unpaid and such unpaid amounts shall be deemed to be discharged in full.

17. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Covered Bondholders or the Couponholders to create and issue further bonds having terms and conditions the same as the Covered Bonds of any Series or the same in all respects save for the amount and date of the first payment of interest thereon, issue date and/or issue price and so that the same shall be consolidated and form a single Series with the outstanding Covered Bonds of such Series.

18. Contracts (Rights of Third Parties) Act 1999

No person has 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.

19. Governing Law

The Trust Deed, the Agency Agreement, the Corporate Services Agreement, the Covered Bonds, the Coupons and the other Transaction Documents and any non-contractual obligations arising out of or in relation to such documents are governed by, and shall be construed in accordance with, English law.

USE OF PROCEEDS

The gross proceeds from each issue of Covered Bonds will be used by the Issuer to make available Term Advances to the LLP pursuant to the terms of the Intercompany Loan Agreement, which in turn shall be used by the LLP (if not denominated in Sterling, after swapping the same into Sterling under the relevant Covered Bond Swap Agreement) to:

- (a) acquire Loans and their Related Security; or
- (b) to invest the same in 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 acquire Loans and their Related Security or to invest the same in Substitution Assets up to the prescribed limit; and/or
- (ii) if an existing Series or Tranche, or part of an existing Series or Tranche, of Covered Bonds is being refinanced by such issue of Covered Bonds, to repay the Term Advance(s) corresponding to the Covered Bonds being so refinanced; and/or
- (iii) subject to complying with the Asset Coverage Test, to make a Capital Distribution to the Seller (in its capacity as a Member); and/or
- (iv) to deposit all or part of the proceeds into the Transaction Account (including, without limitation, to fund the Reserve Fund in an amount not exceeding the Reserve Fund Required Amount).

THE ISSUER

THE CO-OPERATIVE BANK P.L.C.

Introduction

The Co-operative Bank's (for the purposes of this section, the **Bank**) history began in 1872, as the Loans and Deposits department of Co-operative Wholesale Society, and it has operated ever since to provide consumers with a real alternative to larger retail banks. The Bank adopted its present name in 1993 and its registered office is PO Box 101, 1 Balloon Street, Manchester M60 4EP, United Kingdom and website address is <https://www.co-operativebank.co.uk/>.

The Bank's vision is to be an efficient and financially sustainable UK retail and small to medium-sized enterprises (**SME**) bank that is distinguished by its co-operative values and ethics. The Bank lends money to fund home ownership in the UK, support local small and medium-sized businesses and charitable causes which matter to its customers.

The Bank's distinctive ethical brand has its heritage in the values and ethics of the co-operative movement. As 'the original ethical bank', the Bank's unique customer-led ethical policy (the **Ethical Policy**) has been central to the way it has done business for over 30 years and represents a clear point of difference that sets the Bank apart from its competitors. The Bank remains the only UK high street bank with a customer-led ethical policy.

The Ethical Policy continues to be a key reason why customers join the Bank. It sets out the way the Bank does business, who it will and will not provide banking services to and what issues it will support and campaign on. The Bank continues to promote its unique customer-led ethical banking brand as an attractive option to a broad audience of retail and SME customers, who are seeking an ethical banking provider. Further details on the Ethical Policy and its commitment to co-operative values and ethics of the Bank can be found at <https://www.co-operativebank.co.uk/values-and-ethics/>.

As at 31 December 2023, the Co-operative Bank Group had total assets of £26,071.3 million (£28,132.8 million as at 31 December 2022) and approximately 2.6 million customers which are serviced through a network of 50 branches, two customer contact centres and digital banking channels (online and mobile banking). The Bank's head office is based in Manchester. As at 31 December 2023 the Bank employed 3,406 people across the UK.

The Bank focuses on two market segments in the UK market:

Retail

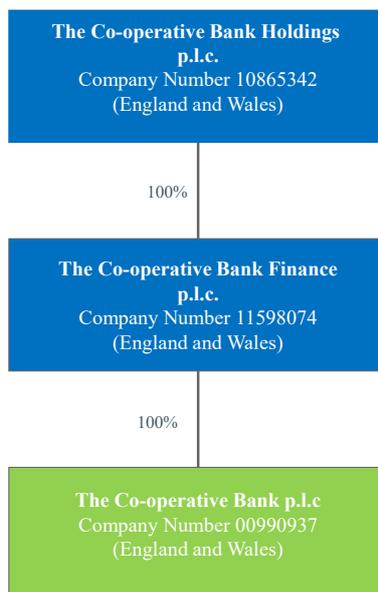
- Personal current accounts for retail customers
- Fixed and variable saving products for retail customers
- Residential and buy-to-let mortgages for retail customers
- Credit cards and overdraft facilities for retail customers

SME

- Business current accounts, deposits and lending tailored to SMEs

Ownership and Material Shareholdings

The primary Group structure as at the date of this Prospectus is set out below:



The Bank is a public limited company and has the capacity to issue listed debt securities listed on the London Stock Exchange. On 6 November 2023, The Co-operative Bank Holdings p.l.c. (the **Holding Company**) was substituted in place of The Co-operative Bank Finance p.l.c. as the principal issuer of notes and resolution entity of the Co-operative Bank Group. The Holding Company was subsequently re-registered as a public company on 13 May 2024 (having previously been registered as the Co-operative Bank Holdings Limited). As at the date of this Prospectus, the listed securities of the Bank's ultimate shareholder (being the Holding Company) comprise three MREL instruments and one tier 2 capital instrument. The Issuer's equity is not listed.

As at the date of this Prospectus, the Bank's sole shareholder is The Co-operative Bank Finance p.l.c. The sole shareholder of The Co-operative Bank Finance p.l.c. is the Holding Company, which is a private company limited by share capital.

Product Offering

The Bank operates through "The Co-operative Bank", "Britannia" and "smile" brands, together with the Bank's intermediary mortgage brand, "The Co-operative Bank for Intermediaries" (previously known as "Platform"), offering a customer-centric product range that is designed to be simple, clear, fair and transparent.

Retail Deposits

Current Accounts

As at 31 December 2023, the Bank had 'franchise' current account balances of £5.1 billion (£5.8 billion as at 31 December 2022), with 48.5 per cent. being prime customers (being accounts that turnover £800 or more per month on average) (48.6 per cent. as at 31 December 2022).

Savings

As at 31 December 2023 the Bank had £10.6 billion of retail savings balances (£10.8 billion as at 31 December 2022).

Retail Lending

Mortgage Lending and Insurance

As at 31 December 2023, the Bank had a total outstanding mortgage portfolio of £19.1 billion (£19.6 billion as at 31 December 2022), of which £17.6 billion was categorised as prime residential excluding buy-to-let (£18.2 billion as at 31 December 2022). Of this, 3.1 per cent. was interest only (3.1 per cent. as at 31 December 2022). The total buy-to-let outstanding mortgage portfolio was £1.4 billion (£1.4 billion as at 31 December 2022).

During 2023, the Bank's total new mortgage completions amounted to £2.1 billion (£3.2 billion for the year ended 31 December 2022).

The Platform brand was replaced with "The Co-operative Bank for Intermediaries" on 25 September 2023 following the successful implementation of a new mortgage origination system.

The Bank's mortgage lending supports its customers' home ownership aspirations and needs throughout their different life stages. Lending can take the form of either prime residential lending (where the borrower is the owner and occupier of the mortgaged property and meets the Bank's credit requirements for prime lending) or buy-to-let lending (which are loans advanced to borrowers who intend to let the mortgaged property).

The Bank currently offers fixed rate and variable rate mortgages. Fixed rate mortgages have a set rate for an initial set period, after which the rate either reverts to the Bank's standard variable rate (which is set at the Bank's discretion), or a rate linked to the Bank of England base rate.

The Bank's fixed rate mortgages currently offer a term of two, three, five and ten (for new customers only) years, with the fixed rate charged determined by the loan-to-value ratio and fixed rate duration of the mortgage in question.

Overall, the Bank's mortgage proposition continues to be focused on mainstream mortgage lending, supporting what are typically defined as 'prime' customers.

The Bank's strategy is to continue to originate largely via the intermediary market. However, the Bank is also looking to enhance its product offering into wider customer segments thus reducing, in turn, its reliance on more price-sensitive customers.

Customer mortgages are largely originated through authorised brokers or intermediaries through the Platform brand, however the Bank launched a direct mortgage pilot scheme in May 2021. Currently, origination via this channel remains relatively low in comparison with intermediary-originated mortgages in line with the Bank's current strategy.

The Co-operative Bank for Intermediaries brand operates within the UK intermediary market and is currently focused on prime residential mortgages and buy-to-let lending. This offers flexibility to the Bank in terms of market participation, product and pricing. Intermediaries range from large UK companies (including Legal & General and Openwork) to small independent mortgage advisers. The Bank holds extensive relationships with intermediaries across the UK.

To support mortgage growth, systems transformation activity is expected to deliver a single platform (from three originally), at which point all new mortgage business is expected to be offered under The Co-operative Bank brand for the first time. In the market as a whole, intermediated lending accounted for an estimated 80 per cent. of all regulated mortgage lending in 2022. Intermediary lending is expected to remain the Bank's primary retail mortgage origination channel, with a diversified product offering and transformation and service improvements expected to deliver net lending growth over the life of the Plan. This platform will form the foundation for further development and transformation work enabling the delivery of future mortgage lending growth.

In 2023, the Bank successfully insourced its mortgage operations from Capita with a new mortgage platform deployed and the migration of all mortgage customers from the intermediary mortgage platform completed in February 2024.

The Bank continues to offer a home insurance proposition through a referral arrangement with LV (Liverpool Victoria).

On 5 September 2023, the Bank acquired the mortgage portfolio of Sainsbury's Bank p.l.c. (**Sainsbury's**) comprising approximately 3,500 customers with balances of around £479 million. The customers of the Sainsbury's mortgage portfolio are expected to transfer to the Bank over a period of one year from completion of the transaction, pending which the Bank will continue to receive transitional support from Sainsbury's pursuant to a transitional servicing agreement.

Unsecured Lending

The Bank's unsecured lending portfolio consists of credit cards and overdraft facilities. The Bank currently offers a small range of credit cards and an overdraft proposition to new and existing customers.

Credit cards

As at 31 December 2023, the Bank's retail credit card portfolio contained receivables of £0.2 billion (£0.2 billion for the year ended 31 December 2022).

Overdrafts

Overdrafts are offered to customers with current accounts with the Bank. In line with peers in the market, the Bank offers two types of overdraft; arranged overdrafts and unarranged overdrafts.

As at 31 December 2023, the Bank had arranged and unarranged overdraft chargeable balances (including undrawn commitments and accounting adjustments) of £11.7 million (£11.6 million for the year ended 31 December 2022).

Personal unsecured loans

The Bank exited the direct loans market in April 2018. In November 2019, the Bank launched a loans proposition through a strategic partnership with Freedom Finance. The Bank acts as a credit broker with customers being introduced to a provider from a chosen panel of lenders. The loans are not completed onto the Bank's balance sheet.

SME Banking

The Bank currently serves c. 94,000 SME customers as at 31 December 2023, the majority of which are smaller UK businesses, Co-operatives, Credit Unions and community organisations.

As at 31 December 2023, the Bank had £3.3 billion of SME customer deposit balances (£3.4 billion for the year ended 31 December 2022).

As at 31 December 2023, the Bank had £0.4 billion of loans outstanding to SME customers, including £0.2 billion in Coronavirus Business Interruption Loan Scheme and Bounce Bank Loan Scheme assets.

Other

In addition to the Bank's current product offering, the Bank also has a relatively small stock of historical residential mortgage loans (the **Optimum Portfolio**) that were advanced to borrowers who self-certified their income and to other borrowers who do not meet the Bank's current prime borrower credit requirements. The Optimum Portfolio's size has reduced to £15.6 million as at 31 December 2023 following a series of de-leveraging transactions between 2015 and 2021.

Management

The affairs of the Bank are conducted and managed by a Board of Directors (the **Board**) who are responsible for the Bank's strategy and policy.

The Boards of Directors of the Bank, The Co-operative Bank Finance p.l.c. and the Holding Company are comprised of the same directors, with the Bank's B Shareholders (B Shareholders being Shareholders holding greater than 10 per cent of the A Shares in issue) entitled to appoint up to two Directors to the Board. The directors as at the date hereof, and their designations on the Boards, are as follows:

Director	Designation
Robert "Bob" Graham Dench	Chair
Nicholas "Nick" Stuart Slape	Chief Executive Officer
Glyn Michael Smith	Senior Independent Director
Edward Sebastian Grigg	Non- Executive B Director
Richard James Slimmon	Non- Executive B Director
Susan "Sue" Elizabeth Harris	Independent Non-Executive Director
Fiona Jane Clutterbuck	Independent Non-Executive Director
Mark Ashley Parker	Independent Non-Executive Director
Louise Britnell	Chief Financial Officer

Executive Committee

Whilst the Bank's Board is responsible for approving the strategy, implementation of that strategy and daily management of the Bank's own business is delegated to the senior executives of the Bank who form the Bank's Executive Committee. Including the Chief Executive Officer and Chief Financial Officer, there are seven members of the Bank's Executive Committee and two standing invitees, each with significant industry experience and leadership expertise in their responsible function.

Financial Position

Capital

The Bank has a strong capital base and this is demonstrated by the following key ratios which are in excess of the minimum levels set by the regulator:

	2023	2022	2021
CET1 ratio	20.4%	19.8%	20.7%
Total Capital	25.3%	23.8%	25.4%
Total Capital Resources	£1,128.7m	£1,109.5m	£1,109m
Total MREL Resources	£1,863.8m	£1,599.3m	£1,308.9m
Surplus to TCR	£504.7m	£481.1m	£493.1m
Surplus to OCR	£291.1m	£312.5m	£383.8m
Surplus to MREL	£616.4m	£342.4m	£293.1m
Surplus to MREL + CRD IV ⁶	£402.4m	£173.8m	£183.8m
Leverage Ratio (PRA)	4.1%	4.0%	3.8%
Total Equity	£1,409m	£1,299m	£1,751.9m

Funding & Liquidity

The Bank's funding structure remains robust with LCR at 211.4% and with 79% of funding being from customer liabilities with 21% (or £5.1 billion) from wholesale funding, the majority of which is low-cost government funding from the Bank of England Term Funding Scheme with additional incentives for SMEs (**TFSME**) which matures between 2024 and 2027.

Total liquidity resources as at 31 December 2023 were £6,112.5m (£7,482.5m for the year ended 31 December 2022). There is a focus on maintaining a high percentage of liquid assets which are high-quality and the table below analyses the liquidity portfolio by product and unencumbered liquidity value. The liquidity portfolio is categorised into primary and secondary (other liquid assets and contingent liquidity)

Primary liquid assets include cash and balances at central banks and other high-quality government bonds (all are eligible under EBA regulations (**High-Quality Liquid Assets**)).

Secondary liquidity comprises unencumbered liquid investment securities not included as part of primary liquidity, as well as other forms of contingent liquidity sources (mortgage and corporate collateral).

⁶ Based on 1 January 2023 requirements

Liquidity – primary & secondary (£m)	2023	2022	2021
Operational balances with central banks	2,489.3	5,045.3	5,479.8
Gilts	341.3	24.0	-
Central government and multilateral development bank bonds	1,232.0	517.6	444.2
Total primary liquid assets	4062.6	5,586.9	5,924.0
Other liquid assets	162.3	248.1	299.7
Contingent liquidity	1,887.6	1,647.5	1,859.1
Total secondary liquid assets	2,049.9	1,895.6	2,158.8
Total liquidity	6,112.5	7,482.5	8,082.8
Average balance	6,311.7	7,738.1	7,574.7

Risk Governance

The Board of Directors (the **Board**) oversees and approves the Bank's Risk Management Framework (**RMF**) and is supported by the Risk Committee (**RC**) of the Bank. The RC's purpose is to review the Bank's principal risk categories and risk appetite, report its conclusions to the Board for approval, and oversee the implementation of the RMF, whilst anticipating changes in business conditions. The RMF's supporting risk policies and control standards include consideration of the Co-operative Bank Group's risk appetite, where appropriate.

There is a formal structure for identifying, reporting, monitoring and managing risks. This comprises, at its highest level, risk appetite statements which are set and approved by the board and are supported by granular risk appetite measures across the principal risk categories. This is underpinned by an RMF that sets out the high level policy, standards, roles, responsibilities, governance and oversight for the management of all principal risks.

Risk Management

Responsibility for risk management resides at all levels within the Bank and is supported by Board and management level committees. A three lines of defence model is deployed on the following basis:

First line - All executives and senior leaders of the Bank are responsible for owning and managing all risks within defined appetites, complying with risk policies and control standards, ensuring supporting procedures are documented and maintained using the Co-operative Bank Group's risk and control self-assessment, and are responsible for reporting the performance, losses, near-misses and status of risks through governance.

Second line - the risk function acts as the 2nd line of defence. The risk framework owners (**RFOs**) are responsible for setting risk policies, control standards, Group-wide procedures and risk appetite. RFOs sit within the 2nd line with the exception of some specialist areas where the RFO sits within 1st line (for example legal, financial reporting and people risk). The 2nd line risk function will provide oversight over the RFO activities in such cases.

Third line - the internal audit function assesses the adequacy and effectiveness of the control environment and independently challenges the overall management of the RMF.

FCA Consumer Duty

The FCA published rules relating to the Consumer Duty in July 2022, with firms having until July 2023 to implement any changes required to meet the new rules for open, on-sale products and July 2024 for off-sale products. The Consumer Duty places increased requirements on financial services firms such as the Bank to ensure customers receive suitable products that are priced fairly and offer good value, as well as providing appropriate support throughout the relationship, and making sure customers have a good understanding of the products and services they are using. Regulations already require financial services firms to 'treat customers fairly'. The new duty brings additional emphasis requiring all firms to 'act to deliver good outcomes' for their customers. As such, the Bank is required to act in good faith, to take all reasonable steps to avoid foreseeable harm to customers and to enable them to achieve their financial objectives. Further detail is included in the section headed "*FCA Consumer Duty*".

Future Strategy

The Bank's business model is low-risk, with the majority of assets being low loan-to-value mortgages. As a result, the Bank is well placed to withstand a downturn in the economy. However, the Bank remains alert to economic risks generally.

In September 2021, the Board approved a financial plan for the planning period from 2022 to 2026, which was designed to enable the Bank to fulfil its long-term strategic target of establishing sustainable advantage. The strategy outlined two key phases, "Growth and Efficiency" and "Embed and Expand".

In the "Growth and Efficiency" phase, which covered the period until the end of 2023, the Bank fully restored all remaining regulatory capital buffers and focused on continuing to generate organic capital through continued profitability, all whilst delivering for its customers and colleagues. The Bank made significant progress in its Simplification programme with the migration of its mortgage and savings customers to modern, resilient, scalable IT systems that enable its growth plans.

The Bank entered the second phase of its strategy at the start of 2024, being "Embed & Expand". The Board approved a five-year strategy and financial plan (the **Plan**), covering the period from 2024 to 2028. The strategy is built around the Bank's growth pillars: current accounts and deposits; and mortgages and SME lending, which are underpinned by two growth enablers: operating model transformation; and ESG and ethical banking propositions.

The Bank's long-term goals remain consistent with those outlined in prior plans, including establishing a sustainable advantage by trusting in the Bank's customer-led Ethical Policy, its co-operative values and its committed colleagues, whilst removing cost and income inhibitors. The refreshed purpose and visions sets out the ways in which the Bank will continue to build the future of the Bank to ensure it remains as a thriving, ethical bank at the heart of its community, right where it started 150 years ago.

Key financial pillars of the Plan include:

- (a) improving revenues and net interest margin;
- (b) reducing operational costs to decrease total statutory costs;
- (c) investing resources to unlock future growth and de-risk the future of the Bank;
- (d) maintaining CET1 requirements, leverage ratio regulatory expectations, capital requirements and MREL requirements; and

(e) increasing the return on tangible equity as a measure of shareholder value accretion.

As the Bank currently meets its overall capital requirements, it does not require the Plan to be approved by the PRA.

The Plan is based upon the Bank continuing as a standalone entity, and is subject to change in the context of the proposed acquisition of Co-operative Bank Holdings p.l.c. by Coventry Building Society as described below.

The Bank announced in December 2023 that it had entered into exclusive discussions with Coventry Building Society regarding a possible acquisition of Co-operative Bank Holdings p.l.c. (the Bank's ultimate parent company) (the **Potential Acquisition**). On 18 April 2024 a joint RNS announcement was made in respect of the Potential Acquisition. This announcement has since been followed by a joint RNS announcement made on 24 May 2024, which specified that the parties have signed a share purchase agreement pursuant to which Coventry Building Society will acquire the entire issued share capital of Co-operative Bank Holdings p.l.c. (the **Acquisition**). Upon completion of the Acquisition, an integration period will begin during which the Issuer will continue to operate under the Co-operative Bank name and branding while the work to finalise integrated services is completed (the **Integration Period**). The Issuer will maintain its own banking licence during the Integration Period. There can be no assurance that the Acquisition will complete. The Acquisition will be subject to the satisfaction of certain conditions, including the receipt of appropriate regulatory clearances.

THE LLP

Introduction

The LLP was incorporated in England and Wales on 12 March 2009 as a limited liability partnership (partnership number OC343979) with limited liability under the LLPA 2000 by the Britannia Building Society and the Liquidation Member as its Members under the name Britannia Covered Bonds LLP. The Co-operative Bank became a member of the LLP and Britannia Building Society ceased to exist on the date on which all of Britannia Building Society's property, rights and liabilities were transferred to Co-operative Bank pursuant to Sections 97 -102D of the Building Societies Act 1986 (as modified by an order under Section 3 of the Building Society (Funding) and Mutual Societies (Transfer) Act 2007). On 13 January 2011 the LLP changed its name from Britannia Covered Bonds LLP to Moorland Covered Bonds LLP. The registered office of the LLP is at PO Box 101, 1 Balloon Street, Manchester, United Kingdom, M60 4EP. The LLP has no subsidiaries.

Principal Activities

The principal objects of the LLP are set out in the LLP Deed and include, *inter alia*, the ability to carry on the business of acquiring the Loans and their Related Security pursuant to the terms 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, its change of name, activities contemplated under the Transaction Documents to which it is or will be a party and other matters which are incidental or ancillary to the foregoing.

Members

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

<u>Name</u>	<u>Principal Office</u>
The Co-operative Bank p.l.c.	1 Balloon Street, Manchester, M60 4EP
Moorlands Covered Bonds Finance Limited	1 Bartholomew Lane, London, EC2N 2AX

The LLP has no employees.

Directors of the Members

The following table sets out the directors of the Liquidation Member and their respective business addresses and occupations.

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
Intertrust Directors 1 Limited	1 Bartholomew Lane, London, EC2N 2AX	Corporate Director

Intertrust Directors 2 Limited 1 Bartholomew Lane, London, EC2N 2AX Corporate Director

Paivi Helena Whitaker 1 Bartholomew Lane, London, EC2N 2AX Director

The directors of Co-operative Bank are set out under "Board of Directors" above.

The following table sets out the directors of both Intertrust Directors 1 Limited and Intertrust Directors 2 Limited and their respective business addresses and occupations.

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
Paivi Helena Whitaker	1 Bartholomew Lane, London, EC2N 2AX	Director
Charmaine De Castro	1 Bartholomew Lane, London, EC2N 2AX	Director
Jonathan Hanly	Csc, Level 10, 5 Churchill Place, London, England, E14 5HU	Director
Raheel Khan	1 Bartholomew Lane, London, EC2N 2AX	Director
Renda Manyika	Csc, Level 10, 5 Churchill Place, London, England, E14 5HU	Director
Catherine McGrath	Csc, Level 10, 5 Churchill Place, London, England, E14 5HU	Director
John Paul Nowacki	1 Bartholomew Lane, London, United Kingdom, EC2N 2AX	Director
Debra Parsall	1 Bartholomew Lane, London, United Kingdom, EC2N 2AX	Director
Aline Sternberg	1 Bartholomew Lane, London, United Kingdom, EC2N 2AX	Director
Oskari Tammenmaa	1 Bartholomew Lane, London, United Kingdom, EC2N 2AX	Director
Jordina Walker	Csc, Level 10, 5 Churchill Place, London, England, E14 5HU	Director
Alasdair Watson	1 Bartholomew Lane, London, EC2N 2AX	Director

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 or to make a resolution for the voluntary winding-up of the LLP, which require a unanimous decision of the Members) the Members delegate all matters. Any decision by the LLP Management Board relating to the admission of a New Member, any change in the LLP's business, any change to the LLP's name, and any amendment to the LLP Deed, will be made, whilst any Covered Bonds are outstanding, with the consent of the Security Trustee.

No potential conflicts of interest exist between any duties to the LLP of the individual directors of the Members, as described above, and their private interests or other duties in respect of their management roles.

SUMMARY OF THE PRINCIPAL DOCUMENTS

Trust Deed

The Trust Deed, made between the Issuer, the LLP, the Bond Trustee and the Security Trustee on the Initial Programme Date and as the same may be amended, restated, varied and/or supplemented from time to time with the consent of the parties thereto, is the principal agreement governing the Covered Bonds. The Trust Deed contains provisions relating to, *inter alia*:

- the constitution of the Covered Bonds and the terms and conditions of the Covered Bonds (as more fully set out under Terms and Conditions of the Covered Bonds above);
- the covenants of the Issuer and the LLP;
- the terms of the Covered Bond Guarantee (as described below);
- the enforcement procedures relating to the Covered Bonds and the Covered Bond Guarantee; and
- the appointment, powers and responsibilities of the Bond Trustee and the circumstances in which the Bond Trustee may resign or retire or be removed.

Covered Bond Guarantee

Under the terms of the Covered Bond Guarantee, if the Issuer defaults in the payment on the due date of any moneys due and payable under or pursuant to the Trust Deed or the Covered Bonds or any Coupons, if any other Issuer Event of Default occurs (other than by reason of non-payment) or if an LLP Event of Default occurs, the LLP has agreed (subject as described below) to pay (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 has become Due for Payment but would otherwise be unpaid, on any Original Due for Payment Date or, Extended Due for Payment Date, by the Issuer. Under the Covered Bond Guarantee, the Guaranteed Amounts will become due and payable on any earlier date on which an LLP Acceleration Notice is served.

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 is required to serve a Notice to Pay on the LLP. Payment by the LLP of the Guaranteed Amounts pursuant to the Covered Bond Guarantee is required to be made on the later of: (i) the day which 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 are 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 will 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 and/or Coupons 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 will be as principal debtor and not merely as surety and will be absolute and (following service of an Issuer Acceleration Notice and a Notice to Pay, or, if earlier, service of an LLP Acceleration Notice) unconditional, irrespective of, and unaffected by, any invalidity, irregularity or unenforceability of, or defect in, any provisions of the Trust Deed, the Deed of Charge, the Conditions, the applicable Final Terms, or the Covered Bonds or Coupons or any other Transaction Document 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) (LLP Events of Default) of the Conditions, failure by the LLP to pay the Guaranteed Amounts when Due for Payment will result in an LLP Event of Default.

The Trust Deed provides that the Excess Proceeds 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 LLP Accounts and the Excess Proceeds will thereafter form part of the Security and will be used by the LLP in the same manner as all other moneys from time to time standing to the credit of the LLP Accounts. Any Excess Proceeds received by the Bond Trustee will discharge *pro tanto* the obligations of the Issuer in respect of the Covered Bonds and Coupons. 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 will not reduce or discharge any of 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.

The Trust Deed is governed by English law.

Intercompany Loan Agreement

On each Issue Date, the Issuer will use the proceeds of the Covered Bonds issued under the Programme to lend on that date an amount equal to the Principal Amount Outstanding 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 relevant Specified Currency of the corresponding Series or Tranche, as applicable, of the Covered Bonds, as set out in the applicable Final Terms, and the LLP will, if such Term Advance is not denominated in Sterling, swap such Term Advance into Sterling pursuant to the relevant Covered Bond Swap Agreement. The Sterling Equivalent of each Term Advance will be used by the LLP: (a) as consideration for the acquisition of Loans and their Related Security from the Seller pursuant to the terms of the Mortgage Sale Agreement, as described under – "*Mortgage Sale Agreement – Sale by the Seller of Loans and Related Security*"; and/or (b) to acquire or invest in Substitution Assets in an amount not exceeding the prescribed limit, in either case, 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) as consideration in part for the acquisition of Loans and their Related Security from the Seller pursuant to the terms of the Mortgage Sale Agreement, as described under – "*Mortgage Sale Agreement – Sale by the Seller of Loans and Related Security*"; and/or (ii) to invest in Substitution Assets in an amount not exceeding the prescribed limit; and/or (iii) (subject to written confirmation from the LLP that on the relevant Issue Date it has not been served with an Asset Coverage Test Breach Notice which has not been revoked), to make a Capital Distribution to the Seller (in its capacity as Member); and/or (iv) if an existing Series or part of an

existing Series, of Covered Bonds is being refinanced by such issue of Covered Bonds, to repay the Term Advance(s) corresponding to the Covered Bonds being so refinanced; and/or (v) to make a deposit in the Transaction Account (including, without limitation, to fund the Reserve Fund in an amount not exceeding the Reserve Fund Required Amount). Each Term Advance will bear interest at least 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; or (ii) the Principal Amount Outstanding of any relevant Covered Bonds (the proceeds of which were originally applied to make such Term Advances) purchased by the LLP and cancelled in accordance with Conditions 6(f) (Purchases) and 6(g) (Cancellation).

The Intercompany Loan Agreement is governed by English law.

Mortgage Sale Agreement

The Seller

Loans and their Related Security will be sold by the Seller to the LLP from time to time pursuant to the terms of the Mortgage Sale Agreement entered into on the Initial Programme Date between Co-operative Bank (in its capacity as Seller), the LLP (in its capacity as LLP), the Interest Rate Swap Provider 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 consideration of the sale of the Loans and their Related Security to the LLP, the Seller will receive an amount equal to the True 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 aggregate of the True Balance of the Loans sold by the Seller as at 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 may 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 so that the Issuer is in compliance with the Asset Coverage Test in consideration of: (i) the Seller being treated as having made a Capital Contribution (in an amount equal to the True Balance of the New Loans sold by the Seller as at the relevant Transfer Date); and (ii) the right to receive the Deferred Consideration.

If Selected Loans and their Related Security are sold by or on behalf of the LLP as described below under "*LLP Deed – Sale of Selected Loans and their Related Security following service of a Notice to Pay*", the obligations of the Seller insofar as they relate to those Selected Loans and their Related Security will cease to apply.

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

Eligibility Criteria

The sale of Loans and their Related Security to the LLP will be subject to various conditions (the **Eligibility Criteria**) being satisfied on the relevant Transfer Date or in respect of Additional Loan Advances, on the next Calculation Date, including:

- (a) no Issuer Event of Default or LLP Event of Default under the Transaction Documents has 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 New Portfolio on the relevant Transfer Date would adversely affect the then current ratings by the Rating Agency of the Covered Bonds;
- (c) the weighted average yield on the Loans in the Portfolio (including the loans which it is proposed will be New Loans) is at least 0.20% greater than the SONIA Spot Rate published on the final London Business Day in the previous Calculation Period after taking into account:

- (i) the weighted average yield on the Loans;
 - (ii) the margins on the Interest Rate Swap;
 - (iii) the weighted average yield on any Substitution Assets held by the LLP; and
 - (iv) the amount available to be withdrawn from the Yield Reserve taking into account amounts to be credited to the Yield Reserve on or before the next following Calculation Date; and
- (d) if the sale of loans which it is 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.

If the Transfer Date is an Issue Date, only the conditions set out in paragraphs (a) and (c) above are required to be satisfied to effect an assignment and transfer of the loans which it is proposed will be New Loans. In addition, if any part of the consideration for a sale is satisfied pursuant to a cash payment under the Mortgage Sale Agreement, the conditions set out in paragraphs (a) to (d) above will be deemed to be satisfied or waived and, if the sale was in fact made at a time when the conditions were not satisfied or waived, the Mortgage Sale Agreement will be deemed to contain a warranty that the conditions above had been satisfied and that there is a material breach of such warranty, provided that in each case if amounts are not credited to the Yield Reserve on or before the relevant Calculation Date, then the Mortgage Sale Agreement will be deemed to contain a warranty that such amounts had been credited to the Yield Reserve and that there is a material breach of such warranty on that date.

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 (a) to (d) above relating to the Loan subject to that Product Switch or Further Advance are not satisfied on the next following Calculation Date, the LLP will be entitled to rectify the relevant breach of those Eligibility Criteria by (in the event of a breach of the Eligibility Criteria in paragraphs (a) and (c) above) requiring the Seller to repurchase the Loans subject to any Product Switch or Further Advance or (in the event of a breach of the Eligibility Criteria in paragraph (c) above) by requiring the Seller to transfer further New Loans to the LLP or make a Cash Capital Contribution to the LLP, in each case in an amount sufficient to ensure that the Eligibility Criterion in paragraph (c) above of the Eligibility Criteria is met.

On the relevant Transfer Date the Seller must deliver to the Security Trustee a solvency certificate signed by an Authorised Signatory of the Seller dated as at the relevant Transfer Date if: (i) a solvency certificate has not been delivered by the Seller in the six months prior to the relevant Transfer Date; or (ii) as at the relevant Transfer Date the counterparty risk assessment of the Seller is not at least Aa3(cr) by Moody's.

Transfer of Title to the Loans to the LLP

Loans and their Related Security will be sold by the Seller to the LLP by way of equitable assignment. Legal assignment of the Loans and their Related Security to the LLP (or, where specified, of the Selected Loans and their Related Security) will be completed on or before the 25th Business Day after the earliest of the following:

- (a) either: (i) the occurrence of an Issuer Event of Default under Condition 9(a) (Issuer Events of Default); and service on the Issuer of an Issuer Acceleration Notice and the service on the LLP of a Notice to Pay unless the Seller has notified the LLP that it will accept an offer set out in the Selected Loan Offer Notice within the prescribed time (in respect of those Loans which are the subject of a Selected Loan Offer Notice); 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), then the occurrence of any other Issuer Event of Default;
- (b) in respect of Selected Loans only, at the request of the LLP following the acceptance of any offer to sell the Selected Loans and their Related Security to any person who is not the Seller;
- (c) the Seller and/or the LLP being required: (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
- (d) the Seller requesting a transfer by way of assignment 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 Mortgages 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 Deeds and Loan Files relating to the Loans in the Initial 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 Deeds and Loan 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 or 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 will be given if the Rating Condition has been satisfied), amend the Representations and Warranties in the Mortgage Sale Agreement. The Representations and Warranties are given on the relevant Transfer Date in respect of the Loans and Related Security to be sold to the LLP only on that date and on the Calculation Date following the making of any Further Advance or Product Switch in respect of the Loan to which the Further Advance or Product Switch relates only and on the Calculation Date following the Rearrangement Transfer Date in respect of the Loan to which the Rearrangement relates only.

The material Representations and Warranties are as follows:

Loans

- (a) Each Loan was originated by the Seller, was denominated in pounds sterling upon origination and the Seller was, at the time of the origination of each Loan, a credit institution as defined in points (1) and (2) of Article 4(1) of Regulation (EU) No 575/2013 and as it forms part of domestic law by virtue of the EUWA;
- (b) So far as the Seller is aware, no Borrower is materially in default under a Loan other than in respect of payments;
- (c) No self-certified Loans are present in the relevant Portfolio;
- (d) No Borrower has filed for bankruptcy, entered into an individual voluntary arrangement, or had a county court judgment within six years prior to: (a) the First Transfer Date in respect of the Initial Portfolio; or (b) the relevant Transfer Date in respect of the relevant New Portfolio, except in the case of certain Borrowers who have had county court judgments provided that: (i) the value of such judgment was no more than £100; (ii) the Borrower satisfied that county court judgment; and (iii) the Borrower otherwise passed the credit score test applied by the Seller;
- (e) Each Loan was originated by and made by Seller on its own account pursuant to underwriting standards that are no less stringent than those the Seller applied at the time of origination to similar exposures that are not included in the relevant Portfolio;
- (f) No Loan was marketed and underwritten on the premise that the loan applicant or, as applicable, any intermediary, was made aware that the information provided by the loan applicant might not be verified by the Seller;
- (g) In respect of: (a) the Initial Portfolio, at the time that the New Portfolio Notice was delivered in relation to the Initial Portfolio, the particulars of the Loans set out in the Mortgage Sale Agreement were complete, true and accurate in respect of the data fields described in the Mortgage Sale Agreement; and (b) in respect of the relevant New Portfolio, the particulars of any New Loans set out in any offer made by the Seller to sell New Loans on a relevant Transfer Date attaching or setting out data in respect of such New Loans (the New Portfolio Notice) are true, complete and accurate in respect of the data fields described in the Schedule to the New Portfolio Notice as at the relevant Transfer Date;
- (h) Each Loan arose from the ordinary course of the Seller's residential secured lending activities in England and Wales and at the time of origination, the Lending Criteria were satisfied;
- (i) Each Loan and its Related Security was made 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 and the rate of interest under each loan is charged in accordance with the Standard Documentation;
- (j) All of the Borrowers are individuals (and not partnerships) and were aged 18 years or older at the date they executed the relevant Mortgage;
- (k) Each Loan has a remaining term of less than 50 years as at the relevant Transfer Date and, if any Covered Bonds are outstanding, each Loan has a maturity date which is earlier than the date falling three years prior to the relevant Due for Payment Date;

- (l) To the extent that a Guarantee was required under the Lending Criteria in relation to a particular Loan, that Guarantee constitutes the valid, binding and enforceable obligations of the guarantor thereunder (save to the extent that the Guarantee is not valid, binding or enforceable by virtue of the Unfair Terms in Consumer Contracts Regulations 1994 or the Unfair Terms in Consumer Contracts Regulations 1999);
- (m) Each Loan and its Related Security will be **eligible property** for the purposes of Regulation 2 of the RCB Regulations;
- (n) No Borrower (or guarantor of a Borrower's obligations) is an employee or director of the Seller;
- (o) No Loan is a Right-to-Buy Loan or a Buy-to-Let Loan;
- (p) No Loan is a Flexible Loan;
- (q) There were no Capitalised Arrears on any Loan as at the relevant Transfer Date;
- (r) No Authorised Underpayments or Payment Holidays have been granted in respect of any Loan as at the relevant Transfer Date;
- (s) No Loan is in arrears;
- (t) To the best of the Seller's knowledge, no Borrower has been declared insolvent or had a court grant their creditors a final non-appealable right of enforcement or material damages as a result of a missed payment within six years prior to the date of origination or has undergone a debt-restructuring process with regard to his non-performing exposures within six years prior to: (a) the First Transfer Date in respect of the Initial Portfolio; and (b) the relevant Transfer Date in respect of the transfer of any New Portfolio;
- (u) To the best of the Seller's knowledge, no Borrower has been in arrears with another mortgage lender at any point during the 12 months prior to the date of such Borrower's Initial Advance under its Loan, except that certain Borrowers may have missed (whether in whole or in part): (a) one payment in respect of a Loan; or (b) missed payment twice on any unsecured debt in the last 12 months, provided that: (i) the Borrower otherwise passes the credit score test; and (ii) the Borrower has provided an explanation satisfactory to the Seller (acting as a Reasonable, Prudent Mortgage Lender);
- (v) To the best of the Seller's knowledge, at the time of origination of the relevant Loan, no Borrower either: (a) appeared on a register available to the Seller of persons with an adverse credit history; or (b) had a credit assessment or a credit score indicating that the risk of contractually agreed payments not being made was significantly higher than for comparable exposures held by the Seller which are not included in the relevant Portfolio, except in the case of certain Borrowers who have had county court judgments provided that: (i) the value of such judgment was no more than £100; (ii) the Borrower satisfied that county court judgment; and (iii) the Borrower otherwise passed the credit score test applied by the Seller;
- (w) The True Balance on each Loan and its Related Security constitutes 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, binding and enforceable obligations of the relevant Borrower enforceable in accordance with their terms and non-cancellable except that: (a) enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the courts' discretion

in relation to equitable remedies; and (b) the terms of each Loan and its Related Security (including those relating to setting, changing or payment of interest, the payment of principal, transferability, maturity and any material terms relating to enforcement) may not be binding by virtue of the Unfair Terms in Consumer Contracts Regulation 1994, the Unfair Terms in Consumer Contracts Regulations 1999 or the Consumer Rights Act 2015;

- (x) No Loan is wholly or partly regulated by the CCA or treated as such, or, to the extent that it is so regulated or partly regulated or treated as such, the Seller has complied with all of the legal requirements of, and procedures set out in, the CCA and all secondary legislation made pursuant thereto;
- (y) No Loan (whether alone or with any related agreement) constitutes an unfair relationship for the purposes of sections 140A to 140D of the CCA;
- (z) There are no outstanding obligations on the Seller to make any Further Advances, or the payment of any cashback amounts, to any Borrower;
- (aa) In respect of any Loan in respect of which the relevant Borrower has been permitted to enter into a tenancy, such tenancy is an assured shorthold tenancy;
- (bb) In relation to any leasehold Property, in any case where the Seller has received written notice from the relevant landlord that it is or may be taking reasonable steps to forfeit the lease of that Property, the Seller has taken such reasonable steps (if any) and in such time as would be taken by a Reasonable, Prudent Mortgage Lender to protect its security and the Loan;
- (cc) No Loan is repayable in a currency other than Sterling;
- (dd) At the time of origination, the True Balance of each Loan was £5,000 or more but less than £1,200,000;
- (ee) All costs and fees payable by the Borrower in connection with the origination of the Loans have been paid;
- (ff) In the case of each Loan, the Seller caused to be made on its behalf a valuation of the relevant Property by a valuer approved by the Seller (being a fellow, Member or associate of the Royal Institution of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers for the valuation of a Property), or by an automated valuation model by Hometrack Data Systems Limited in all material respects in accordance with the Lender Criteria;
- (gg) The Seller has not agreed to waive any of its rights against any valuer, solicitor, licensed or qualified conveyancer or other professional who has provided information, carried out work or given advice in connection with any Loan or its Related Security;
- (hh) Each of the Properties are residential and located in England and Wales;
- (ii) Prior to making a Loan to a Borrower, the Seller either:
 - (i) caused its Approved Conveyancers or Approved Solicitors to carry out in relation to the relevant Property all investigations, searches and other actions and enquiries which a Reasonable, Prudent Mortgage Lender or its solicitors normally make when lending to an individual on the security of residential property, as the case may be, in England or Wales (as applicable); and

- (ii) received a certificate of title prepared by Approved Solicitors or Approved Conveyancers (a Certificate of Title) relating to such Property and the results thereof were such as would be acceptable to a Reasonable, Prudent Mortgage Lender in order to proceed with the Loan; or
- (iii)
 - (A) has the benefit of a Title Insurance Policy applicable to such Property; and
 - (B) received a Restricted Certificate of Title relating to the title to such Property;

Mortgages

- (a) Subject in certain appropriate cases to the completion of an application for registration or recording at the Land Registry, the whole of the True Balance on each Loan is secured by a Mortgage or Mortgages over a residential Property and each Mortgage constitutes a valid and subsisting first charge by way of legal mortgage;
- (b) In relation to each Loan and its Related Security, the Borrower has good and marketable title to the relevant Property (subject to registration of the title at the Land Registry) free from any encumbrance (except the Mortgage and any subsequent ranking mortgage) which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold Property:
 - (a) the lease cannot be forfeited on the bankruptcy of the tenant;
 - (b) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
 - (c) a copy of the consent or notice has been or will be placed with the Title Deeds;
- (c) All steps necessary to perfect the Seller's title to each Mortgage were duly taken or are in the process of being taken with all due diligence and the Seller is not aware of any caution, notice, inhibitions or restrictions which would prevent the registration or recording of the Mortgage in due course;
- (d) No Loan or its Related Security is subject to any right of rescission, set-off, lien, counterclaim or defence;
- (e) The Seller has not waived any of its rights under or in relation to a Loan or its Related Security which would materially reduce the value of the Loan;
- (f) The terms of the Loan Agreement or Related Security relating to each Loan are not "unfair terms" within the meaning of the Unfair Terms in Consumer Contracts Regulations 1994 or the Unfair Terms in Consumer Contract Regulations 1999 or the Consumer Rights Act 2015 but this warranty shall not be construed so as to apply in respect of any terms relating to setting, changing or payment of interest, the payment of principal, transferability, maturity and any material terms relating to enforcement;

- (g) In relation to each Mortgage every person who, at the date upon which the relevant Loan was made, had attained the age of 17 and who had been notified to the Seller as residing or being about to reside in a Property subject to a Mortgage, is either the relevant Borrower or has signed a deed whereby a mortgagee in relation to a Property in England and Wales agrees with the Seller to postpone its mortgage over the Property so that the sums secured by it will rank for repayment after the sums secured by the relevant Mortgage;
- (h) Each of the Insurance Policies are in full force and effect and all premiums payable thereon have been paid and, so far as the Seller is aware, the relevant policies are valid and enforceable and the Seller has not received notice that there are, and is not otherwise aware of any reasons why an insurer may refuse to accept liability under the same;
- (i) As far as the Seller aware, there is no claim outstanding under any of the Third Party Buildings Policies (save for senior claims not involving the destruction of Property) and Seller is not aware of any circumstances, act or thing which would, or would be likely to, give rise to any claim under any of the foregoing;
- (j) Save for Title Deeds held at the Land Registry, all the Title Deeds, the Loan Files and computer tapes relating to each of the Loans and their Related Security are held by the Seller or its agents and the title deeds held at the Land Registry are held on the basis that any such title deeds shall be returned to the Seller or its solicitors or agents;
- (k) The Seller has good and marketable title to, and is the absolute unencumbered legal and beneficial owner of, each Loan and its Related Security, subject in each case only to the Mortgage Sale Agreement, the Borrowers' equity of redemption and subject to registration or recording at the Land Registry of the Seller as proprietor of the relevant Mortgage;
- (l) The Seller has not knowingly waived or acquiesced any breach of any of its rights in respect of a Loan or its Related Security other than waivers and acquiescence as such a Reasonable Prudent Mortgage Lender might make on a case-by-case basis nor has it received written notice of and is not aware of any litigation, claim dispute or complaint (in each case, subsisting, threatened or pending) which may have a material adverse effect on the Seller's title to any Loan or its Related Security;
- (m) The Seller has at all relevant times held and continues to hold: (a) a subsisting licence under the terms of the Consumer Credit Act 1974 to carry on consumer credit business in England and Wales; and (b) all relevant approvals under all relevant Data Protection Laws;
- (n) All formal approvals, consents and other steps necessary to permit a legal, equitable or beneficial transfer, or a transfer of servicing or other disposal as and in the manner contemplated by Transaction Documents of the Loans, their related Mortgages and the other Related Security to be sold under the Mortgage Sale Agreement have been obtained or taken, there is no requirement in order for the transfer to be effective to obtain the consent of the Borrower before, on or after any legal, 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, the Security Trustee or any of their successors in title or assigns;
- (o) The Seller (together, with its delegates and service providers) has, since the making of each Loan, kept such accounts, books and records as are necessary to show all material transactions, payments, receipts and proceedings relating to that Loan, its Mortgage and the Related Security and all such accounts, books and records are in the possession of the Seller;

- (p) The Seller has at all relevant times held and continues to hold authorisation and appropriate permissions from the FCA for conducting all regulated activities in respect of the loan and related security for which they hold a permission and as specified in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended) carried on by it in respect of each Loan;
- (q) The Seller has complied with all applicable requirements of law or of any person who has regulatory authority which has the force of law in respect of the Loans and their Related Security;
- (r) No Borrower has made any complaint and there is no pending or threatened action or proceeding by an applicant against the Seller in respect of the Loans or their Related Security;
- (s) Each officer or employee of the Seller in any capacity which involved a Senior Management Function under the SMCR regime and/or a controlled function under the APER regime (as defined in the rules, guidance and evidential provisions as amended from time to time contained in the PRA rulebook and or the FCA Handbook of Rules and Guidance (the **FCA Rules**)) or involves the supervision of any person or persons so engaged is and was at all relevant times a validly registered "Senior Management Function" or "approved person";
- (t) The Seller has created and maintained all records in respect of the Mortgages in accordance with the FCA Rules and any other applicable requirements of law or of any person who has regulatory authority which has the force of law;
- (u) None of the property which is assigned under the Mortgage Sale Agreement or Related Security comprises or includes (or comprises or includes an interest in) "stock" or "marketable securities" (within the meaning of section 122 of Stamp Act 1891), "chargeable securities" (within the meaning of section 99 of the Finance Act 1986) or a "chargeable interest" (within the meaning of section 48 of the Finance Act 2003 or section 4 of the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017);
- (v) The Seller has full recourse to the Borrower and any guarantor of the Borrower under the relevant Loans;
- (w) So far as the Seller is aware, to the extent that any of the Loans qualify as distance contracts (as defined by Article 2 of the Financial Services (Distance Marketing) Regulations 2004), no Loan or its Related Security is cancellable under the Financial Services (Distance Marketing) Regulations (2004) (as amended);
- (x) The Seller has not altered the terms of any letter of offer accepted by a Borrower relating to a Loan or otherwise changed any of the terms and conditions relating to any Loan other than in accordance with the terms and conditions of the letter of offer relating to a Loan as accepted by the applicable Borrower;
- (y) Each Loan (including any Further Advances) sold by the Seller to the LLP pursuant to the Mortgage Sale Agreement will be, at the time when the Issuer acquires such Loan (or, as the case may be, such Further Advance), a "financial asset" as defined in the Taxation of Securitisation Companies Regulations 2006;
- (z) At least one monthly payment due in respect of each Loan has been paid by the relevant Borrower;

- (aa) Each Further Advance constitutes a legal, valid, binding and enforceable obligation of the relevant Borrower and each relevant Mortgage securing that Further Advance secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower to the person entitled to the benefit of the relevant Mortgage (the **Mortgagee**) in priority, in the case of a Mortgage which is a first ranking mortgage, to any other mortgages, charges or securities (including without limitation those registered or recorded against the relevant Property);
- (bb) The beneficial interest in each Further Advance is vested in the LLP pursuant to the Mortgage Sale Agreement;
- (cc) Prior to making a Further Advance to a Borrower, all investigations, searches and other actions that are required to be undertaken pursuant to the Servicing Agreement were duly undertaken;
- (dd) Prior to making a Further Advance to a Borrower, the nature and amount of each Further Advance and the circumstances of the relevant Borrower satisfied the Lending Criteria in all material respects;
- (ee) Each Further Advance has been made on the terms of the Standard Documentation of the Seller (so far as applicable) without material variation;
- (ff) The Seller has made reasonable enquiries to satisfy itself that each Property was, as at the date of completion of the relevant Loan, insured under a Third Party Buildings Policy with a reputable insurance company against all risks usually covered by a Reasonable, Prudent Mortgage Lender advancing money on the security of residential property to an amount not less than the full reinstatement cost;
- (gg) The Loans and their Related Security are not subject, either totally or partially, to any lien, assignment, charge or pledge to any third parties or are otherwise in a condition that could be foreseen to adversely affect the enforceability of the sale to the LLP;
- (hh) No Loan is a Help To Buy Loan, where Help To Buy Loan Means a Loan which benefits from the British Government's "Help to Buy Scheme" or any successor thereto; and
- (ii) No Loan is an interest-only loan.

Interest Rates payable under the Loans

Each Loan in the relevant Portfolio is either:

- (i) a Variable Rate Loan, Tracker Rate Loan, a Capped Rate Loan or Fixed Rate Loan; or
- (ii) a New Loan Type in respect of which the Rating Condition is satisfied.

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

If the Seller receives a Repurchase Notice from the LLP identifying a Loan or its Related Security in the Portfolio which does not, as at the relevant Transfer Date or relevant Calculation Date (in the case of a Further Advance, Product Switch or Rearrangement), materially comply with the Representations

and Warranties and the Seller has failed to remedy such breach as set out in the Mortgage Sale Agreement, then the Seller will be required to repurchase such Loan on the first working day of the Calculation Period immediately following the last day of the month in which such Repurchase Notice has been received with reference to the balance of the Loan on the final Business Day of the month in which such Repurchase Notice has been received:

- (a) any such Loan and its Related Security; and
- (b) any other Loan secured or intended to be secured by that Related Security or any part of it.

The repurchase price payable upon the repurchase of any Loan is an amount (not less than zero) equal to the True Balance thereof as at the relevant repurchase date. The repurchase proceeds received by the LLP will be applied (other than Accrued Interest and Arrears of Interest) in accordance with the Pre-Acceleration Principal Priority of Payments (see "*Cashflows*" below).

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 or Product Switch made in respect of a Loan results in certain Eligibility Criteria being breached;
- (b) a Rearrangement occurs. In these circumstances, the Seller will be able to offer to sell the affected Loan back to the LLP. The repurchase price for such Loan that is subject to a Rearrangement will, prior to the occurrence of an Issuer Event of Default, be satisfied by way of a deemed Capital Distribution to the Seller; or
- (c) a proposed Product Switch or Further Advance which would result in the LLP being required to be regulated by the FCA by reason of it entering into or arranging a regulated mortgage contract. In these circumstances, if the Seller or Borrower accepts an offer for the Product Switch or the Further Advance (as the case may be), the Servicer will notify the LLP and the Seller will be required to repurchase the affected Loan or Further Advance before the Product Switch or Further Advance takes place.

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 its True Balance as at the date of 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 (whether such Loan is current or in arrears) and its Related Security from the LLP for a purchase price of not less than the aggregate True Balance of the relevant Loan. 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 Loans Offer Notice offering to sell those Selected Loans and their Related Security for an offer price in aggregate equal to: (a) where the Selected Loan Offer Notice is given following the service of an Asset Coverage Test Breach Notice but prior to the service of a Notice to Pay, the True Balance of the Selected Loans, together with all Accrued Interest and Arrears of Interest thereon; or (b) where the Selected Loan Offer Notice is given following the service of a Notice to Pay, the greater of the True Balance of the Selected Loans, together with all Accrued Interest and Arrears of Interest thereon, 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.

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 on the LLP Payment Date after receipt of the Selected Loan Repurchase Notice(s) or such date as the LLP may direct in the Selected Loan Repurchase Notice (**provided that** such date will not be later than the earlier to occur of the date which is: (a) ten Business Days after receipt of by the LLP of the Selected Loan Repurchase Notice; and (b) the Final Maturity Date or the Extended Due for Payment Date (as applicable) of the Earliest Maturing Covered Bonds).

For the purposes hereof:

The **Adjusted Required Redemption Amount** means, the Sterling Equivalent of:

- (a) the Required Redemption Amount, plus or minus the Sterling Equivalent of;
- (b) any swap termination amounts payable under the Covered Bond Swap Agreement to or by the LLP in respect of any relevant Series of Covered Bonds less;
- (c) (where applicable) amounts standing to the credit of the LLP Accounts and the Sterling Equivalent of the principal balance of any Authorised Investments (excluding all amounts to be applied on the next following LLP Payment Date to repay higher ranking amounts in the Guarantee Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds) plus or minus any swap termination amounts payable to or the LLP under the Interest Rate Swap Agreement.

Required Redemption Amount means, in respect of a Series of Covered Bonds, the amount calculated as follows:

$$\text{the Principal Amount Outstanding of the relevant Series of Covered Bonds} \quad \times \quad (1 + \text{Negative Carry Factor} \times (\text{days to maturity of the relevant Series of Covered Bonds} / 365))$$

Product Switches and Further Advance Drawings under Loans

The Seller is solely responsible for funding all Further Advances and for any Product Switch in respect of Loans sold by the Seller to the LLP, if any. The amount of the Seller's Capital Contribution in Kind will increase by the amount of the funded Further Advances.

The LLP may require the Seller to repurchase any Loan and its Related Security (and any other Loan secured or intended to be secured by that Related Security or any part of it) in the event of a material breach of any of the Representations or Warranties or if any of those Representations or Warranties proves to be materially untrue in relation to that Loan. The LLP may also require the Seller to repurchase a Loan and its Related Security if any Product Switch or Further Advance in relation to that Loan will require the LLP to be regulated by the FCA by reason of it entering into or arranging a regulated mortgage contract. If a Loan is subject to a Product Switch or an offer of a Further Advance, then the Seller may (at its sole discretion) offer to repurchase the Loans or Loans under the relevant Mortgage and the Related Security from the LLP. In either case, the sale price will be equal to the aggregate True Balance of such Loans and all Arrears of Interest and Accrued Interest relating thereto as at the date of purchase.

A Loan will be subject to a Product Switch if there is a variation in the financial terms and conditions applicable to the relevant Borrower's Loan other than:

- any variation agreed with a Borrower to control or manage arrears on the Loan;
- any variation in the maturity of the Loan;
- any variation imposed by statute or as a result of UK government policy changes or initiatives aimed at assisting homeowners (including Borrowers) in meeting payments on their mortgage loans or any variation in the frequency with which the interest payable in respect of the Loan is charged;
- any variation to the interest rate as a result of the Borrowers switching to a different rate;
- any change to a Borrower under the Loan or the addition of a new Borrower under a Loan or removal of a Borrower;
- any change in the repayment method of the Loan; or
- any partial release of security, where, after such release, the Loan continues to satisfy the applicable Loan-To-Value Ratio requirements.

In addition, the circumstances listed above will not affect the general ability of the Seller to offer to repurchase a Loan and its Related Security from the LLP.

Rearrangements

If the Seller accepts an application from, or makes an offer (which is accepted) to a Borrower for a Rearrangement, the Seller will notify the Servicer and will repurchase from the LLP the relevant Loan or Loans and its (or their) Related Security. The LLP will accordingly re-assign or re-transfer to the Seller free from the Security created pursuant to the Deed of Charge, such Loan(s) and its (or their) Related Security (and any other Loan secured or intended to be secured by that Related Security or any part of it) on the Business Day immediately following the Rearrangement Date for an amount equal to the Current Balance of such Loan on the Business Day immediately following the Rearrangement Date.

Prior to the occurrence of an Issuer Event of Default the repurchase price in respect of any Rearrangement may be satisfied by a deemed reduction in the Capital Contribution Balance of the Seller in accordance with the provisions of the LLP Deed.

The sale by the Seller of any Loans and their Related Security which are the subject of a Rearrangement to the LLP will not include any transfer of an obligation under such Loan including any obligation to make a Further Advance or any other obligation relating to the payment of funds to the Borrowers in respect of such Loans, which obligations will, at all times notwithstanding the sale of the relevant Loan to the LLP, be obligations of the Seller.

Any Loan which is the subject of a Rearrangement may be resold to the LLP at any time in accordance with the provisions of the Mortgage Sale Agreement.

The Seller undertakes to the LLP that it is and will at all times remain solely responsible for documenting any relevant offer or, accepting any application, for a Rearrangement made to or received from a Borrower with respect to any relevant Loan.

Loan Porting

If a Borrower ports a Loan comprised in the Portfolio, such Loan will be redeemed and the principal element of such amount will be applied as Available Principal Receipts and the interest element of such amount will be applied as Available Revenue Receipts on the next Interest Payment Date.

Authorised Underpayments

In the event that the Seller permits a Borrower to make an Authorised Underpayment, the Seller will be required to pay to the LLP an amount equal to the unpaid interest associated with that Authorised Underpayment and the amount of any such payment representing capitalised interest in respect of that Authorised Underpayment will constitute a Cash Capital Contribution by the Seller to the LLP.

New Sellers

In the future, any New Seller that wishes to sell loans and their Related Security to the LLP will accede to, *inter alia*, the Mortgage Sale Agreement and the LLP Deed as a Member. The sale of New Loans and their Related Security by New Sellers to the LLP will be subject to certain conditions, including the following:

- each New Seller accedes to the terms of the LLP Deed as Member (with such subsequent amendments as may be agreed by the parties thereto) so that it has, in relation to those New Loans and their Related Security to be sold by the relevant New Seller, substantially the same rights and obligations as the Seller had in relation to those Loans and their Related Security comprised in the Initial Portfolio under the LLP Deed;
- each New Seller accedes to the terms of the Mortgage Sale Agreement (with such subsequent amendments 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;
- each New Seller accedes to the Programme Agreement and the Deed of Charge and enters into such other documents as may be required by the Security Trustee, the Bond Trustee and/or the

LLP (acting reasonably) to give effect to the addition of a New Seller to the transactions contemplated under the Programme;

- any New Loans and their Related Security sold by a New Seller to the LLP comply with the equivalent Eligibility Criteria set out in the Mortgage Sale Agreement;
- either the Servicer services the New Loans and their Related Security sold by a New Seller on the terms set out in the Servicing Agreement (with such subsequent amendments as may be agreed by the parties thereto) or the New Seller (or its nominee) enters into a servicing agreement with the LLP and the Security Trustee which sets out the servicing obligations of the New Seller (or its nominee) in relation to the New Loans and their Related Security and which is on terms substantially similar to the terms set out in the Servicing Agreement (fees payable to the Servicer or the New Seller (or its nominee) acting as servicer of such New Loans and their Related Security would be determined on the date of the accession of the New Seller to the Programme);
- the Security Trustee is satisfied that any accession of a New Seller to the Programme will not prejudice the Asset Coverage Test; and
- the LLP and the Cash Manager certify in writing to the Security Trustee that the accession of a New Seller to the Programme is not materially prejudicial to the Covered Bondholders, and the Rating Condition is 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.

In addition, where the Seller intends to sell Loans originated by a third party (and not the Seller) to the LLP, the sale of any Loans to the LLP will be subject to the Rating Condition being satisfied.

The Mortgage Sale Agreement is governed by English law.

Servicing Agreement

Pursuant to the terms of the Servicing Agreement entered into on the Initial Programme Date between the LLP, the Co-operative Bank (in its capacity as Servicer, Seller 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 and:

- (i) as if the Loans and their Related Security sold by the Seller to the LLP had not been sold to the LLP but remained with the Seller; and
- (ii) in accordance with the Seller's servicing, arrears and enforcement policies and procedures forming part of the Seller's policy from time to time as they apply to those Loans.

The Servicer's actions in servicing the Loans in accordance with its procedures will be binding on the LLP 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 servicing 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, *inter alia*, to:

- act as collection agent for the LLP under the Direct Debiting Scheme in accordance with the provisions of the Servicing Agreement;
- notify the relevant Borrowers of any change in their Monthly Payments;
- keep records and accounts on behalf of the LLP in relation to the Loans and their Related Security comprised in the Portfolio;
- keep the Loan Files and Title Deeds in its possession or under its control in safe custody and maintain records necessary to enforce each Mortgage and to provide the LLP and the Security Trustee with access to the Title Deeds (other than Title Deeds in relation to Loans which are Dematerialised Loans) and other records relating to the servicing of the Loans and their Related Security;
- maintain a register in respect of the Portfolio;
- keep any records necessary for all taxation purposes, including, without limitation, VAT;
- assist the auditors of the LLP and provide information to them upon reasonable request;
- provide a redemption statement upon the request of a relevant Borrower or the Borrower's solicitor, licensed conveyancer or otherwise at the discretion of the Servicer;
- make available upon request to the LLP and the Security Trustee a report on a monthly basis containing information about the Loans and their Related Security comprised in the Portfolio;
- provide to the FCA such information about the Loans and their Related Security contained in the Portfolio and/or such other information as the FCA may direct pursuant to the RCB Regulations;
- assist the Cash Manager in the preparation of the Monthly Asset Coverage Report in accordance with the Cash Management Agreement;
- take all reasonable steps to recover all sums due to the LLP, including instituting proceedings and enforcing any relevant Loan 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; and
- take any other action and do all other things which it would be reasonable to expect a Reasonable, Prudent Mortgage Lender to do in servicing its loans and their related security.

Servicer ratings

If the Servicer ceases to be assigned a counterparty risk assessment by Moody's of at least Baa3(cr) (which will be a **Back-Up Servicing Event**), it will use reasonable efforts (with the assistance of the Back-Up Servicer Facilitator, who shall use its best efforts) to enter, within 60 days, into a back-up or master servicing agreement with a third party with suitable experience and credentials. The Servicer will make a draft of the back-up or master servicing agreement available to the Rating Agency prior to its execution. If the Servicer does not appoint a Back-Up Servicer within 60 days of being required to do so by the Issuer, the Servicer shall immediately upon notice from the Issuer appoint as Back-Up Servicer such person as may be specified by the Issuer, provided that a failure to find a suitable third party willing to act as back-up or master servicer shall not constitute a breach of the Servicer's obligations under the Servicing Agreement and provided further that nothing in the Servicing Agreement shall prevent such third party delegating the services to the Co-operative Bank.

If the short-term ratings of the Seller fall below P-2 by Moody's, the Seller (or the Servicer acting on its behalf) will use reasonable endeavours to procure that:

- (a) a separate account (the **CB Collection Account**) is set up in the name of the Seller at an eligible financial institution into which all amounts received in relation to the Loans and Related Security comprised in the Portfolio will be transferred;
- (b) all further instructions by the Servicer to debit the accounts of Borrowers that are subject to direct debit mandates will be made to the CB Collection Account;
- (c) all Monthly Payments made by a Borrower under a payment arrangement other than the Direct Debiting Scheme are credited on the Business Day immediately following receipt by the Servicer to the CB Collection Account; and
- (d) notice is sent to the bank at which the CB Collection Account is held that the account is a trust account and that the Seller holds all amounts standing to the credit of the CB Collection Account on trust for the LLP pursuant to the terms of the Servicing Agreement and that such bank will not combine, consolidate or merge the CB Collection Account with any other account of the Seller or any other person or any liabilities of the Seller or any other person owed to it and acknowledgement of such notice is received from such bank by the Seller;

and, for the avoidance of doubt, all amounts credited to the CB Collection Account will be paid to the Transaction Account, in accordance with the requirements of, and the time limits set out in, the Servicing Agreement.

Setting of Standard Variable Rate and other discretionary rates and margins

Pursuant to the terms of the Mortgage Sale Agreement and in accordance with Mortgage Conditions applicable to certain of the Loans, the Seller has prescribed policies relating to interest rate setting, arrears management and handling of complaints which the LLP (and any subsequent purchaser thereof) will be required to adhere to following the transfer of Loans and their Related Security. Such arrears management and handling of complaints policies are consistent with those to be applied by the Servicer under the terms of the Servicing Agreement. The interest rate setting policy specified in the Mortgage Sale Agreement is only applicable to Loans with interest rates which may be varied from time to time in the discretion of the lender and requires that such interest rates should be set in accordance with any applicable statement of good practice of the FCA or any other requirements or recommendations of the FCA with which it is customary to comply.

In addition to the undertakings described above, the Servicer has also undertaken in the Servicing Agreement to determine and set in relation to all the Loans in the Portfolio the LLP Standard Variable Rate and any other discretionary rates and margins (in accordance with the policy to be adhered to by the LLP above) except in the limited circumstances described below in this subsection when the LLP will be entitled to do so. The Servicer will not at any time prior to service of a Notice to Pay on the LLP and/or the transfer of legal title to the Portfolio (or any part thereof) to the LLP, without the prior consent of the LLP, set or maintain:

- (i) the LLP Standard Variable Rate applicable to the Loans sold by the Seller to the LLP and in the Portfolio at a rate which is higher than (although it may be lower than or equal to) the then prevailing Standard Variable Rate of the Seller which applies to mortgage loans beneficially owned by the Seller outside the Portfolio; and
- (ii) any other discretionary rate or margin in respect of any other Loan sold by the Seller to the LLP and in the Portfolio which is higher than (although it may be lower than or equal to) the interest rate or margin which applies to that type of mortgage loan beneficially owned by the Seller outside the Portfolio.

In particular, the Servicer will determine on each Calculation Date, having regard to:

- (a) the income which the LLP would expect to receive during the next succeeding LLP Payment Period (the **Relevant LLP Payment Period**);
- (b) the LLP Standard Variable Rate and any other discretionary rate or margin in respect of the Loans which the Servicer proposes to set under the Servicing Agreement for the Relevant LLP Payment Period; and
- (c) the other resources available to the LLP including the Interest Rate Swap Agreement, the relevant Covered Bond Swap Agreements, the Reserve Fund and taking into account any amounts available to be withdrawn from the Yield Reserve including amounts to be credited thereto on or prior to the LLP Payment Date falling at the end of the Relevant LLP Payment Period,

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 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, it will give written notice to the LLP and the Security Trustee, within three Business Days, of the amount of the 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 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 the LLP Standard Variable Rate and/or other discretionary rates or margins sufficient to avoid such shortfall on future Calculation Dates. In consideration of such sale,

the Seller will be treated as having made a Capital Contribution in Kind (in an amount equal to the True 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 will determine on each Calculation Date following an Issuer Event of Default and the Service of an Issuer Acceleration Notice on the Issuer and the service on the LLP of a Notice to Pay, having regard to the aggregate of:

- (a) the LLP Standard Variable Rate and any other discretionary rate or margin, in respect of the Loans which the Servicer proposes to set under the Servicing Agreement for the Relevant LLP Payment Period;
- (b) the resources available to the LLP under the Interest Rate Swap Agreement; and
- (c) any amounts available to be withdrawn from the Yield Reserve including amounts to be credited thereto prior to the commencement of the Relevant LLP Payment Period,

whether the LLP would receive an aggregate amount of interest on the Loans, amounts under the Interest Rate Swap Agreement, and taking into account any amounts available to be credited to and/or withdrawn from the Yield Reserve during the Relevant LLP Payment Period which would give a yield on the Loans of at least 0.20 per cent. plus the SONIA Spot Rate published for the final London Business Day in the previous Calculation Period.

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 LLP Standard Variable Rate and the other discretionary rates or margins which would, in the Servicer's opinion, need to be set in order for no shortfall to arise, and the Yield Shortfall Test to be met, having regard to the date(s) on which the change to the LLP Standard Variable Rate and the other discretionary rates or margins would take effect and at all times acting in accordance with the standards of a Reasonable, Prudent Mortgage Lender. If the LLP or the Security Trustee notifies the Servicer that, having regard to the obligations of the LLP, the LLP Standard Variable Rate and/or the other discretionary rates or margins should be increased, the Servicer or replacement Servicer, as the case may be, will take all steps which are necessary to increase the LLP Standard Variable Rate and/or any other discretionary rates or margins including publishing any notice which is required in accordance with the Mortgage Conditions.

The LLP and the Security Trustee may terminate the authority of the Servicer to determine and set the LLP Standard Variable Rate and any other variable rates or margins on the occurrence of a Servicer Event of Default as defined under "*Removal or resignation of the Servicer*", in which case the LLP and the Security Trustee will agree to appoint the replacement Servicer to set the LLP Standard Variable Rate and the other discretionary rates or margins itself in accordance with this sub-section.

Remuneration

As full remuneration 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 Co-operative Bank Group is entitled to receive the fee (inclusive of VAT or other similar duties) from the LLP as set out in the Cash Management Agreement. If, however, a servicer is appointed from outside the Co-operative Bank Group, the level of this fee may be amended.

Back-Up Servicer Facilitator

Under the Servicing Agreement in the event that the Servicer ceases to be assigned a counterparty risk assessment by Moody's of at least Baa3(cr), the Back-Up Servicer Facilitator, shall, within 60 days of the date on which the ratings of the Servicer have so fallen, use best efforts to identify, on behalf of the Issuer a suitable back-up servicer (the **Back-Up Servicer**) which meets the requirements for a substitute Servicer provided for by the Servicing Agreement.

Removal or resignation of the Servicer

The LLP and the Security Trustee may, upon written notice to the Servicer, terminate the Servicer's rights and obligations immediately 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:

- the Servicer defaults in the payment of any amount due to the LLP under the Servicing Agreement and fails to remedy that default for a period of fourteen 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;
- the Servicer fails to comply with any of its other obligations under the Servicing Agreement which failure in the opinion of the Security Trustee is materially prejudicial to the Covered Bondholders and does not remedy that failure within the earlier of 30 Business Days after becoming aware of the failure and receipt by the Servicer of written notice from the Security Trustee or the LLP requiring the same be remedied;
- an Insolvency Event occurs in relation to the Servicer; or
- another entity is appointed to service, and begins servicing the Loans in accordance with the Servicing Agreement.

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 and the LLP, provided that a substitute servicer qualified to act as such under the FSMA and with a management team with experience of servicing mortgages in the United Kingdom has been appointed and enters into a servicing agreement with the LLP substantially on the same terms as the Servicing Agreement. The resignation of the Servicer is conditional on the resignation having no adverse effect on the then current ratings of the Covered Bonds unless the Covered Bondholders agree otherwise by Extraordinary Resolution.

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

The Servicer may sub-contract or delegate the performance of its duties under the Servicing Agreement **provided that** it meets conditions as set out in the Servicing Agreement. Neither the Bond Trustee nor the Security Trustee is obliged to act as servicer in any circumstances.

The Servicing Agreement is governed by English law and is made by way of deed.

Asset Monitor Agreement

Under the terms of the Asset Monitor Agreement entered into on the Initial 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.

In the event that the Cash Manager or the Issuer cease to be assigned a counterparty risk assessment by Moody's of at least Baa3(cr), or if an Asset Coverage Test Breach Notice has been served and has not been revoked, 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 until such time as the Cash Manager and the Issuer each regain a counterparty risk assessment by Moody's of at least Baa3(cr), and provided that no Asset Coverage Test Breach Notice is outstanding. If, following a determination by the Asset Monitor of any arithmetic 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 reported Adjusted Aggregate Loan Amount, or the reported Amortisation Test Aggregate Loan Amount, as applicable, is mis-stated by an amount exceeding 1 per cent. of the actual Adjusted Aggregate Loan Amount or the actual 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 other than in relation to testing the arithmetic accuracy of the Cash Manager's calculations 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 conduct an audit or otherwise take steps to verify the accuracy or completeness 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 will pay to the Asset Monitor an agreed fee (based on each report to be provided) for the reports to be performed by the Asset Monitor.

The LLP may, at any time, only with the prior written consent of the Security Trustee, terminate the appointment of the Asset Monitor by giving at least 60 days' prior written notice to the Asset Monitor, and the Asset Monitor may, at any time, resign by giving at least 60 days' prior written notice to the LLP and the Security Trustee (such replacement to be approved by the Security Trustee (such approval to be given if the replacement is an accountancy firm of national standing) which agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in the Asset Monitor Agreement).

Upon receipt of notice of resignation, the LLP will immediately use all reasonable endeavours to appoint a replacement asset monitor to provide the services set out in the Asset Monitor Agreement (such replacement to be approved by the Security Trustee (as directed by the Bond Trustee, and such approval to be given if the replacement is an accountancy firm of national standing)) which agrees to perform the duties of the Asset Monitor set out in the Asset Monitor Agreement. 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 will use all reasonable endeavours to appoint an accountancy firm of national standing to carry out the relevant tests on a one-off basis, **provided that** such appointment is approved by the Security Trustee (as directed by the Bond Trustee).

In addition, PricewaterhouseCoopers LLP has been appointed as asset pool monitor (the **Asset Pool Monitor**) pursuant to the terms of the Asset Monitor Agreement. The Asset Pool Monitor will be required, on an annual basis, to inspect and assess the Issuer's compliance with certain principles-based requirements under the regime and to report on their findings to the FCA (with additional reporting requirements in the case of Issuer non-compliance).

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

The Asset Monitor Agreement is governed by English law.

LLP Deed

The Members of the LLP have agreed to operate the business of the LLP in accordance with the terms of a limited liability partnership deed entered into on the Initial Programme Date between the LLP, Co-operative Bank, the Liquidation Member, the Bond Trustee and the Security Trustee (the **LLP Deed**).

Members

As at the Programme Date, each of Co-operative Bank 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, and Co-operative Bank 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 will 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 or a bank administrator or bank liquidator is appointed to Co-operative Bank or if Co-operative Bank disposes of any of its shares in the Liquidation Member (such that it ceases to hold at least 20 per cent. of the issued share capital of the Liquidation Member), 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 Rating Condition being satisfied.

Capital Contributions

From time to time Co-operative Bank (in its capacity as a Member) will make Capital Contributions to the LLP. Capital Contributions may be made in cash or in kind (for example, through a contribution of Loans to the LLP). The Capital Contributions of Co-operative Bank will be calculated in Sterling on each Calculation Date as the difference between: (a) the aggregate of the True 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.

In the event that a Cash Manager Relevant Event occurs the Seller will:

- (a) within four London Business Days after such downgrade, notify the Principal Paying Agent, the Account Bank or the Standby Account Bank (as applicable) and each Covered Bond Swap Provider of such event;
- (b) within four London Business Days after such downgrade make a Cash Capital Contribution to the LLP in an aggregate amount equal to:
 - (i) (in the case of a Term Advance where a Covered Bond Swap is not in place), the Required Coupon Amount payable on the immediately succeeding Loan Interest Payment Date for each such Term Advance; and/or
 - (ii) (in the case of a Term Advance where a Covered Bond Swap is in place), the Required Coupon Amount payable on the immediately succeeding Party B payment date (as defined in each relevant Covered Bond Swap Agreement) (other than those amounts due in respect of an Interim Exchange Date or Final Exchange Date (each as defined in the relevant Covered Bond Swap Agreement)) relating to each Term Advance; and
- (c) thereafter, within four London Business Days after: (i) each Loan Interest Payment Date in respect of each Term Advance without a Covered Bond Swap in place; and/or (ii) each Party B payment date in respect of each Term Advance with a Covered Bond Swap in place, make a Cash Capital Contribution to the LLP in an aggregate amount equal to the Required Coupon Amount for each such Term Advance without a Covered Bond Swap in place payable on the immediately succeeding Loan Interest Payment Date and/or the Required Coupon Amount for each Term Advance with a Covered Bond Swap in place payable on the immediately succeeding Party B payment date as set out in the relevant Covered Bond Swap Agreement.

The LLP will within one London Business Day of receipt of such Cash Capital Contribution from the Seller: (A) deposit an amount equal to the lesser of the Required Coupon Amount for such Series and the amount of such Cash Capital Contribution referred to in paragraph (b)(i) to the Transaction Account; and (B) in respect of paragraph (b)(ii) pay to the Interest Rate Swap Provider an amount equal to the net amount (if any) that would otherwise have been payable on the immediately succeeding LLP Payment Date by the LLP to the Interest Rate Swap Provider.

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

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

Asset Coverage Test

Under the terms of the LLP Deed, the LLP and the Members (other than the Liquidation Member) must ensure that on each Calculation Date prior to the service of a Notice to Pay or an LLP Acceleration Notice, the Adjusted Aggregate Loan Amount is in an amount at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date.

If on any Calculation Date, the Adjusted Aggregate Loan Amount is less than the Sterling Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds as calculated on the relevant Calculation Date, then the LLP (or the Cash Manager on its behalf) will notify the Members, the Bond Trustee and the Security Trustee thereof and the Members (other than the Liquidation Member) will

use all reasonable endeavours to sell sufficient further Loans and their Related Security to the LLP in accordance with the Mortgage Sale Agreement (see "*Mortgage Sale Agreement – Sale by the Seller of 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 Sterling Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds on the next following Calculation Date, the Asset Coverage Test will be breached and the Bond Trustee (subject to receipt of notice with respect to such following Calculation Date in accordance with the LLP Deed from the LLP (or the Cash Manager on its behalf)) will serve an Asset Coverage Test Breach Notice on the LLP and will (if the Issuer has been accepted to the register of members) send notice of the same to the FCA pursuant to the RCB Regulations. The Bond Trustee will revoke an Asset Coverage Test Breach Notice if, on any Calculation Date falling on or prior to the third Calculation Date following the service of an Asset Coverage Test Breach Notice, the Asset Coverage Test is subsequently satisfied and neither a Notice to Pay nor an LLP Acceleration Notice has been served.

Following service of an Asset Coverage Test Breach Notice (which has not been revoked):

- (a) the LLP will be required in certain circumstances to sell Selected Loans (as described further under "*LLP Deed – Sale of Selected Loans and their Related Security following service of an Asset Coverage Test Breach Notice*");
- (b) prior to the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice or, if earlier, the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice, the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments will be modified as more particularly described in "*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 will occur and the Bond Trustee will 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 will give notice of the same to the FCA pursuant to the RCB Regulations. Following service of an Issuer Acceleration Notice, the Bond Trustee will be required to serve a Notice to Pay on the LLP.

For the purposes hereof:

Adjusted Aggregate Loan Amount means the amount calculated on each Calculation Date for the last day of the immediately preceding Calculation Period as follows:

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

where,

A = the lower of (i) and (ii), where:

- (i) = the sum of the **Adjusted True Balance** of each Loan in the Portfolio, which will be, in relation to each Loan, the lower of: (1) the actual True Balance of the relevant Loan in the Portfolio as calculated 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 True 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 True 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 True Balance of the Loans in the Portfolio if any of the following occurred:

- (1) a Loan or its Related Security was, in the immediately preceding Calculation Period, in breach of the Representations and Warranties contained in the Mortgage Sale Agreement or subject to any other obligation of the Seller to repurchase the relevant Loan and its Related Security, and in each case the Seller has not repurchased the relevant Loan or Loans and its or their Related Security to the extent required by the terms of the Mortgage Sale Agreement. In this event, the aggregate Adjusted True Balance of the Loans in the Portfolio (as calculated in respect of the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the Adjusted True Balance of the relevant Loan or Loans (as calculated in respect of the last day of the immediately preceding Calculation Period); and/or
- (2) the Seller, in any preceding Calculation Period, was in breach of any other material warranty under the Mortgage Sale Agreement and/or the Servicer was, in any preceding Calculation Period, in breach of any material term of the Servicing Agreement. In this event, the aggregate Adjusted True Balance of the Loans in the Portfolio (as calculated in respect of 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 True Balance** of each Loan in the Portfolio which in relation to each Loan will be the lower of: (1) the actual True 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 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 True 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 True 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 True Balance of the Loans in the Portfolio if any of the following occurred:

- (1) a Loan or its Related Security was, in the immediately preceding Calculation Period, in breach of the Representations and Warranties contained in the Mortgage Sale

Agreement or subject to any other obligation of the Seller to repurchase the relevant Loan and its Related Security, and in each case the Seller has not repurchased the relevant Loan or Loans 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 True Balance of the Loans in the Portfolio (as calculated in respect of the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the Arrears Adjusted True Balance of the relevant Loan or Loans (as calculated in respect of the last day of the immediately preceding Calculation Period); and/or

- (2) the Seller, in any preceding Calculation Period, was in breach of any other material warranty under the Mortgage Sale Agreement and/or the Servicer was, in the immediately preceding Calculation Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate Arrears Adjusted True Balance of the Loans in the Portfolio (as calculated on 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) being multiplied by the Asset Percentage (as defined below);

- B = the aggregate amount of, if any, Principal Receipts on the Loans in the Portfolio during the immediately preceding Calculation Period (as recorded in the Principal Ledger) which have not been applied as at the relevant Calculation Date by or on behalf of the LLP to acquire further Loans and their Related Security or otherwise applied in accordance with the LLP Deed and/or the other Transaction Documents (including the Intercompany Loan Agreement);
- C = the aggregate amount of any Cash Capital Contributions made by the Members (as recorded in the Capital Account Ledger of each Member) or the proceeds of any Term Advances which have not been applied as at the relevant Calculation Date by or on behalf of the LLP 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;
- E = the amount of any Sale Proceeds standing to the credit of the Transaction Account as at the relevant Calculation Date;
- Y = for so long as the counterparty risk assessment of the Co-operative Bank p.l.c. is below A2(cr) (Moody's), an amount equal to the aggregate Deposit Set Off Amounts for each Borrower whose Loan is included in the Portfolio;
- Z =
- (a) zero, for so long as the Issuer's counterparty risk assessment is at least A2(cr) by Moody's; or

- (b) otherwise the Weighted Average Remaining Maturity (expressed in years) of all Covered Bonds outstanding multiplied by the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as at the end of the immediately preceding Calculation Period multiplied by the Negative Carry Factor, provided that if the Weighted Average Remaining Maturity is less than one, the weighted average shall be deemed, for the purposes of this calculation, to be one.

The "**Negative Carry Factor**" is 0.50 per cent. (or such other percentage as may be specified by the Issuer or the LLP from time to time subject to the Rating Condition being satisfied).

Asset Percentage

Save as otherwise agreed with the Rating Agency, the Asset Percentage on any Calculation Date will be the lowest of:

- (i) save where (ii) below applies, 93 per cent.; or
- (ii) the percentage figure as selected at the option of the LLP (or the Cash Manager on its behalf) from time to time 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 which 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 the LLP (or the Cash Manager acting on its behalf) notifies the Rating Agency and the Rating Condition is satisfied, 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 93.0 per cent. unless the LLP (or the Cash Manager acting on its behalf) otherwise agrees with the Rating Agency.

The LLP (or the Cash Manager acting on its behalf) may, by prior written notice to the Security Trustee and the Rating Agency, change the fixed rate by reference to which amounts payable by the LLP to the Interest Rate Swap Provider are calculated, subject to satisfying the Rating Condition. Such change may

result in an adjustment of the Asset Percentage in accordance with various Rating Agency methodologies to ensure that sufficient credit enhancement will be maintained.

Deposit Set Off Amount means, for each Borrower whose Loan is included in the Portfolio, the lesser of (a) 100 per cent. of the aggregate balance of each savings account held with the Seller by such Borrower (whether such savings account is a joint account or not and whether such other joint savings account holder is a Borrower under a Loan that is in the Portfolio or not and to avoid double counting, such savings balance will only be included in the calculation once) and (b) the aggregate True Balance of such Borrower's Loan which is included in the Portfolio, in each case as calculated on any day after the last day of the immediately preceding Calculation Period but prior to the Calculation Date.

Amortisation Test

For so long as the Covered Bonds remain outstanding, the LLP and the Members (other than the Liquidation Member) shall procure that on each Calculation Date following the service of a Notice to Pay on the LLP (but prior to 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), the Amortisation Test Aggregate Loan Amount (as defined below) will be in an amount at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date (the **Amortisation Test**).

If on any Calculation Date following service of a Notice to Pay on the LLP (but prior to the service of an LLP Acceleration Notice on the LLP), 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 shall be deemed to be breached and an LLP Event of Default will occur. The LLP (or the Cash Manager on its behalf) shall immediately notify the Members, the Security Trustee and (whilst Covered Bonds are outstanding) the Bond Trustee thereof 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 True Balance** of each Loan, which will be the lower of: (1) the True Balance of the relevant Loan as calculated on the last day of the immediately preceding Calculation Period multiplied by M; and (2) 100 per cent. of the Indexed Valuation relating to that Loan 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 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; and

Z = the Weighted Average Remaining Maturity of all Covered Bonds then outstanding **multiplied by** the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds **multiplied by** the Negative Carry Factor.

Sale of Selected Loans and their Related Security following service of an Asset Coverage Test Breach Notice

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 and/or the commencement of winding-up proceedings against the LLP and the realisation of the Security, the LLP shall sell Selected Loans in the Portfolio in accordance with the LLP Deed (as described below), subject to the rights of pre-emption enjoyed by the Seller to buy the Selected Loans and their Related Security pursuant to the Mortgage Sale Agreement. The proceeds from any such sale or any refinancing will be credited to 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).

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

After a Notice to Pay has been served on the LLP but prior to service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, the LLP will be obliged to sell Selected Loans and their Related Security in the Portfolio in accordance with the LLP Deed (as described below), subject to the rights of pre-emption enjoyed by the Seller to buy the Selected Loans and their Related Security pursuant to the Mortgage Sale Agreement. The proceeds from any such sale or refinancing will be credited to the Transaction Account and applied as set out in the Guarantee Priority of Payments.

Method of Sale of Selected Loans

If the LLP sells or is required to sell Selected Loans and their Related Security to Purchasers following the service of an Asset Coverage Test Breach Notice (if it remains outstanding) or the service of 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 True Balance in an amount (the **Required True Balance Amount**) which is as close as possible to the amount calculated as follows:
 - (1) following the Service of an Asset Coverage Test Breach Notice (but prior to service of a Notice to Pay), such amount that would ensure that, if the Selected Loans were sold at their True Balance, the Asset Coverage Test would be satisfied on the next Calculation Date taking into account the payment obligations of the LLP on the LLP Payment Date immediately following that Calculation Date (assuming for this purpose that the Asset Coverage Test Breach Notice is not revoked on the next Calculation Date); or
 - (2) following service of a Notice to Pay:

$$N \times \frac{\text{True Balance of all the Loans in the Portfolio}}{\text{The Sterling Equivalent of the Required Redemption Amount in respect of each Series of Covered Bonds then outstanding}}$$

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 LLP Accounts and the principal amount of any Authorised Investments (excluding all amounts to be applied on the next following LLP Payment Date to repay higher ranking amounts in the Guarantee Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds).

For the avoidance of doubt, the entire Portfolio may comprise Selected Loans.

The LLP will offer the Selected Loans and their Related Security for sale to Purchasers for the best price reasonably available but in any event:

- (i) following the service of an Asset Coverage Test Breach Notice (but prior to the service of a Notice to Pay), for an amount not less than the True Balance of the Selected Loans; and
- (ii) following the 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 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 on the LLP (but prior to the service of an LLP Acceleration Notice and/or the commencement of winding up proceedings against the LLP), 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 LLP Deed, in respect of other Series of Covered Bonds **provided that** any such sale of Selected Loans will be for an amount not less than the Adjusted Required Redemption Amount in respect of that Series of Covered Bonds or, where the sale occurs within six months before the Extended Due for Payment Date for that Series of Covered Bonds, the best price reasonably available notwithstanding that such amount may be less than the Adjusted Required Redemption Amount.

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 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) will be at least equal to the proportion that the Partial Portfolio bears to the relevant portfolio of Selected Loans.

If the LLP is obliged to or elects to sell Selected Loans, the LLP will, through a tender process appoint a portfolio manager of recognised standing on a basis intended to incentivise the portfolio manager to achieve the best price for the sale of the Selected Loans (if such terms are commercially available in the market) to advise it in relation to the sale of the Selected Loans to Purchasers (except where the Seller is buying the Selected Loans in accordance with its right of pre-emption in the Mortgage Sale Agreement). The terms of the agreement giving effect to

the appointment of the portfolio manager will be approved by the Security Trustee (acting on the direction of the Bond Trustee in accordance with the LLP Deed). The Security Trustee will approve the agreement giving effect to the appointment of the portfolio manager and the Bond Trustee will give such directions if: (i) the portfolio manager is an investment bank or accountant of recognised standing; and (ii) two Authorised Signatories of the LLP have certified to the Security Trustee that such appointment is on a basis intended to incentivise the Portfolio Manager to achieve the best price for the sale of the Selected Loans (on terms that are commercially available in the market), which certificate will be conclusive and binding on all parties.

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 will give effect to the recommendations of the portfolio manager) will be subject to the prior written approval of the Security Trustee (acting on the direction of the Bond Trustee) which is to be given upon the satisfaction of various conditions. 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 and their Related Security will be sold prior to the next following Extended Due for Payment Date in respect of the Earliest Maturing Covered Bonds, then the LLP will, subject to the terms of the LLP Deed, enter into a sale and purchase agreement with the relevant Purchasers which will require *inter alia* a cash payment from the relevant Purchasers. Any such sale will not include any Representations and Warranties from the LLP in respect of the Selected Loans and the Related Security unless expressly agreed by the Security Trustee or otherwise agreed with the Seller.

Covenants of the LLP and the Members

Each of the Members covenants that, subject to the terms of the Transaction Documents, it will not sell, transfer, convey, create or permit to arise any security interest on, declare a trust over, create any beneficial interest in or otherwise dispose of its interest in the LLP without the prior written consent of the LLP and, whilst the Covered Bonds are outstanding, the Security Trustee. Whilst any amounts are outstanding in respect of the Covered Bonds, each of the Members undertakes not to terminate or purport to terminate the LLP Deed 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 the consent of the Security Trustee (which may only be given: (i) so long as any Covered Bonds are outstanding if the Security Trustee is instructed by the Bond Trustee pursuant to the Deed of Charge; or (ii) when no Covered Bonds are outstanding, by all other Secured Creditors) or as envisaged by the Transaction Documents:

- (a) create or permit to subsist any mortgage pledge, lien, charge or other security interest whatsoever (unless arising by operation of law), upon the whole or any part of its assets

(including any uncalled capital) or its undertakings, present or future other than as created or permitted in the Deed of Charge;

- (b) transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertakings or any interest, estate, right, title or benefit therein or thereto or agree or attempt or purport to do so;
- (c) have an interest in any bank account, other than as set out in the Transaction Documents;
- (d) incur any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any such indebtedness;
- (e) consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;
- (f) have any employees or premises or subsidiaries;
- (g) acquire any assets other than pursuant to the terms of the Mortgage Sale Agreement, the Cash Management Agreement and the LLP Deed;
- (h) enter into any contracts, agreements or other undertakings;
- (i) compromise, compound or release any debt due to it;
- (j) commence, defend, settle or compromise any litigation or other claims relating to it or any of its assets;
- (k) establish any "establishment" (as defined in the Onshored EIR and the UNCITRAL Implementing Regulations) other than in England; and
- (l) engage in any activities in the United States (directly or through agents) or derive any income from United States sources as determined under United States income tax principles or hold any property if doing so would cause it to be engaged or deemed to be engaged in a trade or business within the United States as determined under United States tax principles.

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, will not include any Swap Collateral; and
- (iv) at all times comply with its obligations under the RCB Regulations and/or the RCB Sourcebook (including, but not limited to, its obligations to provide notifications to the FCA in certain circumstances and following insolvency of the Issuer its obligations in respect of the annual confirmations pursuant to RCB 3.2.10D of the RCB Sourcebook and asset pool notifications pursuant to RCB 3.3.1D and 3.3.3D of the RCB Sourcebook).

The LLP undertakes so long as the Covered Bonds are outstanding that:

- (a) it will maintain its registered office and its head office in England and Wales and its "centre of main interest" for the purposes of each of the Onshored EIR and the UNCITRAL Implementing Regulations, in England;
- (b) it will hold all meetings of the LLP Management Committee in England and Wales and procure that the LLP's management, the places of residence of the management of the LLP and the place where the management effects its central management and decision-making are all, at all times, situated in England and Wales;
- (c) it will furnish the FCA with any and all documents, instruments and information that may be necessary in order to obtain registration of the Issuer and the Programme and any Covered Bonds issued thereunder under the RCB Regulations;
- (d) it shall keep a record of those assets that form part of the Asset Pool and, for the avoidance of doubt, any Swap Collateral shall not form part of the Asset Pool in accordance with Regulation 3(2) of the RCB Regulations;
- (e) it shall, following any insolvency of the Issuer, notify the FCA if at any time the requirements set out in Regulation 24(1)(a)(ii) or Regulation 24(1)(a)(iii) of the RCB Regulations are not, or are not likely to be, satisfied;
- (f) at any time when the LLP proposes to transfer ownership of the Asset Pool, it shall comply with its obligations under Regulation 25 (*Change of Owner*) of the RCB Regulations and RCB 3.5 of the RCB Sourcebook. In particular, it shall make arrangements to give the FCA notice of the proposed change of ownership and such information in respect of the proposed new owner as the FCA may direct;
- (g) no application has been made nor will be made for the LLP to be treated as a member of a group for the purposes of the relevant provisions of the Value Added Tax Act 1994 and no steps have been taken nor will any steps be taken (whether by act or omission or otherwise) which could give rise to a direction, pursuant to Schedule 9A to the Value Added Tax Act 1994, which would require the LLP to be treated as a member of a group for such purposes or which could otherwise result in it being treated as a member of such a group.

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:**

- (a) the aggregate amount so invested in Substitution Assets will not exceed the prescribed limit of the total assets of the LLP at any one time;
- (b) such investments are made in accordance with the terms of the Cash Management Agreement and the RCB Regulations; and
- (c) the aggregate amount invested in Substitution Assets (other than Sterling demand or time deposits) will not exceed zero per cent. of the total assets of the LLP at any one time, unless the

Rating Condition is satisfied or as otherwise agreed amongst the LLP, the Cash Manager and the Rating Agency.

For these purposes, amounts deposited in any LLP Account will not constitute an investment in Substitution Assets. Investments in Substitution Assets will only be made in accordance with the terms of the Cash Management Agreement.

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 or otherwise liquidated by the LLP (or the Cash Manager on its behalf) as quickly as reasonably practicable and the proceeds credited to the Transaction Account and the LLP will be permitted to invest all available moneys in Authorised Investments, **provided that** such investments are made in accordance with the terms of the Cash Management Agreement.

There is no limit on the amounts that the LLP will be entitled to invest in Authorised Investments.

Other Provisions

The allocation and distribution of Revenue Receipts, Principal Receipts and all other amounts received by the LLP is described under "*Cashflows*" below.

The LLP Management Committee, comprised as at the Programme Date of directors, officers and/or employees of Co-operative Bank and one director, officer or employee of the Liquidation Member, will act on behalf of the LLP to which (other than any decision to approve the audited accounts of the LLP or to make a resolution for the voluntary winding-up of the LLP, which requires 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 *inter alia* not to demand or receive payment of any amounts payable by the LLP (or the Cash Manager on its behalf) or the Security Trustee unless all amounts then due and payable by the LLP to all other creditors ranking higher in the relevant Priorities of Payments have been paid in full.

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

Following the appointment of a liquidator to any Member (other than the Liquidation Member), any decisions of the LLP that are reserved to the Members in the LLP Deed will be made by the Liquidation Member only.

The LLP Deed is governed by English law.

Cash Management Agreement

The Cash Manager will provide certain cash management services to the LLP pursuant to the terms of the Cash Management Agreement entered into on the Initial Programme Date between the LLP, Co-operative Bank (in its capacity as the Cash Manager, the Seller and the Servicer) the Bond Trustee and the Security Trustee.

The Cash Manager's services include but are not limited to:

- (a) operating the LLP Accounts;
- (b) maintaining the Ledgers on behalf of the LLP;
- (c) maintaining records of all Authorised Investments and/or Substitution Assets, as applicable;
- (d) distributing the Revenue Receipts and the Principal Receipts in accordance with the Priorities of Payment described under Cashflows, below;
- (e) 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;
- (f) 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;
- (g) providing the FCA with information on the composition of any Substitution Assets and/or Authorised Investments comprised in the assets of the LLP and/or such other information as may be required by the FCA in accordance with the RCB Regulations;
- (h) preparation of Investor Reports for the Covered Bondholders, the Rating Agency and the Bond Trustee; and
- (i) preparing the Monthly Asset Coverage Report.

The Servicer will, on each Business Day, transfer all cleared amounts (collected by direct debit in respect of the Loans) standing to the credit of the general Collection Accounts held by The Co-operative Bank, or, as the case may be another collection account bank or the CB Collection Account as applicable at the end of the previous Business Day, to the Transaction Account for value on the day of transfer.

The Cash Manager will ensure that on each LLP Payment Date, prior to the service on the LLP of an Asset Coverage Test Breach Notice which is outstanding and/or 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, that Available Principal Receipt, applied in accordance with the Pre-Acceleration Principal Priority of Payments, into the Retained Principal Ledger. Amounts standing to the credit of the Retained Principal Ledger will be applied by the Cash Manager 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, provided that any amount standing to the credit of the Retained Principal Ledger and not applied towards the purchase of New Loans and their Related Security by the next following Calculation Date or otherwise provisioned to make payment on the Term Advances, will form part of Available Principal Receipts to be applied on the immediately following LLP Payment Date.

In certain circumstances the LLP and the Security Trustee will each have the right to terminate the appointment of the Cash Manager (**a Cash Manager Termination Event**). Following the occurrence of a Cash Manger Termination Event, the LLP will use its reasonable endeavours to appoint a substitute (the identity of which will be subject to the Security Trustee's written approval) or replacement cash manager (but shall have no liability to any person in the event that, having used reasonable endeavours, it is unable to appoint a substitute or replacement cash manager). 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).

In the event that the Cash Manager does not have a counterparty risk assessment by Moody's of at least Baa3(cr), the Back-Up Cash Manager Facilitator shall in conjunction with the Cash Manager, within 60 days of the earlier of the date on which the ratings of the Cash Manager have so fallen and the occurrence of a Cash Manager Termination Event, use best efforts to identify, on behalf of the Issuer, a suitable back-up cash manager (the **Back-Up Cash Manager**) which meets the requirements for a substitute Cash Manager provided for by the Cash Management Agreement.

The Cash Management Agreement is governed by English law.

Interest Rate Swap Agreement

Some of the Loans in the Portfolio pay a fixed rate of interest for a period of time. In order to provide a hedge against the possible variance between:

- (a) the rates of interest payable on the Fixed Rate Loans in a portion of the Portfolio; and
- (b) a compounded daily SONIA rate,

the LLP will enter into the Interest Rate Swap with the Interest Rate Swap Provider on the relevant Transfer Date, whereby the LLP will pay amounts calculated by reference to a fixed rate and will receive amounts calculated by reference to a compounded daily SONIA rate. The principal terms of the Interest Rate Swap are set out below.

Provided that there are no Covered Bonds outstanding, the Interest Rate Swap will terminate on the date on which there are no Covered Bonds outstanding (in the absence of an Interest Rate Swap Early Termination Event or an Interest Rate Swap Rating Termination Event (as defined below)).

In the event that the relevant rating of the Interest Rate Swap Provider or any guarantor, as applicable, falls below the Minimum Swap Counterparty Rating, the Interest Rate Swap Provider will be required to take certain remedial measures which may include providing collateral for its obligations, arranging for its obligations to be transferred to an entity with ratings required by the relevant Rating Agency, procuring another entity with rating(s) required by the relevant Rating Agency to become co-obligor or guarantor in respect of its obligations, and/or taking such other action as it may agree with the relevant Rating Agency. A failure to take such steps will allow the LLP to terminate the Interest Rate Swap Agreement (an **Interest Rate Swap Rating Termination Event**).

The Interest Rate Swap Agreement may also be terminated in certain other circumstances (each referred to as an **Interest Rate Swap Early Termination Event**), including:

- at the option of any party to the Interest Rate Swap Agreement, if there is a failure by the other party to pay any amounts due under the Interest Rate Swap Agreement;
- upon the occurrence of the insolvency of the Interest Rate Swap Provider or any guarantor, 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;
- at the option of the Interest Rate Swap Provider if it becomes obliged to receive payments net of any withholding or is obliged to gross-up any payments it makes under the Interest Rate Swap Agreement;

- upon a change in law which results in the illegality of the obligations to be performed by either party under the Interest Rate Swap Agreement;
- if any of the Priorities of Payments is amended such that the LLP's obligations to the Interest Rate Swap Provider become further contractually subordinated to the LLP's obligations to any other Secured Creditor; or
- upon service by the Bond Trustee of an LLP Acceleration Notice on the LLP.

Upon the termination of the Interest Rate Swap Agreement pursuant to an Interest Rate Swap Early Termination Event or an Interest Rate Swap Rating Termination Event, the LLP or the Interest Rate Swap Provider may be liable to make a termination payment to the other in accordance with the provisions of the Interest Rate Swap Agreement.

Any Swap Collateral Excluded Amounts or amounts payable to the LLP in respect of any credit against any Tax or any relief or remission for tax (or its repayment) (**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 be amended so that, with effect from the date of the relevant sale, the outstanding principal balance of the relevant Loan shall be excluded from the definition of Loan Balance, a mark-to-market close-out payment shall be made by the LLP or the Interest Rate Swap Provider, as appropriate and such amount 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 available for distribution to the Interest Rate Swap Provider under the Priorities of Payments. To the extent that the LLP is unable to make any payment in full under any Interest Rate Swap due to its assets being insufficient to make such payment in full, the relevant Interest Rate Swap Provider's payment obligations will rateably reduce.

If the LLP (or a Member) receives any Tax Credits in respect of an Interest Rate Swap prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice, payments in respect of such Tax Credits will be used, to the extent provided for in the Interest Rate Swap Agreement, to reimburse the Interest Rate Swap Provider for any gross-up in respect of any withholding or deduction made under the Interest Rate Swap Agreement. Prior to the occurrence of an LLP Event of Default and the service of an LLP Acceleration Notice, any Swap Collateral Excluded Amounts in respect of the

Interest Rate Swap will be returned to the Interest Rate Swap Provider subject to the terms of the Interest Rate Swap Agreement.

The Interest Rate Swap Agreement will be governed by English law.

Covered Bond Swap Agreement

The LLP may (if required or desirable) enter into one or more Covered Bond Swaps with one or more Covered Bond Swap Providers in relation to a Series or Tranche, as applicable, of Covered Bonds. Each Covered Bond Swap will provide a hedge against certain risks (including but not limited to interest rate and currency risks) associated with the potential variance between: (i) amounts received by the LLP under the Loans; (ii) amounts received by the LLP under one or more Interest Rate Swaps (if any); and (iii) amounts payable by the LLP under the Intercompany Loan Agreement (prior to the service of a Notice to Pay on the LLP) or under the Covered Bond Guarantee in respect of Covered Bonds (after the service of a Notice to Pay on the LLP).

If so agreed between the parties to a Covered Bond Swap which is a currency swap, 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 or the Covered Bond Guarantee in respect of interest and principal payable under the relevant Series or Tranche of Covered Bonds. In return, the LLP will pay to the Covered Bond Swap Provider on each LLP Payment Date an amount in Sterling calculated by reference to a compounded daily SONIA rate (as set out in the Interest Rate Swap Agreement) 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.

Each Covered Bond Swap will terminate on the earlier of:

- (a) the Final Maturity Date of the relevant Series of Covered Bonds, if they are redeemed in full on such Final Maturity Date; or
- (b) such other date as may be agreed between the parties to the Covered Bond Swap.

Under the terms of each Covered Bond Swap Agreement, in the event that the relevant rating of the relevant Covered Bond Swap Provider is downgraded by the Rating Agency below the rating(s) specified in the relevant Covered Bond Swap Agreement (in accordance with the requirements of the Rating Agency) for such Covered Bond Swap Provider, the Covered Bond Swap Provider may, 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 such Covered Bond Swap Agreement, arranging for its obligations under such Covered Bond Swap Agreement to be transferred to an entity with the ratings required by the Rating Agency, procuring another entity with the ratings required by the Rating Agency to become co-obligor in respect of its obligations under such Covered Bond Swap Agreement, or taking such other action as if the Rating Agency may agree will not adversely affect the rating of the Covered Bonds. A failure to take such steps will allow the LLP to terminate the Covered Bond Swaps entered into under that Covered Bond Swap Agreement.

All or some of the transactions entered into under a Covered Bond Swap Agreement may also be terminated (in full or in part) in certain other circumstances as set out in the relevant Covered Bond Swap Agreement, including (but not limited to):

- at the option of any party to the Covered Bond Swap Agreement, if there is a failure by the other party to pay any amounts due under such Covered Bond Swap Agreement;
- upon the occurrence of the insolvency of the relevant Covered Bond Swap Provider or any guarantor, and certain insolvency related events in respect of the LLP;
- upon the redemption (in full or in part) of the relevant Series or Tranche, as applicable, of Covered Bonds; or
- in the event the relevant Covered Bond Swap Provider is required to gross up payments due to the LLP or receive net payments from the LLP as a result of a withholding or deduction for tax.

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 will always be obliged to gross up those payments. If withholding taxes are imposed on payments made by the LLP to the Covered Bond Swap Provider under a Covered Bond Swap Agreement, the LLP will not be obliged to gross up those payments.

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

In the event that a Covered Bond Swap Provider posts collateral in respect of its obligations under the Covered Bond Swap(s) it has entered into with the LLP, that collateral will be credited to one or more separate swap collateral accounts. Amounts standing to the credit of such accounts will be applied solely in returning collateral directly to the relevant Covered Bond Swap Provider (and not in accordance with the relevant Priorities of Payments), or in satisfaction of any termination payment owing by that Covered Bond Swap Provider to the LLP (and applied by the Issuer as Available Revenue Receipts) in accordance with the terms of the relevant Covered Bond Swap Agreement and the credit support annex entered into in connection with such agreement.

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. 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 the extent necessary to make any termination payment due and payable by the LLP with respect to the previous Covered Bond Swap Agreement.

If the LLP (or a Member) receives any Tax Credits in respect of a Covered Bond Swap prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice, payments in respect of such Tax Credits will be used, to the extent provided for in the Covered Bond Swap Agreement, to reimburse the Covered Bond Swap Provider for any gross-up in respect of any withholding or deduction made under the Covered Bond Swap Agreement. Prior to the occurrence of an LLP Event of Default

and the service of an LLP Acceleration Notice, any Swap Collateral Excluded Amounts in respect of the Covered Bond Swap will be returned to the Covered Bond Swap Provider subject to the terms of the Covered Bond Swap Agreement.

Bank Account Agreement

Pursuant to the terms of the Bank Account Agreement entered into on 21 September 2023 between the LLP, Co-operative Bank (in its capacity as account bank), the Seller, the Cash Manager and the Security Trustee, the LLP will maintain with Co-operative Bank the Transaction Account, which will be operated in accordance with the Cash Management Agreement, the LLP Deed and the Deed of Charge.

If the Account Bank ceases to hold the Account Bank Rating there will be a requirement that the Account Bank either be replaced by an appropriate successor account with the Standby Account Bank or, to the extent the Standby Account Bank does not hold the Account Bank Rating, with any other financial institution which does hold the Account Bank Rating, or have its obligations guaranteed by a satisfactorily rated financial institution, in each case, approved by the Security Trustee (such approval to be conditional upon the Security Trustee having received a confirmation from the Rating Agency or certification from the Cash Manager that the then-current rating of any outstanding Series of Covered Bonds will not be adversely affected if there are any Series of Covered Bonds then outstanding).

The Bank Account Agreement is governed by English law.

Standby Bank Account Agreement

Pursuant to the terms of a Standby Bank Account Agreement entered into on 21 September 2023 between the LLP, Barclays Bank PLC (in its capacity as standby account bank), the Cash Manager and the Security Trustee, the LLP agreed to maintain certain standby accounts of the LLP with Barclays Bank PLC.

If the Standby Account Bank ceases to hold the Account Bank Rating, there will be a requirement that the Standby Account Bank either be replaced by any other financial institution which does hold the Account Bank Rating or, alternatively, have its obligations guaranteed by a satisfactorily rated financial institution, in each case, approved in writing by the Security Trustee (such approval to be conditional upon the Security Trustee having received a confirmation from the Rating Agency or certification from the Cash Manager that the then-current rating of any outstanding Series of Covered Bonds will not be adversely affected if there are any Series of Covered Bonds then outstanding). In the event that the Standby Bank Account Agreement is terminated, the LLP and the Cash Manager undertake that they will use reasonable efforts to enter into a replacement bank account agreement with a financial institution or institutions within 60 days (but no sooner than 35 days) of the termination of the Standby Bank Account Agreement.

The Standby Bank Account Agreement is governed by English law.

Swap Collateral Account Agreement

Pursuant to the terms of the Swap Collateral Account Agreement, the LLP will maintain with the Swap Collateral Accounts with a suitably rated counterparty bank (with the prior consent of the Security Trustee). The Swap Collateral Accounts will be operated in accordance with the Swap Collateral Account Agreement, the LLP Deed and the Deed of Charge.

The Swap Collateral Account Agreement and any non-contractual obligations arising out of or in relation to the Swap Collateral Account Agreement are governed by English law.

Corporate Services Agreement

The Liquidation Member, Holdings and the LLP have entered into a Corporate Services Agreement with, *inter alios*, Intertrust Management Limited, (as Corporate Services Provider) on the Initial Programme Date, pursuant to which the Corporate Services Provider has agreed to provide corporate services to the LLP, the Liquidation Member and Holdings respectively.

The Corporate Services Agreement is governed by English law.

Deed of Charge

Pursuant to the terms of the Deed of Charge entered into on 21 September 2023 by the LLP, the Security Trustee and the other Secured Creditors, the secured obligations of the LLP and all other obligations of the LLP under or pursuant to the Transaction Documents to which it is a party are secured, *inter alia*, by the following security (the **Security**) over the following property, assets and rights (the **Charged Property**):

- (a) a first fixed charge (which may take effect as a floating charge) over the LLP's interest in the Insurance Policies, Loans and their Related Security and other related rights comprised in the Portfolio;
- (b) an assignment by way of first fixed charge over the rights of the LLP in and to the Insurance Policies and the Third Party Buildings Policies to the extent that the LLP has an interest in such Insurance Policies or Third Party Buildings Policies;
- (c) an assignment by way of first fixed charge 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 Agreement and Covered Bond Swap Agreement, 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 over all its rights, title, interest and benefit, present and future, in, to and under any Excess Proceeds received from the Bond Trustee pursuant to the Trust Deed; and
- (f) a first fixed charge (which may take effect as a floating charge) over the rights and benefits of the LLP in respect of all Authorised Investments and Substitution Assets purchased from time to time from amounts standing to the credit of the LLP Accounts.

Release of Security

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

- (i) the Security Trustee provides its prior written consent to the terms of such sale as described under "*LLP Deed – Method of Sale of Selected Loans*" above; and

- (ii) in the case of the sale of Selected Loans, the LLP provides to the Security Trustee a certificate confirming that the Selected Loans being sold have been selected on a Random Basis.

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

All of the security taken under the deed of charge entered into on the Initial Programme Date was released pursuant to a deed of release and termination entered into on 24 August 2023.

Enforcement

If an LLP Acceleration Notice is served on the LLP, the Security Trustee will 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 will deem necessary, subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction. All proceeds (other than any Third Party Amounts, Swap Collateral Excluded Amounts, amounts in excess of the Required Coupon 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 is governed by English law.

CREDIT STRUCTURE

The Covered Bonds will be direct, unsecured, unconditional obligations of the Issuer. The LLP has no obligation to pay the Guaranteed Amounts under the Covered Bond Guarantee until the occurrence of an Issuer Event of Default, service by the Bond Trustee on the Issuer of an Issuer Acceleration Notice and on the LLP of a Notice to Pay or, if earlier, following the occurrence of an LLP Event of Default, service by the Bond Trustee of an LLP Acceleration Notice. The Issuer will not be relying on payments by the LLP in respect of the Term Advances or receipt of Revenue Receipts or Principal Receipts from the Portfolio in order to pay interest or repay principal under the Covered Bonds.

There are a number of features of the Programme which enhance the likelihood of timely and, as applicable, ultimate payments to the Covered Bondholders, as follows:

- the Covered Bond Guarantee provides credit support to the Issuer;
- the Asset Coverage Test is intended to test the asset coverage of the LLP's assets in respect of the Covered Bonds at all times;
- the Amortisation Test is intended to test the asset coverage of the LLP's assets in respect of the Covered Bonds following the occurrence of an Issuer Event of Default, service of an Issuer Acceleration Notice on the Issuer and service of a Notice to Pay on the LLP;
- a Reserve Fund will be established in the Transaction Account to trap Available Revenue Receipts (up to the Reserve Fund Required Amount) and the LLP credited an amount equal to the Reserve Fund Required Amount to the Reserve Ledger in the Transaction Account on or before the Programme Date.
- under the terms of the Bank Account Agreement, the Account Bank has agreed to pay a variable rate of interest on all amounts held by the LLP in the Transaction Account at such variable rate as the LLP and the Account Bank may agree from time to time.

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 RCB Regulations, as to which see further the section entitled "*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 (Events of Default and Enforcement) following the occurrence of an Issuer Event of Default. In this circumstance (and until an LLP Event of Default occurs and an LLP Acceleration Notice is served), the LLP's obligations will only be to pay the Guaranteed Amounts as they fall Due for Payment.

See further "*Summary of the Principal Documents – Trust Deed*" as regards the terms of the Covered Bond Guarantee. See further "*Cashflows – Guarantee Priority of Payments*" as regards the payment of amounts payable by the LLP to 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 Bond Trustee (subject to receipt of notice with respect to such following Calculation Date in accordance with the LLP Deed from the LLP (or the Cash Manager on its behalf)) will serve an Asset Coverage Test Breach Notice on the LLP. The Asset Coverage Test is a formula which adjusts the True 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 will occur and the Bond Trustee will be entitled (and, in certain circumstances, may be required) to serve an Issuer Acceleration Notice. Following service of an Issuer Acceleration Notice, the Bond Trustee must serve a Notice to Pay on the LLP.

Amortisation Test

The Amortisation Test is intended to ensure that if, following 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 True 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

The LLP will be required to establish the Reserve Fund on the Transaction Account which will be credited with Available Revenue Receipts up to an amount equal to the Reserve Fund Required Amount. The LLP will not be required to maintain the Reserve Fund following the occurrence of an Issuer Event of Default or if the Issuer's counterparty risk assessment is at least Aa3(cr) by Moody's.

The LLP will fund the Reserve Fund on or before the First Transfer Date with an amount equal to the Reserve Fund Required Amount. The Reserve Fund will thereafter be funded out of 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.

The Cash Manager will maintain a Reserve Ledger 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.

Yield Reserve

The LLP will be required to establish the Yield Reserve in respect of the Transaction Account which will be credited with Cash Capital Contributions (in the LLP's discretion) in an amount equal to the Yield Reserve Required Amount which is the amount notified by the Seller to the LLP from time to time equal to the amount necessary to ensure that the weighted average yield on the loans (including any New Loans to be sold to the LLP) is at least equal to 0.20 per cent. plus the SONIA Spot Rate published for the final London Business Day in the previous Calculation Period taking into account the yield on the Loans, the margins on the Interest Rate Swap, the yield on the Substitution Assets and any amount to be withdrawn from the Yield Reserve.

The Cash Manager will maintain the Yield Reserve Ledger to record the crediting of Cash Capital Contributions to the Yield Reserve and the debiting of such Yield Reserve in accordance with the terms of the LLP Deed.

Coupon Payment

If the Issuer is acting as the Cash Manager and a Cash Manager Relevant Event occurs and is continuing, the Seller will: (a) within four London Business Days after such downgrade; and, thereafter (b) within four London Business Days after: (i) each Loan Interest Payment Date in respect of the Term Advance without a Covered Bond Swap in place; and/or (ii) each Party B payment date in respect of each Term Advance with a Covered Bond Swap in place, make a Cash Capital Contribution to the LLP in an amount equal to the Required Coupon Amount for such Term Advance for each such Term Advance without a Covered Bond Swap in place payable on the immediately succeeding Loan Interest Payment Date and/or the Required Coupon Amount for each Term Advance with a Covered Bond Swap in place payable on the immediately succeeding Party B payment date as set out in the relevant Covered Bond Swap Agreement. The LLP will within one London Business Day of receipt of such Cash Capital Contribution from the Seller deposit an amount equal to the lesser of the Required Coupon Amount for such Series and the amount of such Cash Capital Contribution to the Transaction Account.

The LLP will, on the direction of the Issuer, on the date of each deposit referred to above deliver an irrevocable payment instruction to the Account Bank (i), in the case of any Series of Covered Bonds where a Covered Bond Swap is not in place, make a payment in an amount equal to the Required Coupon Amount for each such Series of Covered Bonds as on the relevant Interest Payment Date to an account specified by the Principal Paying Agent to the Issuer and the LLP from time to time; and/or (ii), in the case of any Series of Covered Bonds where a Covered Bond Swap is in place, make a payment in an amount equal to the Required Coupon Amount for such Covered Bond Swap(s) on the relevant payment date under the Covered Bond Swap in accordance with the terms of the relevant Covered Bond Swap Agreement.

Advance Payments under the Interest Rate Swap

If the Issuer is acting as the Cash Manager and a Cash Manager Relevant Event occurs and is continuing, the Seller will:

- (a) notify the Interest Rate Swap Provider within three London Business Days of the occurrence of a Cash Manager Relevant Event;
- (b) within three London Business Days after the occurrence of such Cash Manager Relevant Event, make a Cash Capital Contribution to the LLP in an aggregate amount equal to the net amounts (if any) due by the LLP to the Interest Rate Swap Provider on the immediately following LLP Payment Date; and
- (c) within three London Business Days after each LLP Payment Date, make a Cash Capital Contribution to the LLP in an aggregate amount equal to the net amount (if any) due by the LLP to the Interest Rate Swap Provider on the immediately succeeding LLP Payment Date. Furthermore, where the Seller has been notified of the LLP Fee Amount in accordance with the provisions of the Mortgage Sale Agreement, the Seller will within 2 London Business Days of receipt of information from the Interest Rate Swap Provider as to the amount of the LLP Fee Amount, make a Capital Contribution to the LLP in an amount equal to the LLP Fee Amount payable under the Interest Rate Swap Agreement.

The LLP will within one Business Day of receipt of a Cash Capital Contribution from the Seller as contemplated above pay the lesser of: (i) the net amounts (if any) that are due by the LLP to the Interest Rate Swap Provider on the immediately following LLP Payment Date; and (ii) the amount of the Cash Capital Contribution received by the LLP from the Seller as contemplated in paragraphs (b) and (c) above to the Interest Rate Swap Provider.

The LLP will, within 5 London Business Days of the later of: (A) receipt by the Seller and the LLP of notice of the amount of such termination payment arising under the Interest Rate Swap Agreement as a result of a repurchase or proposed repurchase of a Fixed Rate Loan; and (B) repurchase of the relevant Loan by the Seller, pay to the Interest Rate Swap Provider the amount of such termination payment.

CASHFLOWS

As described above under "*Credit Structure*", until a Notice to Pay or LLP Acceleration Notice is served on the LLP, the Covered Bonds will be obligations of the Issuer only. The Issuer is liable to make payments when due on the Covered Bonds, whether or not it has received any corresponding payment from the LLP.

This section summarises the Priorities of Payments of the LLP, as to the allocation and distribution of amounts standing to the credit of the LLP Accounts and their order of priority:

- (a) prior to service on the LLP of an Asset Coverage Test Breach Notice, a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security;
- (b) following service of an Asset Coverage Test Breach Notice (and for so long as it has not been revoked);
- (c) following service of a Notice to Pay; and
- (d) following service of an LLP Acceleration Notice, realisation of the Security and/or the commencement of winding-up proceedings against the LLP.

LLP Payment Dates will occur monthly.

Allocation and distribution of Available Revenue Receipts prior to the service on the LLP of an Asset Coverage Test Breach Notice (which has not been revoked), a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security

Prior to service on the LLP of an Asset Coverage Test Breach Notice (which has not been revoked), a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or the realisation of the Security and whilst amounts are outstanding in respect of the Covered Bonds, and whilst amounts are outstanding in respect of the Covered Bonds, 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 will 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

On each LLP Payment Date, the LLP or the Cash Manager on its behalf will transfer Available Revenue Receipts from the Transaction Account, in an amount equal to the lower of: (a) the amount required to make the payments described below (taking into account any Available Revenue Receipts standing to the credit of the Transaction Accounts); and (b) the amount of Available Revenue Receipts standing to the credit of the Transaction Account.

If an LLP Payment Date is the same as an Interest Payment Date and the LLP or, if applicable, a Covered Bond Swap Provider has not been instructed by the Issuer or the LLP, as applicable to pay amounts due to the Issuer under the Intercompany Loan to the Bond Trustee (or if so directed by the Bond Trustee) to the Principal Paying Agent, then the distribution of Available Revenue Receipts under item ((e)) of

the Pre-Acceleration Revenue Priority of Payments will be delayed until the Issuer (or the LLP on its behalf) has made the scheduled interest and/or principal payments on that Interest Payment Date.

Prior to service on the LLP of an Asset Coverage Test Breach Notice, a Notice to Pay or an LLP Acceleration Notice and/or the commencement of Winding-Up Proceedings against the LLP and/or realisation of the Security, 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 and third parties by the LLP under items (a) and (b) below or Third Party Amounts (if any), which will 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 due and payable or to become due and payable to the Bond Trustee (including remuneration payable to it) in the immediately succeeding LLP Payment Period under the provisions of the Trust Deed together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (ii) all amounts due and payable or to become due and payable to the Security Trustee (including remuneration payable to it) in the immediately succeeding LLP Payment Period under the provisions of the Deed of Charge together with interest and applicable VAT (or other similar taxes) thereon as provided therein;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any amounts then due and payable by the LLP to third parties and incurred without breach by the LLP of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere in the relevant Priorities of Payments) and to provide for any such amounts expected to become due and payable by the LLP in the immediately succeeding LLP Payment Period and to pay and discharge any liability of the LLP for taxes; and
 - (ii) any remuneration and other amounts (including costs and expenses) then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to:
 - (A) the Agents pursuant to the terms of the Agency Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and
 - (B) the Securities Custodian under or pursuant to the Custody Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
- (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 the Account Bank (including costs) pursuant to the terms of the Bank Account Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (iv) amounts (if any) then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Standby Account Bank (including costs) pursuant to the terms of the Standby Bank Account Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (v) amounts (if any) then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to any Securities 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;
 - (vi) 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;
 - (vii) amounts due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Asset Monitor pursuant to the terms of the Asset Monitor Agreement (other than the amounts referred to in paragraph (l) below), together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (viii) amounts (if any) due and payable or to become due and payable in the immediately succeeding LLP Payment Period by the LLP to the FCA in respect of fees and to the FCA under the RCB Regulations (other than the initial registration fee);
 - (ix) amounts (if any) due and payable or to become due and payable in the immediately succeeding LLP Payment Period by the LLP to the Back-Up Cash Manager Facilitator pursuant to the terms of the Cash Management Agreement, together with VAT (if payable) thereon to the extent provided therein; and
 - (x) amounts (if any) due and payable or to become due and payable in the immediately succeeding LLP Payment Period by the LLP to the Back-Up Servicer Facilitator pursuant to the terms of the Servicing Agreement, together with VAT (if payable) thereon to the extent provided therein;
- (d) *fourth*, in or towards payment of any amount due and payable to the Interest Rate Swap Provider (including any termination payment due and payable by the LLP under the Interest Rate Swap Agreement (but excluding any Excluded Swap Termination Amount) (except to the extent that

such amounts have been paid out of any premium received from the replacement Interest Rate Swap Provider) pursuant to the terms of the 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 the Interest Rate Swap Provider under the 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) 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 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 Agreement; and
 - (ii) taking into account any amounts paid from amounts credited to the Transaction Account, any amounts due and payable or to become due and payable (excluding principal amounts), *pro rata* and *pari passu* in respect of each relevant Term Advance to the Issuer pursuant to the terms of the Intercompany Loan Agreement;
- (f) *sixth*, if a Servicer Event of Default has occurred, all remaining Available Revenue Receipts to be credited to the Transaction Account (with a corresponding credit to the Revenue Ledger maintained in respect of that account) until such Servicer Event of Default is either remedied by the Servicer or waived by the Security Trustee or a new servicer is appointed to service the Portfolio (or the relevant part thereof);
- (g) *seventh*, in or towards a credit to the Reserve Ledger on the Transaction Account of an amount up to but not exceeding the amount by which the Reserve Fund Required Amount exceeds the existing balance on the Reserve Ledger as calculated on the immediately preceding Calculation Date;
- (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 Co-operative Bank of any Cash Capital Contributions made by the Co-operative Bank and deemed as Revenue Receipts;
- (k) *eleventh*, 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 in or

towards payment of Deferred Consideration due to the Seller for the transfer of the Loans and their Related Security to the LLP;

- (l) *twelfth*, in or towards payment of a fee of £50 (inclusive of any VAT) due to each Designated Member; and
- (m) *thirteenth*, towards payment *pro rata* and *pari passu* to the Members of the sum of £3,000 (or such other sum as may be agreed by the Members from time to time) in aggregate per annum, to be allocated and paid to each Member in proportion to their respective Capital Contribution Balances as at the immediately preceding Calculation Date subject to a minimum of £400 per annum each, as their profit for their respective interests as Members of the LLP.

Any amounts (other than any Tax Credits received by the LLP in respect of the Swap Agreements, Swap Collateral Excluded Amounts and any premium received by the LLP used (or to be used) to make a termination payment or any termination payment received by the LLP used (or to be used) to pay any premium in respect of a replacement Interest Rate Swap) received by the LLP under the Interest Rate Swap Agreement on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payments made on any preceding LLP Payment Date, to make payments (other than in respect of principal) due and payable *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap to each relevant Covered Bond Swap Provider under each relevant Covered Bond Swap Agreement or, as the case may be, to the Issuer in respect of each relevant Term Advance under the Intercompany Loan Agreement or otherwise to make provision for such payments on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine unless an Asset Coverage Test Breach Notice has been served and has not been revoked.

Any amounts (other than in respect of principal, other than any Tax Credits received by the LLP in respect of the Swap Agreements, Swap Collateral Excluded Amounts and any premium received by the LLP used (or to be used) to make a termination payment or any termination payment received by the LLP used (or to be used) to pay any premium in respect of a replacement Covered Bond Swap) received by the LLP under a Covered Bond Swap on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payments made on any preceding LLP Payment Date, to make payments (other than principal) due and payable to the Issuer in respect of each relevant Term Advance under the Intercompany Loan Agreement or otherwise to make provision for such payments on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine unless an Asset Coverage Test Breach Notice has been served and has not been revoked.

Any amounts (other than any Tax Credits received by the LLP in respect of the Swap Agreements, Swap Collateral Excluded Amounts and any premium received by the LLP used (or to be used) to make a termination payment or any termination payment received by the LLP used (or to be used) to pay any premium in respect of a replacement Interest Rate Swap) received by the LLP under the Interest Rate Swap Agreement and any amounts (other than in respect of principal and other than any Tax Credits received by the LLP in respect of the Interest Rate Swap Agreement and Swap Collateral Excluded Amounts) received under the Covered Bond Swap Agreements on the LLP Payment Date but prior to the next following LLP Payment Date which are not put towards a payment or provision in accordance with 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.

If the LLP requires any Available Revenue Receipts or Available Principal Receipts to be exchanged into a currency other than Sterling, and such exchange would not be subject to or covered by the terms

of a Covered Bond Swap Agreement, then the LLP (or the Cash Manager on its behalf if, and as instructed) shall perform all necessary currency conversions at the then prevailing spot rate of exchange.

Pursuant to the Intercompany Loan Agreement, 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 in accordance with item (e)(ii) above or item (c)(ii) below; or (i) pay such amounts that would be paid under item (e)(ii) above or item (c)(ii) below to the Issuer, in each case directly to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent, unless the Issuer has paid or discharged the corresponding payment under the relevant Series of Covered Bonds or, 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 Issuer, from amounts standing to the credit of the Transaction Account.

If any Swap Collateral Available Amounts are received by the LLP on an LLP Payment Date, such amounts shall be applied by the LLP (or by the Cash Manager on its behalf) on that LLP Payment Date in the same manner as it would have applied the receipts which such Swap Collateral Available Amounts replace.

Each Member acknowledges that the profit paid pursuant to paragraph (m) of the Pre-Acceleration Revenue Priority of Payments above to each Member represents a reasonable commercial return to the Member from its involvement in the LLP and also agrees that such profits will not be paid to the Members at a time when they knew or ought to have known that there was no reasonable prospect of avoiding an insolvent liquidation of the LLP as a result of such profit distribution.

Any Cash Capital Contributions made by the Seller and directed by the Seller to be credited to the Yield Reserve Ledger will be credited to the Yield Reserve Ledger and will be withdrawn by the Cash Manager and applied as Available Revenue Receipts from time to time in accordance with the instructions of the Seller.

Allocation and Distribution of Available Principal 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 and/or the Commencement of Winding-up Proceedings against the LLP and/or the Realisation of the Security

Prior to service on the LLP of an Asset Coverage Test Breach Notice which has not been revoked, a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or 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 shall 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 due and payable under the Covered Bonds 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 that 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) will be applied by or on behalf of the LLP on each LLP Payment Date in making the following payments and provisions (the **Pre-Acceleration Principal Priority of Payments**) (in each case only if and to the extent that payments or provisions of a higher priority have been paid in full to the extent the same are payable on the relevant LLP Payment Date):

- (a) *first*, to credit the Retained Principal Ledger in such amount as is required to acquire New Loans and their Related Security that will be offered to the LLP by the Seller in accordance with the terms of the Mortgage Sale Agreement on and after the relevant LLP Payment Date to (but excluding the immediately following Calculation Date, and thereafter to acquire Substitution Assets in an amount sufficient to ensure that taking into account the other resources available to the LLP, the LLP is in compliance with the Asset Coverage Test;
- (b) *second*, to deposit the remaining Available 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 is in compliance with the Asset Coverage Test on the next following 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 after taking into account any provisions previously made and, if applicable, any principal amounts received or receivable from a Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement on the LLP Payment Date or such date in the future as the Cash Manager may reasonably determine):
 - (i) the amounts (in respect of principal) due or to become due and payable to the relevant Covered Bond Swap Providers *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap but, for the avoidance of doubt, excluding any Excluded Swap Termination Amount) pursuant to the terms of the relevant Covered Bond Swap Agreement; and
 - (ii) (taking into account any principal amounts received from a Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement) any 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, to the Issuer pursuant to the terms of the Intercompany Loan Agreement; and
- (d) *fourth*, subject to complying with the Asset Coverage Test, to make a Capital Distribution to The Co-operative Bank (or if the Co-operative Bank is not then a Member towards repayment of the Issuer Subordinated Loan) by way of distribution of its equity in the LLP in accordance with the LLP Deed, provided that only Available Principal Receipts that are specifically attributable to Loans sold or Cash Capital Contributions made to Co-operative Bank in its capacity as a Seller will be paid to that Member.

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, to make payments in the same manner as it would have applied the receipts which such Swap Collateral Available Amounts replace

or (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), 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, unless an Asset Coverage Test Breach Notice has been served on the LLP and has not been revoked.

Any amounts of principal (other than Swap Collateral Excluded Amounts) received by the LLP under the Covered Bond Swap Agreements on the LLP Payment Date or any date prior to the next succeeding LLP Payment Date which are not put towards a payment or provision in accordance with items (b) and (d) above or the preceding paragraph will be credited to the Principal Ledger on the relevant LLP Account and applied as Available Principal Receipts on the next succeeding LLP Payment Date.

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 (that has not been revoked), but prior to service of a Notice to Pay or service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, all Available Revenue Receipts and Available Principal Receipts will continue to be applied in accordance with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments, respectively, save that, whilst any Covered Bonds remain outstanding, no moneys will be applied under item (e)(ii) (unless such amounts are paid directly to the Bond Trustee or the Principal Paying Agent) above, and items (j) (to the extent only that such amounts are payable to the Members), (k), (l) or (m) of the Pre-Acceleration Revenue Priority of Payments or items (a) and (c)(ii) (unless such amounts are to be paid directly to the Bond Trustee or the Principal Paying Agent) or (d) of the Pre-Acceleration Principal Priority of Payments.

For the avoidance of doubt, after service of an Asset Coverage Test Breach Notice but prior to service of a Notice to Pay, any amounts due from the Covered Bond Swap Provider will be paid directly to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent.

Allocation and Distribution of Moneys following service of a Notice to Pay

At any time after the service on the LLP of a Notice to Pay, but prior to service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings in respect of 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".

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 (f) of the "Guarantee Priority of Payments" below, and such amounts, once allocated, will only be available to pay amounts due under the Covered Bond Guarantee and amounts due under the Covered Bond Swap in respect of any 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 due and payable or to become due and payable to the Bond Trustee in the immediately succeeding LLP Payment Period 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;
 - (ii) all amounts due and payable or to become due and payable to the Security Trustee in the immediately succeeding LLP Payment Period 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 remuneration and other amounts (including costs and expenses) then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Agents pursuant to the terms of the Agency Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and
 - (ii) any amounts then due and payable by the LLP to third parties and incurred without breach by the LLP of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) 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 back-up or master servicer) and any costs, charges, Liabilities and expenses then due and payable or to become due and payable to the Servicer (and any back-up or master servicer) under the provisions of the Servicing Agreement (or back-up or master servicing agreement, as applicable) 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 back-up cash manager) and any costs, charges, Liabilities and expenses then due and payable or to become due and payable to the Cash Manager (and any back-up cash manager) under the provisions of the Cash Management Agreement (or back-up cash management agreement, as applicable) in the immediately succeeding LLP Payment Period, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (iii) any remuneration then due and payable to the Back-Up Cash Manager Facilitator and any costs, charges, Liabilities and expenses then due and payable or to become due and payable to the Back-Up Cash Manager Facilitator under the provisions of the Cash

Management Agreement in the immediately succeeding LLP Payment Period, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

- (iv) any remuneration then due and payable to the Back-Up Servicer Facilitator and any costs, charges, Liabilities and expenses then due and payable or to become due and payable to the Back-Up Servicer Facilitator under the provisions of the Servicing Agreement in the immediately succeeding LLP Payment Period, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (v) amounts (if any) due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Account Bank (including costs) pursuant to the terms of the Bank Account Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (vi) amounts (if any) due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Standby Account Bank (including costs) pursuant to the terms of the Standby Bank Account Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (vii) amounts (if any) then due and payable or to become due and payable in the immediately succeeding LLP Payment Period to any Securities 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;
 - (viii) amounts due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Corporate Services Provider pursuant to the Corporate Services Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (ix) amounts (if any) due and payable to the FCA or to become due and payable in the immediately succeeding LLP Payment Period under the RCB Regulations (other than the initial registration fees) together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and
 - (x) amounts due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Asset Monitor (other than the amounts referred to in item (l) below) pursuant to the terms of the Asset Monitor Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
- (d) *fourth*, in or towards payment of any amount due to the Interest Rate Swap Provider (including any termination payment due and payable by the LLP under the Interest Rate Swap Agreement but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premium received from the replacement Interest Rate Swap Provider) pursuant to the terms of the Interest Rate Swap Agreement;
- (e) *fifth*, to pay *pro rata* and *pari passu* according to the respective amounts thereof, of:
- (i) the 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)) pursuant to the terms of the relevant Covered Bond Swap Agreement; and

- (ii) taking into account any amounts paid from amounts credited to the Transaction Account, to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the Covered Bondholders *pro rata* and *pari passu* Scheduled Interest that is Due for Payment (or will become Due for Payment in the immediately succeeding LLP Payment Period) under the Covered Bond Guarantee in respect of each Series of Covered Bonds,

but, in the case of any such payment or provision, after taking into account any amounts received or receivable from the Interest Rate Swap Provider in respect of the Interest Rate Swap 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 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 sub-item (e)(ii) above, the shortfall shall be divided amongst all such Series of Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider in respect of each relevant Covered Bond Swap under sub-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 to the relevant Covered Bond Swap Provider (or to become due and payable in the immediately succeeding LLP Payment Period) *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (but, for the avoidance of doubt, excluding any Excluded Swap Termination Amount) pursuant to the terms of the relevant Covered Bond Swap Agreement; and
- (ii) to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the Covered Bondholders *pro rata* and *pari passu* Scheduled Principal that is Due for Payment (or will become Due for Payment in the immediately succeeding LLP Payment Period) under the Covered Bond Guarantee in respect of each Series of Covered Bonds,

but, in the case of any such payment or provision, after taking into account any principal amounts received or receivable from a Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement on the 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) 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 sub-item (f)(ii) above, the shortfall shall be divided amongst all such Series of Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider in respect of each relevant Covered Bond Swap under sub-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 Extended Covered Bonds and where the Extended Due for Payment Date is one year or less from the relevant LLP Payment Date and any relevant Covered Bond Swap in respect thereof on a *pro rata* and *pari passu* basis according to the respective amounts thereof:

- (i) the amounts (in respect of principal) due and payable to each relevant Covered Bond Swap Provider (or to become due and payable in the immediately succeeding LLP Payment Period) *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (but, for the avoidance of doubt, excluding any Excluded Swap Termination Amount) pursuant to the terms of the relevant Covered Bond Swap 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 or towards payment of the Final Redemption Amount or the relevant proportion thereof under the Covered Bond Guarantee in respect of each relevant Series of Extended Covered Bonds,

but, in the case of any such payment, after taking into account any amounts (in respect of principal) received or receivable from the relevant Covered Bond Swap Provider in respect of the relevant Covered Bond Swap corresponding to the Extended Covered Bonds on the LLP Payment Date or in the immediately succeeding LLP Payment Period, **provided that** if the amounts 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 sub-item (g)(ii) above, the shortfall shall be divided amongst all such Series of Extended Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider under each relevant Covered Bond Swap Agreement in respect of each relevant Series of Extended Covered Bonds under sub-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*, in respect of any Extended Covered Bonds where the Extended Due for Payment Date is more than one year from the relevant LLP Payment Date and any relevant Covered Bond Swap in respect thereof, on a *pro rata* and *pari passu* basis according to the respective amounts thereof:

- (i) the amounts (in respect of principal) due and payable to each relevant Covered Bond Swap Provider or to become due and payable in the immediately succeeding LLP Payment Period *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (but, for the avoidance of doubt, excluding any Excluded Swap Termination Amount) pursuant to the terms of the relevant Covered Bond Swap Agreement; and
- (ii) to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the Covered Bondholders *pro rata* and *pari passu* the Final Redemption Amount or the relevant proportion thereof under the relevant Covered Bond Guarantee in respect of each relevant Series of Extended Covered Bonds,

but, in the case of any such payment, after taking into account any amounts (in respect of principal) received or receivable from the relevant Covered Bond Swap Provider in respect of the relevant Covered Bond Swap corresponding to the Extended Covered Bonds on the LLP Payment Date or in the immediately succeeding LLP Payment Period, provided that if the amount available for distribution under this item (h) (excluding any amounts received or to be received from the relevant Covered Bond Swap Provider) would be insufficient to pay the

Sterling Equivalent of the Final Redemption Amount in respect of each relevant Series of Extended Covered Bonds under sub-item (h)(ii) above, the shortfall shall be divided amongst all such Series of Extended Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider under each relevant Covered Bond Swap Agreement in respect of each relevant Series of Extended Covered Bonds under sub-item (h)(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;

- (i) *ninth*, 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 (h) (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);
- (j) *tenth*, 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 the relevant Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement and to the Interest Rate Swap Provider under the Interest Rate Swap Agreement;
- (k) *eleventh*, 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;
- (l) *twelfth*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of any indemnity amount due to the Members pursuant to Clauses 5.6 (Designated Members) and 34 (Duties and Covenants of the LLP) (and, if the Co-operative Bank is not then a Member of the LLP, towards repayment of the Issuer Subordinated Loan) of the LLP Deed and certain costs, expenses and indemnity amounts due by the LLP to the Asset Monitor pursuant to Clauses 10.2 (Liability) and 15.1 (No Enforcement by Asset Monitor) of the Asset Monitor Agreement; and
- (m) *thirteenth*, thereafter any remaining monies will be applied in accordance with the priority of payment set out in Clause 20 (Application and Distribution of Monies when Covered Bonds Repaid) of the LLP Deed.

Any amounts (other than any Tax Credits received by the LLP in respect of the Interest Rate Swap Agreement, Swap Collateral Excluded Amounts and any premium received by the LLP used (or to be used) to make a termination payment or any termination payment received by the LLP used (or to be used) to pay any premium in respect of a replacement Interest Rate Swap) received by the LLP under the Interest Rate Swap Agreement on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such 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 Principal Paying Agent 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 any Tax Credits received by the LLP in respect of the Covered Bond Swap Agreement, Swap Collateral Excluded Amounts and any premium received by the LLP used (or to be used) to make a termination payment or any termination payment received by the LLP used (or to be used) to pay any premium in respect of a replacement Covered Bond Swap) received by the LLP under

a Covered Bond Swap Agreement (whether or not in respect of principal) after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payment made on any preceding LLP Payment Date, to make payments of interest or principal, as the case may be, in respect of any relevant Series of Covered Bonds under the Covered Bond Guarantee.

Any amounts (other than any Tax Credits received by the LLP in respect of an Interest Rate Swap Agreement or a Covered Bond Swap Agreement, Swap Collateral Excluded Amounts and any premium received by the LLP used (or to be used) to make a termination payment or any termination payment received by the LLP used (or to be used) to pay any premium in respect of a replacement Interest Rate Swap) received under the Interest Rate Swap Agreement or any Covered Bond Swap Agreement on or after the LLP Payment Date but prior to the next following LLP Payment Date which are not put towards a payment or provision in accordance with items (f)(ii), (g)(ii), (h)(ii) and (j) of the Guarantee Priority of Payments will be credited to the Revenue Ledger or the Principal Ledger (as appropriate) and the relevant LLP Account and applied as Available Revenue Receipts or Available Principal Receipts, as the case may be, on the next succeeding LLP Payment Date.

If the LLP requires any Available Revenue Receipts or Available Principal Receipts applied as described in the Guarantee Priority of Payments to be exchanged into a currency other than Sterling, and such exchange would not be subject to or covered by the terms of a Covered Bond Swap Agreement, then the LLP or the Cash Manager on its behalf shall perform all necessary currency conversions at the then prevailing spot rate of exchange.

If any Swap Collateral Available Amounts are received by the LLP on an LLP Payment Date, such amounts shall be applied by the LLP or by the Cash Manager on its behalf on that LLP Payment Date in the same manner as it would have applied the receipts which such Swap Collateral Available Amounts replace.

Termination payments received in respect of Swaps, premiums received in respect of replacement Swaps and Taxation Credits Received in respect of 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. Such payments will be made when due in accordance with the terms of the relevant Swap Agreement.

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.

Any premium received by the LLP from a replacement Swap Provider(s) to enter into a replacement Swap Agreement(s) which is not applied to pay a termination payment (other than a termination payment that is an Excluded Swap Termination Amount) to the replaced Swap Provider(s) will be credited to the Revenue Ledger and the LLP Accounts and applied as Available Revenue Receipts on the next succeeding LLP Payment Date.

If the LLP is required under the terms of any Swap Agreement to make a payment to a Swap Provider in consequence of the receipt by a Member of a credit allowance, set-off or repayment in respect of any taxation (a **LLP Tax Payment**), then such member shall pay to the LLP an amount equal to the LLP Tax Payment on the date on which such LLP Tax Payment is due to be made by the LLP under the terms of such Swap Agreement.

If the Swap Provider breaches certain tax representations in the relevant Swap Agreement and a Member of the LLP suffers a loss, the LLP may receive payment of indemnity amounts from the Swap Provider on the affected Member's behalf. The LLP shall account to the Member for such amounts and shall pay amounts upon receipt to the affected Member.

Amounts received by the LLP in accordance with this section shall not be funds of the LLP and will not be construed to be amounts received in respect of Available Revenue Receipts or Available Principal Receipts.

Payments out of the LLP Accounts Upon Enforcement, Realisation and/or Winding-up

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 LLP Tax Payments, Third Party Amounts or Swap Collateral Excluded Amounts) following the enforcement of the Security, realisation of the Security, after the service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP for the benefit of the Secured Creditors in respect of the Secured Obligations, shall be held by it in the LLP Accounts on trust to be applied (save to the extent required otherwise by the law) in the following order of priority and in each case only if and to the extent that payments or provisions of a higher order of priority have been made in full (the **Post-Enforcement Priority of Payments**):

- (a) *first*, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts thereof, of:
 - (i) all amounts due and payable, or to become due and payable, to:
 - (A) the Bond Trustee (including remuneration payable to it) under the provisions of the Trust Deed together with interest and any applicable VAT thereon to the extent provided therein; and
 - (B) the Security Trustee (including remuneration payable to it) and any Receiver appointed by the Security Trustee under the provisions of the LLP Deed together with interest and any applicable VAT thereon to the extent provided therein;
 - (ii) all amounts due and payable to:
 - (A) the Agents under or pursuant to the Agency Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and
 - (B) the Securities Custodian under or pursuant to the Custody Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (iii) all amounts due and payable to:

- (A) the Servicer under the provisions of the Servicing Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (B) the Cash Manager under the provisions of the Cash Management Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (C) the Account Bank under the provisions of the Bank Account Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (D) the Standby Account Bank under the provisions of the Standby Bank Account Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (E) the Corporate Services Provider under the provisions of the Corporate Services Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (F) the Back-Up Cash Manager Facilitator under the provisions of the Cash Management Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
 - (G) the Back-Up Servicer Facilitator under the provisions of the Servicing Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and
 - (H) the Asset Monitor under the provisions of the Asset Monitor Agreement (other than the amounts referred to in item (d) below), together with applicable VAT (or other similar taxes) thereon, to the extent provided therein;
- (iv) any amounts due and payable to the Interest Rate Swap Provider (including any termination payment (but excluding any Excluded Swap Termination Amounts)) pursuant to the terms of the Interest Rate Swap Agreement;
 - (v) all amounts due and payable:
 - (A) to the relevant Covered Bond Swap Provider pro rata and pari passu in respect of each 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;
 - (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 sub-item (B) above (excluding any amounts received from any Covered Bond Swap Provider in respect of amounts referred to in sub-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 sub-item (B) above, the shortfall shall be divided amongst all such Series of Covered

Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider in respect of each relevant Series of Covered Bonds under sub-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 the relevant Swap Provider under the relevant Swap Agreement;
- (c) *third*, after the Covered Bonds have been fully repaid, any remaining moneys shall be applied in or towards repayment in full of all amounts outstanding under the Intercompany Loan Agreement;
- (d) *fourth*, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts thereof of any indemnity amount due to the Members and/or any member of the LLP Management Committee 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
- (e) *fifth*, thereafter any remaining moneys shall be applied in or towards payment to the Members pursuant to the LLP Deed.

The above Post-Enforcement Priority of Payments is subject to the provisions of Regulations 28 and 29 of the RCB Regulations. In particular, under the RCB Regulations (as at the date hereof) costs properly incurred by an administrative receiver, administrator, a receiver, liquidator, provisional liquidator or manager of the LLP in relation to:

- (i) persons providing services for the benefit of Covered Bondholders (which is likely to include the persons listed in item (a) above (excluding the Swap Providers));
- (ii) the Swap Providers in respect of amounts due to them under item (a) above; and
- (iii) any other persons (other than the Issuer) 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 (for example liquidity loans),

shall be expenses of the winding-up, administration, administrative receivership or receivership, as the case may 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.

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, realisation of the security and/or commencement of winding up proceedings against the LLP, 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 the service of an LLP Acceleration Notice, realisation of the security and/or commencement of winding up proceedings against the LLP, 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 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 First 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 First Transfer Date or which do not otherwise comply with the terms of the Mortgage Sale Agreement as at the Transfer Date), 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 Related Security including, without limitation, the right to demand, sue for, recover and give receipts for all principal moneys, interest and costs and the right to sue on all covenants and any 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 Consent Agreements, 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) the proceeds of all claims made by or on behalf of the Seller to which the Seller is entitled under the insurance policies in relation to any such Loan (including the Title Insurance Policies), and
- (f) 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.

New Portfolio means each portfolio of New Loans and their Related Security (other than any New Loans and their Related Security which have been redeemed in full prior to the Transfer Date or which do not otherwise comply with the terms of the Mortgage Sale Agreement as at the Transfer Date), particulars of which are set out in the relevant New Portfolio Notice or in a document stored upon electronic media (including, but not limited to, a CD-ROM), and all right, title, interest and benefit of the Seller in and to:

- (a) all payments of principal and interest (including, for the avoidance of doubt, all Accrued Interest, Arrears of Interest, Capitalised Interest, Capitalised Expenses and Capitalised Arrears), all Early Repayment Fee Receipts 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 Consent Agreements, 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) the proceeds of all claims made by or on behalf of the Seller to which the Seller is entitled under the insurance policies in relation to any such Loan (including the Title Insurance Policies), and
- (f) 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.

See also the following risk factors under "Risk Factors – Risks relating to the Asset Pool – Limited description of the Portfolio – Maintenance of the Portfolio – 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 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, advising in respect of a regulated mortgage contract, or 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 was 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 on land (other than timeshare accommodation) 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 by an individual who was a beneficiary of the trust, or by a related person.

A related person (in relation to a borrower, or in the case of credit provided to trustees, a beneficiary of the trust) is: (1) that person's spouse or civil partner; (2) a person (whether or not of the opposite sex) whose relationship with that person has the characteristics of the relationship between husband and wife; or (3) that person's parent, brother, sister, child, grandparent or grandchild (a **Related Person**).

The current definition of a regulated mortgage contract (a **Regulated Mortgage Contract**) is such that if the mortgage contract was entered into on or after 21 March 2016, it is 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 that 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 23:00 on 31 December 2020, 'land' means land in the United Kingdom or within the territory of an EEA State and in relation to a contract entered into on or after 23:00 on 31 December 2020, 'land' means land in the United Kingdom.

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 the communication and approval of financial promotions. 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 will not 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.

Distance Marketing of Financial Services

In the UK, the Financial Services (Distance Marketing) Regulations 2004, as the same may be amended from time to time (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. Breach of the pre-contract disclosure rules could result in, inter alia, disciplinary action by the FCA and possible claims under Section 138D of the FSMA for breach of FCA rules.

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 (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**) 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 created a single regime bringing together 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 introduced a new regime for dealing with unfair contractual terms as follows:

- Under Part 2 of the CRA an unfair term of a consumer contract (a contract between a trader and a consumer) is not binding on a consumer (an individual acting for purposes that are wholly or mainly outside that individual's trade, business, craft or profession). Additionally, an unfair notice is not binding on a consumer, although a consumer may rely on the term or notice if the consumer chooses to do so. A term will be unfair where, contrary to the requirement of good faith, it causes significant imbalance in the parties' rights and obligations under the contract to the detriment of the consumer. In determining whether a term is fair it is necessary to: (i) take into account the nature of the subject matter of the contract; (ii) refer to all the circumstances existing when the term was agreed; and (iii) refer to all of the other terms of the contract or any other contract on which it depends.
- Schedule 2 of the CRA contains an indicative and non-exhaustive "grey list" of terms 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". Paragraph 22 of Schedule 2 provides that this does not include a term by which a supplier of financial services reserves the right to alter the rate of interest payable by or due to the consumer, or the amount of other charges for financial services without notice where there is a valid reason if the supplier is required to inform the consumer of the alteration at the earliest opportunity and the consumer is free to dissolve the contract immediately.
- A term of a consumer contract which is not on the "grey list" may nevertheless be regarded unfair.
- Where a term of a consumer contract is "unfair" it will not bind the consumer. However, the remainder of the contract, will, so far as practicable, continue to have effect in every other respect. Where a term in a consumer contract is susceptible of multiple different meanings, the meaning most favourable to the consumer will prevail. It is the duty of the court to consider the fairness of any given term. This can be done even where neither of the parties to proceedings have explicitly raised the issue of fairness.

(c) Regulatory Developments

Historically the OFT, the Financial Services Authority (the **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.

Ultimately, only a court can decide whether a term is fair, however it may take into account relevant guidance published by the Competition and Markets Authority (the **CMA**) or the FCA. On 19 December 2018, the FCA published finalised guidance: "Fairness of variation terms in financial services consumer contracts under the Consumer Rights Act 2015" (FG 18/7), outlining factors that 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(s) in relation to any consumer contracts which contain variation terms.

The provisions in the CRA governing unfair contractual terms came into force on 1 October 2015. The Unfair Contract Terms and Consumer Notices Regulation Guide (UNFCOG in the FCA handbook) explains the FCA's policy on how it uses its formal powers under the CRA and the 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 CRA as it was the UTCCRs".

In general, the interpretation of the UTCCR and/or CRA is open to some doubt, particularly in the light of sometimes conflicting reported case law between English courts and the CJEU. The broad and general wording of the UTCCR and CRA makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any Loans which have been made to Borrowers covered by the UTCCR and/or the CRA may contain unfair terms which may result in the possible unenforceability of the terms of the underlying loans. If any term of the Loans is found to be unfair for the purpose of the UTCCR and/or the CRA, this may reduce amounts available to meet the payments due in respect of the Covered Bond Guarantee. The guidance issued by the FSA (and since 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 has applied from 31 July 2023 for products and services that remain open to sale or renewal and will apply 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 that provide products and services directly or indirectly to retail customers.

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 during product design and manufacture and throughout its life. In the case of a mortgage loan, it applies 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 to authorised firms that are product manufacturers and distributors, which include purchasers of in scope mortgage loans, as well as firms administering or servicing those mortgage loans. Although the Consumer Duty will not apply retrospectively, the FCA will require firms to apply the Consumer Duty to existing products on a forward-looking basis.

The FCA's guidance states that the Consumer Duty does not apply to unregulated buy-to-let mortgage loans but there are some circumstances in which the Consumer Duty would apply to the servicing of buy-to-let loans and buy-to-let mortgages regulated under the CCA.

The FCA has indicated its intention to take a more active supervisory role and focus on early intervention with firms to tackle consumer harm, but it is not yet possible to predict the precise effect of the new Consumer Duty on the Loans with any certainty. No assurances can be given that it will not have a material adverse effect on the Seller, the Issuer and the LLP and their respective businesses and operations.

Breathing Space Regulations

The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020 (SI 2020/1311) (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 gives 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 gives 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 MCOB rules 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 (the **Pre-action Protocol**) came into force on 19 November 2008. 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 that 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 Ombudsman under the FSMA 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. This act gives courts in England and Wales the same power to postpone and suspend repossession for up to two months on application by an unauthorised tenant (i.e. a tenant in possession without the lender's consent) as generally exists on application by an authorised tenant. The lender has to serve notice at the property before enforcing a possession order.

FCA response to the cost of living crisis

On 16 June 2022, the FCA sent a "Dear CEO" letter which stated that the FCA considers that the Mortgages Tailored Support Guidance published on 25 March 2021 which was issued to address exceptional circumstances arising out of the coronavirus pandemic, is also relevant for borrowers in financial difficulties due to other circumstances such as the rising cost of living. Therefore, if a borrower indicates that they are experiencing or reasonably expect to experience payment difficulties due to the rising cost of living, the FCA have said that lenders should offer prospective forbearance to enable them to avoid, reduce, or manage any payment shortfall that would otherwise arise. This includes borrowers who have not yet missed a payment.

The Mortgages Tailored Support Guidance emphasises the MCOB requirement that a lender must not repossess a property unless all other reasonable attempts to resolve the position have failed. It further states that mortgage lenders must also establish and implement clear, effective and appropriate policies and procedures for the fair and appropriate treatment of borrowers whom the lender understands, or reasonably suspects, to be particularly vulnerable. The Mortgages Tailored Support Guidance also confirms the FCA's expectation that action to seek possession should be a last resort.

In addition, the FCA proposed that lenders considering or resuming possession proceedings, should support and enable borrowers to disclose circumstances that might make them particularly vulnerable to repossession action at this time - and to consider whether additional care may be required as a result.

On 10 March 2023, the FCA published finalised guidance: "Guidance for firms supporting their existing mortgage borrowers impacted by the rising cost of living" (FG23/2). The FCA stated that the purpose of the finalised guidance was to ensure that lenders are clear about the effect of the FCA rules and the range of options lenders have to support their customers including those who are facing higher interest rates alongside the rising cost of living. The FCA have said that the guidance clarifies the effect of their existing rules and principles and is not intended to set new expectations or requirements of lenders or to repeat the position set out in other documents such as the expectations around repossessions or the treatment of vulnerable customers. It explains how lenders can support borrowers in, or at risk of,

payment difficulty and confirms the flexibility lenders have under FCA rules and guidance to support borrowers in different ways.

The FCA makes clear in the Mortgages Tailored Support Guidance that it expects lenders of both owner-occupied and buy-to-let mortgage loans to act in a manner consistent with the guidance.

In March 2021, the FCA stated that as the more immediate impacts of the coronavirus pandemic begin to subside, it was considering whether it will need to make any permanent changes to their forbearance regimes for mortgages and credit in light of the Mortgages Tailored Support Guidance. This could include updating the rules and guidance in MCOB and incorporating elements of the Mortgages Tailored Support Guidance. On 25 May 2023, the FCA launched consultation CP23/13 setting out how it plans to incorporate aspects of the Mortgages Tailored Support Guidance into MCOB and withdraw the Mortgages Tailored Support Guidance. The FCA are also proposing targeted additional changes to support consumers in financial difficulty. The FCA expect their new rules to come into force in the first half of 2024 and propose to withdraw the Mortgages Tailored Support Guidance at the same time.

There can be assurance that the FCA, or other UK government or regulatory bodies, will not take further steps in response to the rising cost of living in the UK, which may impact the performance of the Loans, including further amending and extending the scope of the above guidance.

Non-disclosure of Broker Commissions

Certain of the Loans may have been originated through such intermediaries, including mortgage brokers and mortgage advisers. In line with market practice, the originators paid commission to such intermediaries in consideration for such activities in the form of a procurement fee.

Where only the existence but not the amount of the commission was disclosed to a Borrower then, depending on the circumstances of the case, that Borrower may have a claim against the relevant Legal Title Holder of the affected Loan. If such claim was successful, it is likely that a court would order payment to such Borrower of the amount of commission paid in respect of the affected Loan together with interest on that amount (although the court does have discretion as to the remedy that it would award the Borrower in the circumstances), whereas the award is likely to be greater where there was a failure to disclose the existence of the commission to a Borrower.

Mortgage Charter

On 26 June 2023, the HM Treasury published the 'Mortgage Charter' in light of the current pressures on households following interest rate rises and the cost-of-living crisis. The Mortgage Charter states that the UK's largest mortgage lenders and the FCA have agreed with the Chancellor a set of standards that they will adopt when helping their regulated mortgage borrowers worried about high interest rates (the **Mortgage Charter**). The Co-operative Bank 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 effect on and from 30 June 2023, the FCA has amended the Mortgages and Home Finance: Conduct of Business Sourcebook (MCOB) to allow (rather than require) lenders to give effect to the

MC Interest-only Agreement and the MC Extension Agreement. The amendments made by the FCA do not apply to second ranking mortgages or bridging loans. The FCA announced that it intends to review the impact of the rule changes within 12 months.

The charter is currently voluntary and adhering to it will be a decision for lenders to make individually.

There can be no assurance that the FCA or other UK government or regulatory bodies, will not take further steps in response to the rising cost of living in the UK which may impact the performance of the Loans, including further amending and extending the scope of the Mortgage Charter or related rules.

General

No assurance can be given that additional regulations or guidance from the FCA, the PRA, the Ombudsman, the CMA or any other regulatory authority will not arise with regard to the mortgage market in the United Kingdom 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 Seller, the Issuer, the LLP and their respective businesses and operations. This may adversely affect the ability of the Issuer to make payments under the Covered Bonds or, if applicable, the LLP's ability to make payment on the Covered Bond Guarantee.

DESCRIPTION OF THE UK REGULATED COVERED BOND REGIME

This section is only a summary of the UK covered bond regime. Prospective purchasers of Covered Bonds should consider carefully all of the information contained in this document, including the information set out below, before making any investment decision.

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 12 October 2011 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.co-operativebank.co.uk/about-us/investor-relations/debt-investors/covered-bond-programme/>. 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. PricewaterhouseCoopers 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 and Wales 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 Regulations 2001 and the Limited Liability Partnerships (Application of Companies Act 2006) Regulations 2009 (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, any Dealer or any Arranger takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the LLP nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Covered Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book-entry Systems

Euroclear and Clearstream, Luxembourg

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

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

Transfers of Covered Bonds Represented by Registered Global Covered Bonds

Transfers of any interests in Covered Bonds represented by a Registered Global Covered Bond within Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Covered Bonds represented by a Registered Global Covered Bond to such persons may depend upon the ability to exchange such Covered Bonds for Covered Bonds in definitive form.

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

TAXATION

UK Taxation

The following is a summary of the Issuer's understanding of current UK law and HMRC's published practice relating only to the UK withholding tax treatment of payments of interest (as that term is understood for UK 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 UK taxation implications of acquiring, holding or disposing of Covered Bonds. The UK 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 UK or who may be unsure as to their tax position should seek their own professional advice.

Payment of interest by the Issuer on the Covered Bonds

The Issuer will be entitled to make payments of interest on the Covered Bonds without deduction of or withholding on account of UK income tax provided that:

- (a) the Issuer is and continues to be a bank within the meaning of section 991 of the Income Tax Act 2007 (ITA 2007); and
- (b) the interest on the Covered Bonds is and continues to be paid in the ordinary course of the Issuer's business within the meaning of section 878 ITA 2007.

Payments of interest on the Covered Bonds may be made without deduction of or withholding on account of UK income tax provided that the Covered Bonds are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the ITA 2007. The London Stock Exchange is a recognised stock exchange for this purpose. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the FSMA) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Covered Bonds are and remain so listed, interest on the Covered Bonds will be payable without withholding or deduction for or on account of UK income tax whether or not the Issuer carries on a banking business in the UK and whether or not the interest is paid in the ordinary course of its business.

Interest on the Covered Bonds may also be paid without withholding or deduction for or on account of UK income tax where the maturity of the Covered Bonds is less than 365 days and those Covered Bonds do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, an amount must generally be withheld from payments of interest on the Covered Bonds that have a UK source on account of UK income tax at the basic rate (currently 20 per cent.), subject to any available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Covered Bondholder, HMRC 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 UK withholding tax treatment of payments by the LLP under the terms of the Covered Bond Guarantee which have a UK 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 UK withholding tax at the basic rate. If payments by the LLP are subject to any withholding or deduction for or on account of tax, the LLP will not be required to pay any additional amounts.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as "FATCA", a "foreign financial institution" (as defined for purposes of FATCA and including an intermediary through which Covered Bonds are held) may be required to withhold at a rate of 30% 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 UK) 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. 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, pursuant to proposed regulations 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. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally, Covered Bonds characterised as debt (or which are not 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 Condition 17 (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.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in a programme agreement dated on or about the date of this Prospectus (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 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 deemed, or in the case of a Definitive Covered Bond required, to have acknowledged, represented and agreed as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

- (i) that it is outside the United States and not a U.S. person;
- (ii) that the Covered Bonds are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act or any applicable U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below, and the Issuer has not registered and does not intend to register as an "investment company" under the Investment Company Act;
- (iii) 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 (i), if then applicable;
- (iv) 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) outside the United States in compliance with Rule 903 or 904 under the Securities Act; and (ii) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Registered Global Covered Bonds will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE

SECURITIES LAWS OR "BLUE SKY" LAWS OF ANY STATE OR ANY OTHER RELEVANT JURISDICTION OF THE UNITED STATES, AND THE ISSUER (AS DEFINED IN THE TRUST DEED) HAS NOT REGISTERED AND DOES NOT INTEND TO REGISTER AS AN INVESTMENT COMPANY UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940 (THE **INVESTMENT COMPANY ACT**). ACCORDINGLY, THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT) EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. UNTIL THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE COVERED BONDS OF THE TRANCHE OF WHICH THIS COVERED BOND FORMS PART, SALES MAY NOT BE MADE IN THE UNITED STATES OR TO U.S. PERSONS UNLESS MADE PURSUANT TO RULE 903 OR 904 OF REGULATIONS UNDER THE SECURITIES ACT"; AND

- (v) 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.

Selling Restrictions

United States

The Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act or the securities laws or "blue sky" 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 transactions not subject to, the registration requirements of the Securities Act and any applicable state or local securities laws. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Covered Bonds in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended (the **Code**), and regulations promulgated thereunder.

In connection with any Covered Bonds which are offered or sold outside the United States in reliance on Regulation S (**Regulation S Covered Bonds**), each Dealer has represented, warranted and agreed that it has not offered or sold or delivered any Regulation S Covered Bonds and will not offer, sell or deliver any Regulation S Covered Bonds: (a) as part of its distribution at any time; or (b) 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 distributor, dealer or

persons receiving a selling concession, fee or other remuneration 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.

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 UK. For the purposes of this provision:

- (a) the expression **retail investor** means a person who is one (or more) of the following:
 - (1) 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
 - (2) 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
 - (3) 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.

UK

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated 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 Issuer or the LLP; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any 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:
 - (1) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or
 - (2) 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
 - (3) 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 EEA (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 Dealer(s) will be required to comply with such other additional or modified restrictions (if any) as the Issuer and the relevant Dealer(s) shall agree as a term of issue and purchase as indicated in the applicable Final Terms.

Each Dealer will, unless prohibited by applicable law, furnish to each person to whom they offer or sell Covered Bonds a copy of the Prospectus as then amended or supplemented or, unless delivery of the Prospectus is required by applicable law, inform each such person that a copy will be made available upon request. The Dealers are not authorised to give any information or to make any representation not contained in the Prospectus in connection with the offer and sale of Covered Bonds to which the Prospectus relates.

This Prospectus may be used by the Dealers for offers and sales related to market-making transactions in the Covered Bonds. Any or each of the Dealers may act as principal or agent in these transactions. These sales will be made at prices relating to prevailing market prices at the time of sale. None of the Dealers has any obligation to make a market in the Covered Bonds, and any market-making may be discontinued at any time without notice. The Dealers are participating in the initial distribution of the Covered Bonds.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and a Dealer or any affiliate of that Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the relevant Dealer or such affiliate on behalf of the Issuer in such jurisdiction.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Covered Bonds have been duly authorised by resolutions of the board of directors of the Issuer dated 25 March 2009. The giving of the Covered Bond Guarantee has been duly authorised by a resolution of the LLP Management Committee dated 17 April 2009. The update of the Programme and the issue of Covered Bonds have been duly authorised by resolutions of the board of directors of the Issuer dated 8 September 2010, 15 March 2011, 23 November 2011 and 16 May 2023 and by the members of the LLP dated 7 October 2011, 10 October 2012 and 23 August 2023.

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, or a Registered 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 29 May 2024.

Documents Available

So long as Covered Bonds are capable of being issued under the Programme, 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 principal office of the Issuer and from the specified office of the Paying Agent for the time being in London:

- (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 2022 and 31 December 2023. The Issuer currently prepares audited accounts on an annual basis;
- (c) the audited annual accounts of the LLP for the years ended 31 December 2021 and 31 December 2022 and the auditor's report thereon;
- (d) 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. The LLP prepares audited non-consolidated accounts on an annual basis;
- (e) the forms of the Global Covered Bonds, the Definitive Covered Bonds, the Coupons and the Talons;
- (f) a copy of this Prospectus;
- (g) any future Prospectus, prospectuses, information memoranda and supplements including Final Terms (save that Final Terms relating to an unlisted Covered Bond will be available for inspection only by the relevant Dealer or Dealers specified in such Final Terms or, upon proof

satisfactory to the Principal Paying Agent or the Registrar, as the case may be, as to the identity of the holder of any Covered Bond to which such Final Terms relate) to this Prospectus and any other documents incorporated herein or therein by reference; and

- (h) each Transaction Document.

In addition, copies of this Prospectus, any documents incorporated by reference and each Final Terms relating to the Covered Bonds which are admitted to trading on the main market of the London Stock Exchange will also be available for inspection on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/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. 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.

Significant or Material Change

There has been no significant change in the financial performance or financial position of the Issuer or the Co-operative Bank Group since 31 December 2023, being the date to which the Co-operative Bank Group's last published audited financial information was prepared. There has been no material adverse change in the prospects of the Issuer since 31 December 2023, being the date to which the Issuer's last published audited financial information was prepared.

There has been no significant change in the financial performance or financial position of the LLP, nor has there been any material adverse change in the prospects of the LLP since 31 December 2022, being the date of the LLP's last audited non-consolidated annual accounts of the LLP.

Litigation

Save as disclosed in the risk factor titled "*The Issuer is currently involved in litigation and may in the future become involved in further litigation. The outcome of any legal proceedings is difficult to predict*", 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 Co-operative Bank 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.

Independent Auditors

The auditor of the Issuer is Ernst & Young LLP, chartered accountants and registered auditor, who have audited the Issuer's accounts, without qualification, in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law for each of the two financial years ended on 31 December 2022 and 31 December 2023.

The auditor of the LLP is Ernst & Young LLP, chartered accountants and registered auditor who have audited the LLP's accounts, without qualification, in accordance with the ISAs (UK) for each of the two financial years ended on 31 December 2021 and 31 December 2022.

On 1 May 2024, the board of directors of the Issuer agreed that PricewaterhouseCoopers LLP will replace Ernst & Young LLP as the independent auditor of both the Issuer and the LLP. PricewaterhouseCoopers LLP will audit the Issuers and the LLPs accounts for the year ended 31 December 2024.

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 certain information on the characteristics of the underlying Portfolio. Investor Reports shall be posted on the Co-operative Bank website at <https://www.co-operativebank.co.uk/about-us/investor-relations/>. The Investor Reports will not form part of this Prospectus. Copies of the applicable Final Terms for each series (including in relation to unlisted Covered Bonds of any 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.

Material Contracts

There are no material contracts having been entered into outside the ordinary course of Issuer's business, and which could result in any member of the Co-operative Bank 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

1999 Regulations	The Unfair Terms in Consumer Contracts Regulations 1999, as amended;
30/360, 360/360, or Bond Basis	The meaning given in Condition 4(E);
30E/360 (ISDA)	The meaning given in Condition 4(G);
30E/360 or Eurobond Basis	The meaning given in Condition 4(F);
€ or euro	The lawful currency for the time being of the member states of the European Union that have adopted or may adopt the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union;
£ and Sterling	The lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland;
\$ and U.S. Dollars	The lawful currency for the time being of the United States of America;
Account Bank	The Co-operative Bank p.l.c.;
Account Bank Defaulted Amount	An amount equal to the amount which would have been paid by the Account Bank but for the occurrence of an Account Bank Non Payment Event;
Account Bank Non Payment Event	Any failure to pay an amount in accordance with Clause 2.2 (Timing of Payment) of the Bank Account Agreement in the event the same has not been rectified within one Business Day;
Account Bank Rating	A counterparty risk assessment by Moody's of at least Baa1(cr) or such other short-term or long-term rating to ensure that the Rating Condition is satisfied;
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;
Act	Banking Act 2009;

Actual/Actual or Actual/Actual (ICMA)	The meaning given in Condition 4(A);
Actual/360	The meaning given in Condition 4(D);
Actual/365 (Fixed)	The meaning given in Condition 4(B);
Actual/365 (Sterling)	The meaning given in Condition 4(C);
Additional Loan Advance	A further drawing (including, but not limited to, Further Advances) in respect of Loans sold by the Seller to the LLP;
Adjusted Aggregate Loan Amount	The meaning given in " <i>Summary of the Principal Documents</i> " on page 192;
Adjusted Required Redemption Amount	The Sterling Equivalent of the Required Redemption Amount, plus or minus the Sterling Equivalent of any swap termination amounts payable under the Covered Bond Swap Agreement to or by the LLP in respect of any 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 (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 or minus any swap termination amounts payable to or by the LLP under the Interest Rate Swap Agreement;
Adjusted True Balance	The meaning given to it on page 192;
Agency Agreement	The agency agreement dated 20 April 2009 as amended and restated from time to time and made between the Issuer, the LLP, the Bond Trustee, the Security Trustee, the Principal Paying Agent and the other Paying Agents, the Registrar and the Transfer Agents (as amended and/or supplemented and/or restated from time to time);
Agent	Each of the Paying Agents, the Registrar, any Calculation 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 " <i>Summary of the Principal Documents</i> " on page 196;

Amortisation Test True Balance	The meaning given in " <i>Summary of the Principal Documents</i> " on page 196;
Amortised Face Amount	The meaning given in " <i>Terms and Conditions of the Covered Bonds</i> " on page 127;
applicable Final Terms	The meaning given on page 85;
Approved Conveyancer	<ul style="list-style-type: none"> (a) Any sole principal, partnership or incorporated practice of conveyancers authorised to practise conveyancing by the Council of Licensed Conveyancers; (b) Such other firm as would be approved by a Reasonable, Prudent Mortgage Lender;
Approved Solicitor	<ul style="list-style-type: none"> (a) Any firm of solicitors authorised to practise law by the Law Society of England and Wales with at least two partners; (b) Any firm of solicitors authorised to practise law by the Law Society of England and Wales having a sole principal; or (c) Such other firm as would be approved by a Reasonable, Prudent Mortgage Lender;
Arrangers	Barclays Bank PLC, NatWest Markets Plc and any other entity appointed as an arranger for the Programme or in respect of any particular issue of Covered Bonds under the Programme and references in this document to the Arranger are references to the relevant Arranger or, as the case may be, any of the Arrangers;
Arrears Adjusted True Balance	The meaning given in " <i>Summary of the Principal Documents</i> " on page 193;
Arrears of Interest	As at any date in respect of any Loan, the aggregate of all 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 Initial Programme Date and as supplemented or amended and restated from time to time between the Asset Monitor, the LLP, the Cash Manager, the Issuer, the Bond Trustee and the Security Trustee;
Asset Monitor Report	The results of the tests conducted by the Asset Monitor in accordance with the Asset Monitor Agreement to be delivered to the Cash Manager, the LLP, the Issuer, the Bond Trustee and the Security Trustee;
Asset Percentage	The meaning given in " <i>Summary of the Principal Documents</i> " on page 195;
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 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	<p>(a) Sterling gilt-edged securities; and</p> <p>(b) Sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper) provided that in all cases such investments have a remaining maturity date of 30 days or less and mature on or before the next following LLP Payment Date and the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) are rated at least P-1 by Moody's, or such lower ratings as the Rating Agency may allow,</p> <p>provided that such Authorised Investments comply with the requirements of Regulation 2(1)(a) of the RCB Regulations;</p>
Authorised Signatory	(a) in relation to the Bank Account Agreement, any authorised signatory referred to in the Transaction Account Mandate or any other mandate in relation to an LLP Account, as applicable;

- (b) in relation to the Standby Bank Account Agreement, any authorised signatory referred to in the Standby Transaction Account Mandate or any other mandate in relation to the Standby LLP Account, as applicable;
- (c) in relation to the Mortgage Sale Agreement, an officer or officers of each Seller authorised to act as an authorised signatory on behalf of such company;
- (d) in all other cases, an officer of the Issuer, or the LLP (as applicable), or such other person appointed by the Issuer or the LLP to act as authorised signatory;

Authorised Underpayment

A Borrower making either no Monthly Payment under a Loan or a payment in an amount less than the Monthly Payment then due on the Loan, in each case, where the Seller has authorised such underpayment or non-payment or such underpayment or non-payment is an amount not exceeding the aggregate of any previous Overpayments and such authorisation is not connected with the Seller's arrears management policies from time to time;

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 deemed as Principal Receipts; (iii) the proceeds from any sale of Selected Loans pursuant to the terms of the LLP Deed or the Mortgage Sale Agreement but excluding any amount of principal received under the Covered Bond Swap Agreements; and (iv) any Account Bank Defaulted Amounts in replacement of those Available Principal Receipts that have not been paid by the Account Bank as a result of an Account Bank Non Payment Event; and
- (c) any Excess Proceeds;

and excluding, for the avoidance of doubt:

- (a) any Swap Collateral Excluded Amounts;
- (b) any Tax Credits and any amount received by the LLP from a Member in respect of Tax Credits (to the extent otherwise constituting Available Principal Receipts);
- (c) that portion of: (i) the repurchase price received by the LLP in respect of the repurchase by the Seller of a Fixed Rate Loan; or (ii) the sale proceeds from the sale of Selected Loans; or (iii) Cash Capital Contributions received from a Member which in each case relates to an amount in respect of any swap termination payment or LLP Fee Amount to be paid by the LLP to the Interest Rate Swap Provider; and (iv) any amounts which relate to the Swap Provider Fee Amount;

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;
- (b) other net income of the LLP including all amounts of interest received on the LLP Accounts, the Substitution Assets and Authorised Investments in the previous Calculation Period but excluding amounts received by the LLP under the 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 and any amounts credited to the Reserve Ledger in accordance with the LLP Deed);
- (c) prior to the service of a Notice to Pay, amounts standing to the credit of the Reserve Fund in excess of the Reserve Fund Required Amount;
- (d) any other Revenue Receipts not referred to in paragraphs (a) to (c) (inclusive) above received during the previous Calculation Period and standing to the credit of the Revenue Ledger on the LLP Accounts; and

- (e) following the service on the LLP of a Notice to Pay, amounts standing to the credit of the Reserve Fund to the extent required to pay items (a) to (c) and item (f) of the Guarantee Priority of Payments, taking into account the other funds available to the LLP;

less

- (f) Third Party Amounts, which will be paid on receipt in cleared funds to the Seller;

and excluding (for the avoidance of doubt):

- (g) any Swap Collateral Excluded Amounts;
- (h) any Tax Credits and any amount received by the LLP from a Member in respect of Tax Credits;
- (i) indemnity payments received from Swap Providers for breaches of certain tax representations; and
- (j) any amounts received by the LLP which relate to the Swap Provider Fee Amount.

Back-Up Cash Manager Facilitator Intertrust Management Limited, a company incorporated in England and Wales, in its capacity as back-up cash manager facilitator under the Cash Management Agreement together with any successor back-up cash manager facilitator appointed from time to time;

Back-Up Servicer Facilitator Intertrust Management Limited, a company incorporated in England and Wales, in its capacity as back-up servicer facilitator under the Servicing Agreement together with any successor back-up servicer facilitator appointed from time to time;

Bank Account Agreements The Bank Account Agreement and the Standby Bank Account Agreement;

Basel III The meaning given on page 78;

Bearer Covered Bonds Covered Bonds in bearer form;

Bearer Definitive Covered Bonds A Bearer Covered Bond in definitive form issued or, as the case may require, to be issued by the Issuer in accordance with the provisions of the Programme Agreement or any other agreement between the Issuer and the relevant Dealer(s), the Agency Agreement and the Trust Deed in exchange for either a Temporary Global Covered Bond or part thereof or a Permanent Global Covered Bond or part thereof (all as indicated in the applicable Final Terms), such

Bearer Covered Bond in definitive form being in the form or substantially in the form set out in Part 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 on page 85;

Bond Trustee

HSBC Corporate Trustee Company (UK) Limited, in its capacity as bond trustee under the Trust Deed together with any successor or other bond trustee or additional bond trustees appointed from time to time thereunder;

Borrower

In relation to a Loan, each 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;

Buildings Insurance Policies

All buildings insurance policies relating to Property or 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 or commonhold properties where the relevant landlord is responsible for insuring the Property or Properties;

Business Day

The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 109;

Calculation Agent

In relation to all or any Series of the Covered Bonds, the person initially appointed as calculation agent in relation to such Covered Bonds by the Issuer and the LLP pursuant to the Agency Agreement or, if applicable, any successor or separately appointed calculation agent in relation to all or any Series of the Covered Bonds;

Calculation Date

The 10th day of each month (or, if that day is not a London Business Day, then the immediately following London Business Day). The first Calculation Date was on the 10th day of June 2009;

Calculation Period

The period from, and including, the first day of each month to, and including, the last day of each month;

Capital Account Ledger	The 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 Contribution in Kind	A contribution of Loans and their Related Security to the LLP in an amount equal to: (a) the aggregate of the True 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 together with (without double counting): (i) the principal amount of all Further Advances in respect of such Loans which are funded by the Seller as a Member of the LLP; and (ii) Capitalised Arrears added to the Principal Amount Outstanding of such Loans;
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);

Capped Rate Loan

A Loan to the extent that and for such time that the interest rate payable by the relevant Borrower on all or part of the Outstanding Principal Balance is variable but will not increase above a fixed rate for a certain period of time by a Seller;

Cash Capital Contribution

A Capital Contribution made in cash;

Cash Management Agreement

The cash management agreement between the LLP, Co-operative Bank (in its capacity as Seller, Servicer and Cash Manager), the Back-Up Cash Manager Facilitator and the Security Trustee dated the Initial Programme Date and as the same may be amended, restated, varied and/or supplemented from time to time with the consent of the parties thereto;

Cash Manager

Co-operative Bank, 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

Occurs if the counterparty risk assessment of the Cash Manager by Moody's falls below Baa3(cr);

CB Collection Account

The account in the name of the Co-operative Bank at a third party financial institution into which amounts in respect of certain Loans originated by the Co-operative Bank are collected or such other replacement accounts as are opened with another financial institution for the same purpose from time to time;

CCA

Consumer Credit Act 1974, as amended;

Central Land Charges Registry

The central land charges registry of England and Wales;

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 on page 105;

Charged Property

The property charged by the LLP pursuant to the Deed of Charge;

Clearing Systems

Euroclear and/or Clearstream, Luxembourg and will be deemed to include references to any additional or alternative clearing system as is approved by the Issuer, the Principal Paying Agent and the Bond Trustee or as may otherwise be specified in the applicable Final Terms;

Clearstream, Luxembourg	Clearstream Banking, S.A.;
Collection Accounts	The accounts into which amounts in respect of the Loans are collected or such other replacement accounts as are opened with another financial institution from time to time;
Collection Account Declaration of Trust	The amended and restated declaration of trust declared on or about 17 January 2014 over the Co-operative Bank's beneficial interest in certain collection accounts held in its name with itself and certain further accounts held with third party financial institutions if established pursuant to the Collection Account Declaration of Trust from time to time;
Common Depositary	The common depositary for Euroclear and Clearstream, Luxembourg;
Common Safekeeper	An ICSD in its capacity as a common safekeeper or a person nominated by the ICSDs to perform the role of common safekeeper;
Conditions	The terms and conditions of the Covered Bonds (as set out in the Trust Deed), and in relation to a particular Series of Covered Bonds as amended and/or supplemented by the relevant Final Terms;
Consent Agreement	An agreement whereby a person in or intended to be in occupation of a Property agrees with the Seller to postpone their interest (if any) in the Property so that it ranks after the interest created in the relevant Mortgage;
Co-operative Bank	The Co-operative Bank p.l.c. (registered number 00990937), a public limited liability company incorporated under the laws of England and Wales (and having its registered office is at 1 Balloon Street, Manchester, M60 4EP;
Co-operative Bank Group	Co-operative Bank and its consolidated subsidiary undertakings;
Co-operative Group	Means the Co-operative Bank Group;
Corporate Services Agreement	The corporate services agreement entered into by the Liquidation Member, Holdings, the Corporate Services Provider and the LLP dated the Initial Programme Date and as the same may be amended, restated, varied and/or supplemented from time to time with the consent of the parties thereto;
Corporate Services Provider	Intertrust Management Limited, a company incorporated in England and Wales in its capacity as corporate services provider to Holdings and to the Liquidation Member under

a Corporate Services Agreement, together with any successor corporate services provider appointed from time to time;

Couponholders

The holders of the Coupons (which expression will, 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 100;

Covered Bond

Each covered bond issued or where applicable to be issued, pursuant to the Programme Agreement and which is or is to be constituted under the Trust Deed, which covered bond may be represented by a Global Covered Bond or any Definitive Covered Bond and includes any replacements or a Covered Bond issued pursuant to Condition 10 (Replacement of Covered Bonds, Coupons and Talons);

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 will become Due for Payment;

Covered Bond Swap Agreement

Each agreement between the LLP, a Covered Bond Swap Provider and the Security Trustee governing Covered Bond Swaps entered into with such Covered Bond Swap Provider in the form of an ISDA Master Agreement, including a schedule and credit support annex and one confirmation in relation to each such Covered Bond Swap. Each Covered Bond Swap will relate to a Series of Covered Bonds;

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 Swaps

Swap transactions governed by the Covered Bond Swap Agreements;

Covered Bondholders

The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 100;

Current Balance

means in relation to any Loan, the True Balance of such Loan.

Custody Account

Any custody account opened in the name of the LLP held with the Securities Custodian and maintained subject to the

terms of any Custody Agreement into which securities are deposited by a Swap Provider as collateral to secure the performance by such Swap Provider of its obligations under the relevant Swap Agreement;

Custody Agreement

Any custody agreement entered into from time to time between the LLP, the Securities Custodian, the Cash Manager and the Security Trustee;

Data Protection Laws

Any law, enactment, regulation or order concerning the processing of data relating to living persons including, but not limited to, the UK GDPR, the Data Protection Act, and Privacy and Electronic Communications (EC Directive) Regulations 2003 and to the extent applicable to the activities or obligations under or pursuant to the relevant Transaction Document;

Day Count Fraction

In the case of a Fixed Rate Covered Bond, the meaning given in Condition 4(a) (Interest on Fixed Rate Covered Bonds) and in the case of a Floating Rate Covered Bond, the meaning given in Condition 4(b) (Interest on Floating Rate Covered Bonds);

Dealer

Each of Barclays Bank PLC, NatWest Markets Plc and any other dealers appointed from time to time in accordance with the Programme Agreement, which appointment may be for a specific issue or on an ongoing basis. References in this Prospectus to the relevant Dealer(s) will, 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 on or around the date of this Prospectus (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;

Deed of Postponement

A deed or agreement whereby a mortgagee of a Property agrees with the Seller to postpone its mortgage over the Property so that the sums secured by it will rank for repayment after the sums secured by the relevant Mortgage;

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 Loans;

Deferred Consideration

The consideration payable to the Seller in respect of the Loans sold to the LLP from time to time, which is payable

after making payments of a higher order of priority as set out in the relevant Priorities of Payments;

Definitive Covered Bond	A Bearer Definitive Covered Bond and/or, as the context may require, a Registered Definitive Covered Bond;
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 Deeds;
Deposit Set Off Amount	For each Borrower whose Loan is included in the Portfolio, the lesser of: (a) 100 per cent. of the aggregate balance of each savings account held with the Seller by such Borrower (whether such savings account is a joint account or not and whether such other joint savings account holder is a Borrower under a Loan that is in the Portfolio or not and to avoid double counting, such savings balance will only be included in the calculation once); and (b) the aggregate True Balance of such Borrower's Loan which is included in the Portfolio, in each case as calculated on any day after the last day of the immediately preceding Calculation Period but prior to the Calculation Date;
Designated Account	The meaning given in Condition 5(d) (Payments in respect of Registered Covered Bonds);
Designated Bank	The meaning given in Condition 5(d) (Payments in respect of Registered Covered Bonds);
Designated Maturity	The meaning given in the ISDA Definitions;
Designated Member	Each Member appointed and registered as such from time to time and having those duties and obligations set out in Sections 8 and 9 of the LLPA 2000 and in the LLP Deed;
Determination Date	The meaning given in the applicable Final Terms;
Determination Period	The meaning given in Condition 4(a) (Interest on Fixed Rate Covered Bonds);
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);
Due for Payment	The requirement by the LLP to pay any Guaranteed Amounts following the delivery of a Notice to Pay on the LLP;

(a) prior to the occurrence of an LLP Event of Default:

- (i) on 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 the Interest Payment Date that would have applied if the Final Maturity Date of such Series of Covered Bonds had been the Extended Due for Payment Date (the **Original Due for Payment Date**); and
- (ii) in relation to any Guaranteed Amounts in respect of the Final Redemption Amount payable on the Final Maturity Date for a Series of Covered Bonds only, the Extended Due for Payment Date, but only 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 moneys available under the Guarantee Priority of Payments to pay such Guaranteed Amounts in full on the earlier of: (A) the date which falls two Business Days after service of such Notice to Pay on the LLP or, if later, the Final Maturity Date (or, in each case, after the expiry of the grace period set out in Condition 9(b)(i)) under the terms of the Covered Bond Guarantee; or (B) the Extension Determination Date,

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 (b) below;
or

- (b) following the occurrence of an LLP Event of Default, the date on which an LLP Acceleration Notice is served on the Issuer and the LLP;

Earliest Maturing Covered Bonds	At any time, the Series of the Covered Bonds (other than any Series which is fully collateralised by amounts standing to the credit of the LLP Accounts) that has or have the earliest Final Maturity Date or Extended Due for Payment 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;
Eligibility Criteria	The meaning given on page 169;
EU	European Union;
EU CRA Regulation	Regulation (EC) No 1060/2009;
EURIBOR	Euro-zone inter-bank offered rate;
Euroclear	Euroclear Bank SA/NV;
Excess Proceeds	Moneys received (following the occurrence of an Issuer Event of Default and delivery of an Issuer Acceleration Notice) by the Bond Trustee from the Issuer or any administrator, administrative receiver, receiver, liquidator, trustee in sequestration or other similar official appointed in relation to the Issuer;
Exchange Date	On or after the date which is 40 days after a Temporary Global Covered Bond is issued;
Exchange Event	In the case of Bearer Covered Bonds, the meaning given in " <i>Form of the Covered Bonds</i> " on page 86 and in the case of Registered Covered Bonds, the meaning given in " <i>Form of the Covered Bonds</i> " on page 87;
Excluded Amounts	Scheduled Interest Has the meaning given to it in the definition of Scheduled Interest;
Excluded Amounts	Scheduled Principal Has the meaning given to it in the definition of Scheduled Principal;
Excluded Amount	Swap Termination 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 Covered Bonds	Any Series of Covered Bonds whose Final Redemption Amount was not paid in full by the Extension Determination Date;
Extended Due for Payment Date	In relation to any Series of Covered Bonds, the date, 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;
FCA	Financial Conduct Authority;
Final Maturity Date	The Interest Payment Date on which each Series of Covered Bonds will be redeemed at their Final Redemption Amount in accordance with the Conditions;
Final Redemption Amount	In relation to any Series of Covered Bonds, the amount due on the Final Maturity Date of such Covered Bonds as set out in the relevant Final Terms;
Final Terms	The final terms document substantially in the form set out in the Prospectus which, with respect to Covered Bonds to be admitted to the Official List and admitted to trading on the main market of 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 and which will constitute final terms for the purposes of the UK Prospectus Regulation;
First Transfer Date	The date on which the Initial Portfolio is transferred to the LLP pursuant to the Mortgage Sale Agreement (which shall, for the avoidance of doubt, be the date on which Loans and their related Security are first sold to the LLP after the date of the Fifth Amended and Restated Mortgage Sale Agreement);
Fixed Interest Period	The meaning given in Condition 4(a) (Interest on Fixed Rate Covered Bonds);
Fixed Rate Covered Bond	Covered Bonds on which interest is calculated at a fixed rate payable in arrear on a fixed date or fixed dates in each year

and on redemption or on such other dates as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms);

Fixed Rate Loan

A Loan to the extent that and for such time as the interest rate payable by the relevant Borrower on all or part of the Outstanding Principal Balance does not vary and is fixed for a certain period of time by the Seller;

Floating Rate

The meaning given in the ISDA Definitions;

Floating Rate Convention

The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 108;

Floating Rate Covered Bonds

Means a Covered Bond which bears interest at a rate determined:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions; or
- (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (c) on such other basis as may be agreed between the Issuer and the relevant Dealer(s),

as set out in the applicable Final Terms;

Floating Rate Option

The meaning given in the ISDA Definitions;

Following Business Day Convention

The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 108;

Fifth Amended and Restated Mortgage Sale Agreement

The fourth amended and restated mortgage sale agreement between, among others, the Issuer, the LLP and Security Trustee, dated 29 May 2024;

FSMA

Financial Services and Markets Act 2000, as amended (from time to time);

Further Advance

In relation to a Loan, any advance of further money to the relevant Borrower following the making of the Initial Advance, which is secured by the same Mortgage as the Initial Advance, excluding the amount of any retention in respect of the Initial Advance and does not include any advance of further money, following the making of the Initial Advance, which is secured by the same mortgagee as the Initial Advance, which would result in a Rearrangement;

Global Covered Bond	A Bearer Global Covered Bond and/or Registered Global Covered Bond, as the context may require;
Guarantee Priority of Payments	The meaning given in " <i>Terms and Conditions of the Covered Bonds</i> " on page 125;
Guaranteed Amounts	Prior to the service of an LLP Acceleration Notice, with respect to any Original Due for Payment Date or 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 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 all 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 and/or the Conditions;
Halifax Index	The quarterly non-seasonally adjusted index of increases or decreases in house prices issued by Halifax, a division of Lloyds Banking Group plc in relation to residential properties in the United Kingdom;
Halifax Price Indexed Valuation	In relation to any Property on any date means the Latest Valuation of that property increased or decreased as appropriate by the increase or decrease in the Halifax Index since the date of that Latest Valuation;
HMRC	HM Revenue & Customs;
Holdings	Moorland Covered Bonds Finance (Holdings) Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 6845353);
ICSD	Either Euroclear or Clearstream, Luxembourg, and any additional or alternative clearing system as is approved by the Issuer, the Principal Paying Agent and the Bond Trustee or as may otherwise be specified in the applicable Final Terms;
Indexed Valuation	At any date in relation to any Loan secured over any Property: <ul style="list-style-type: none"> (a) where the Latest Valuation of that Property is equal to or greater than the Halifax Price Indexed Valuation as at that date, the Halifax Price Indexed Valuation; or

- (b) where the Latest Valuation of that Property is less than the Halifax Price Indexed Valuation as at that date, the Latest Valuation plus 85 per cent. of the difference between the Latest Valuation and the Halifax Price Indexed Valuation;

Initial Advance

In respect of any Loan, the original principal amount advanced by the Seller to the relevant Borrower and for the avoidance of doubt excluding any Further Advance;

Initial Portfolio

The meaning given in "The Portfolio" on page 232;

Initial Programme Date

20 April 2009;

Insolvency Event

In respect of the Seller, the Servicer or the Cash Manager:

- (a) an order is made or an effective resolution passed for the winding up of the relevant entity; or
- (b) the relevant entity stops or threatens to stop payment to its creditors generally or the relevant entity ceases or threatens to cease to carry on its business or substantially the whole of its business; or
- (c) an encumbrancer takes possession or a receiver, administrator, administrative receiver or other similar officer is appointed to the whole or any material part of the undertaking, property and assets of the relevant entity or a distress, diligence or execution is levied or enforced upon or sued out against the whole or any material part of the chattels or property of the relevant entity and, in the case of any of the foregoing events, is not discharged within 30 days; or
- (d) the relevant entity is unable to pay its debts as they fall due,

other than where the Seller, Servicer or the Cash Manager is Co-operative Bank and any of the events set out in paragraphs (b) to (d) occurs in connection with a substitution in accordance with Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution);

Intercompany Loan

The term loan entered into on the Initial Programme Date, and made between the Issuer, the Cash Manager, the LLP and the Security Trustee and **Intercompany Loan Agreement** means the related term loan agreement dated the Initial Programme Date and as the same may be

amended, restated, varied and/or supplemented from time to time with the consent of the parties thereto;

Intercompany Loan Ledger	The ledger of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record all payments of interest and repayments of principal on each of the Term Advances;
Interest Amount	The amount of interest payable on the Floating Rate Covered Bonds in respect of each Specified Denomination for the relevant Interest Period;
Interest Commencement Date	In the case of interest-bearing Covered Bonds, the date specified in the applicable Final Terms being its date of issue from (and including) when the relevant Covered Bonds start accruing interest;
Interest Determination Date	The meaning given in the applicable Final Terms;
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 Swap	Each interest rate swap transaction entered into between the LLP and the Interest Rate Swap Provider, including any Standard Variable Rate Swap that may be entered into;
Interest Rate Swap Agreement	The agreement between the LLP and the Interest Rate Swap Provider governing one or more Interest Rate Swaps in the form of an ISDA Master Agreement, including a schedule, credit support annex and confirmation(s) thereto;
Interest Rate Swap Provider	The Co-operative Bank;
Investor Report	The monthly report made available to the Covered Bondholders, the Security Trustee, the Bond Trustee and the Rating Agency detailing inter alia compliance with the Asset Coverage Test and which are to be posted on the Co-operative Bank website at https://www.co-operativebank.co.uk/about-us/investor-relations/debt-investors/ ;
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);
Issue Date	Each date on which the Issuer issues Covered Bonds to the Covered Bondholders as specified in the applicable Final Terms;
Issue Price	The price, generally expressed as a percentage of the nominal amount of the Covered Bonds, at which the Covered Bonds will be issued;
Issuer	The Co-operative Bank p.l.c. (registered number 990937), a public limited liability company incorporated under the laws of England and Wales (and having its registered office at 1 Balloon Street, Manchester, M60 4EP);
Issuer Acceleration Notice	The meaning given in Condition 9(a) (Issuer Events of Default);
Issuer Call	If specified as applicable in the relevant Final Terms, the option of the Issuer to redeem all or some only of the Covered Bonds pursuant to Condition 6(c);
Issuer Event of Default	The meaning given in Condition 9(a) (Issuer Events of Default);
Issuer Subordinated Loan	The Issuer's Capital Contribution Balance that will become a subordinated debt obligation to be owed by the LLP to the Issuer if the Issuer ceases to be a Member in accordance with Clause 6 (<i>Termination of Membership</i>) of the LLP Deed;
Land Registry	The body responsible for recording details of land in England and Wales;
Land Registry Transfer	A deed of transfer of a Legal Charge or Legal Charges over Registered Land substantially in the form of the Land Registry Form TR4 with such modifications as may be required from time to time by the Security Trustee or such other form of deed of transfer current at the relevant time for transfers of charges registered at the Land Registry;
Latest Valuation	In relation to any Property, the value given to that Property by the most recent valuation maintained by the Seller (which for the avoidance of doubt may be the Original Valuation), whether a Further Advance, Product Switch or Rearrangement has been granted or otherwise;
Lead Manager	In relation to any Tranche of Covered Bonds, the person named as the Lead Manager in the applicable Subscription Agreement or, when only one Dealer signs such Subscription Agreement, such Dealer;

Ledger	Each of the Revenue Ledger, the Principal Ledger, the Reserve Ledger, the Capital Account Ledger, the Reserve Ledger, the Intercompany Loan Ledger, the Retained Principal Ledger, the Yield Reserve Ledger, the Swap Collateral Ledger, the Coupon Payment Ledger and any additional ledger operated in accordance with the Cash Management Agreement (and together, the Ledgers);
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;
Liability	Any losses, damages, costs, charges, claims, demands, expenses, judgments, decrees, actions, proceeding or other liability whatsoever (including, without limitation in respect of taxes, duties, levies, imposts and other charges) and including any VAT or other similar taxes charged or chargeable in respect thereof and legal fees and expenses on a full indemnity basis;
Liquidation Member	Moorland Covered Bonds Finance Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 6845373);
LLP	Moorland Covered Bonds LLP (formerly Britannia Covered Bonds LLP), a limited liability partnership incorporated in England and Wales (partnership no. OC343979), whose members are Co-operative Bank and the Liquidation Member;
LLPA 2000	Limited Liability Partnerships Act 2000;
LLP Acceleration Notice	A notice in writing given by the Bond Trustee to the Issuer and the LLP, that: (a) 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; and (b) all amounts payable by the LLP under the Covered Bond Guarantee shall thereupon become due and payable at the Guaranteed Amount corresponding to the Early Redemption Amount for each Covered Bond of each Series together with interest in each case as provided in and in accordance with the Trust Deed and thereafter the Security shall become enforceable if any of the LLP Events of Default shall occur and be continuing;
LLP Accounts	The Transaction Account and any additional or replacement accounts opened in the name of the LLP in accordance with the Transaction Documents from time to time;

LLP Deed	The limited liability partnership deed entered into on the Initial Programme Date and as the same may be amended, restated, varied and/or supplemented from time to time with the consent of the parties thereto;
LLP Event of Default	The meaning given in Condition 9(b) (LLP Events of Default);
LLP Fee Amount	The amount if any owing by the LLP to the Interest Rate Swap Provider and described as a "Net Payment" pursuant to the Interest Rate Swap Agreement in connection with any Further Advance, Product Switch or Rearrangement which occurred in the immediately preceding Calculation Period;
LLP Management Committee	The management committee which will act on behalf of the LLP and to which (other than any decision to approve the audited accounts of the LLP or to make a resolution for the voluntary winding up of the LLP, which require a unanimous decision of the Members) the Members delegate all matters;
LLP Payment Date	The 21 st day of each month or if not a London Business Day the next following London Business Day;
LLP Payment Period	The period from (and including) an LLP Payment Date to (but excluding) the next following LLP Payment Date;
LLP Standard Variable Rate	The LLP standard variable rate applicable to the Loans in the Portfolio, as set, other than in limited circumstances, by the Servicer in accordance with the Servicing Agreement;
LLP Tax Payment	The amount if any where the LLP is required under the terms of any Swap Agreement to make a payment to a Swap Provider in consequence of the receipt by a Member of a credit allowance, set off or repayment in respect of any taxation;
Loan	Any mortgage loan which is, or is to be, sold, assigned and transferred by the Seller to the LLP from time to time under the terms of the Mortgage Sale Agreement and referenced by its mortgage loan identifier number and the Borrower's address and comprising the aggregate of all principal sums, interest, costs, charges, expenses and other monies (including without limitation, all Further Advances and Product Switches) 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 (except where the context so requires, in the case of a Loan sold by

the LLP to a relevant Purchaser) otherwise sold by the LLP and no longer beneficially owned by it;

Loan Agreement

In relation to a Loan, the loan agreement entered into between the relevant Borrower and the Seller, as amended and/or restated from time to time;

Loan 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 *inter alia* correspondence between the Borrower and the Seller and including mortgage documentation applicable to that 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;

Loan 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;

Loan Repurchase Notice

A notice served in accordance with the terms of the Mortgage Sale Agreement served by the LLP on the Seller;

Loan-to-Value Ratio

The ratio (expressed as a percentage) of the Outstanding Principal Balance of a Loan to the value of the relevant Property securing that Loan;

London Business Day

A day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London;

London Stock Exchange

London Stock Exchange plc's main market or any body to which its functions have been transferred;

Master Definitions and Construction Agreement

The master definitions and construction agreement made between the parties to the Transaction Documents on the Initial Programme Date and as the same may be amended, restated, varied and/or supplemented from time to time with the consent of the parties thereto;

MCOB

Mortgages and Home Finance: Conduct of Business sourcebook, implemented by the FCA on 31 October 2004 as amended, revised or supplemented from time to time;

Member

Each member of the LLP, from time to time;

Minimum Redemption Amount

The amount as specified as applicable in the relevant Final Terms;

Minimum Swap Counterparty Rating	A long-term counterparty risk assessment of the Interest Rate Swap Provider or any guarantor, as applicable, of A3(cr) by Moody's or, if the Interest Rate Swap provider or any guarantor, as applicable, does not have a long-term counterparty risk assessment, a long-term unsecured and unsubordinated debt or counterparty obligations rating of A3 by Moody's;
Modified Following Business Day Convention	The meaning given in Condition 4(b) (Interest on Floating Rate Covered Bonds);
Monthly Asset Coverage Report	The report substantially in the form set out in the Cash Management Agreement;
Monthly Payment	The amount which the relevant Mortgage Conditions require a Borrower to pay on each Monthly Payment Date in respect of that Borrower's Loan;
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 fixed charge by way of legal mortgage, which is, or is to be, sold by the Seller to the LLP pursuant to the Mortgage Sale Agreement, 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, including without limitation those set out in the Seller's relevant mortgage conditions booklet and the Seller's relevant general conditions, each as varied from time to time by the relevant Loan Agreement and the relevant Mortgage Deed;
Mortgage Deed	In respect of any Mortgage, the deed in written form creating that Mortgage;
Mortgage Sale Agreement	The mortgage sale agreement entered into on the Initial Programme Date and as the same may be amended, restated, varied and/or supplemented from time to time with the consent of the parties thereto;
New Loan	Loans, other than the Loans comprised in the Initial Portfolio, which the Seller may sell, assign or transfer to the LLP 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 who shall be admitted to the LLP after the Initial Programme Date pursuant to the LLP Deed;
New Portfolio	The meaning given in " <i>The Portfolio</i> " on page 232;
New Portfolio Notice	A notice in the form set out in Schedule 9 (<i>New Portfolio Notice</i>) to the Mortgage Sale Agreement subject to any amendment as may be agreed between the parties thereto served in accordance with the terms of the Mortgage Sale Agreement;
New Seller	Any member of the Co-operative Bank Group (other than Co-operative Bank) 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;
NGCB	The meaning given on page 105;
Notice to Pay	The meaning given in Condition 9(a) (Issuer Events of Default);
New Safekeeping Structure or NSS	The New Safekeeping Structure for registered global securities which are intended to constitute eligible collateral for Eurosystem monetary policy operations;
Official List	Official list of the FCA;
OFT	Office of Fair Trading;
Ombudsman	Financial Ombudsman Service under the FSMA;
Optional Redemption Amount	The amount as specified as applicable in the relevant Final Terms;
Optional Redemption Date	The date as specified as applicable in the relevant Final Terms which must be an Interest Payment Dates unless otherwise agreed with the Dealers, the Bond Trustee and the Interest Rate Swap Provider;
Original Due for Payment Date	Has the meaning given in paragraph (a) of the definition of Due for Payment ;

Original Valuation	In relation to any Property, the value given to that property specified in the original valuation of such Property in the possession of the Seller;
Outstanding Principal Balance	<p>In respect of any Loan on any Determination Date, the aggregate principal balance of the Loan at such date (but avoiding double counting) including the following:</p> <ul style="list-style-type: none"> (a) the Initial Advance; (b) Capitalised Expenses; (c) Capitalised Interest; (d) Capitalised Arrears; and (e) any increase in the principal amount due under that Loan due to any form of Further Advance, <p>in each case relating to such Loan less any prepayment, repayment or payment of the foregoing made on or prior to the Determination Date;</p>
Overpayment	A payment by a Borrower in an amount greater than the amount due on a Monthly Payment Date which: (a) is permitted by the terms of such Loan or by arrangement with the Borrower; and (b) reduces the True Balance of such Loan;
Partial Portfolio	Part of any portfolio of Selected Loans;
Paying Agents	The meaning given in " <i>Terms and Conditions of the Covered Bonds</i> " on page 100;
Payment Day	The meaning given in Condition 5(f) (Payment Day) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 122;
Permanent Global Covered Bond	A global covered bond in the form or substantially in the form set out in the Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s), together with the copy of the applicable Final Terms annexed thereto, comprising some or all of the Covered Bonds of the same Series, issued by the Issuer pursuant to the Programme Agreement or any other agreement between the Issuer and the relevant Dealer(s) relating to the Programme, the Agency Agreement and the trust presents in exchange for the whole or part of any Temporary Global Covered Bond issued in respect of such Covered Bonds;

Portfolio		The Initial Portfolio and each New Portfolio acquired by the LLP;
Post-Enforcement Payments	Priority of	The meaning given in " <i>Cashflows</i> " on page 229;
Potential Issuer Event of Default		The meaning given in Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 149;
Potential LLP Event of Default		The meaning given in Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 149;
Pre-Acceleration Principal Priority of Payments		The meaning given on page 221;
Pre-Acceleration Payments	Priority of	The Pre-Acceleration Principal Priority of Payments and the Pre-Acceleration Revenue Priority of Payments;
Pre-Acceleration Revenue Priority of Payments		The meaning given on page 215;
Preceding Business Day Convention		The meaning given in Condition 4(b) (Interest on Floating Rate Covered Bonds);
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 in connection with the LLP Accounts of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record the credits and debits of the Principal Receipts in accordance with the terms of the LLP Deed;
Principal Paying Agent		HSBC Bank plc at its office at 8 Canada Square, Canary Wharf, London, E14 5HQ or, if applicable, any successor principal paying agent in relation to all or any Series of the Covered Bonds;
Principal Receipts		<ul style="list-style-type: none"> (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 mortgaged 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); and
- (e) any deemed Principal Receipts;

Principal Subsidiary

The meaning given on page 132;

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 or as a result of UK government policy changes or initiatives aimed at assisting homeowners (including Borrowers) in meeting payments on their mortgage loans or any variation in the frequency with which the interest payable in respect of the Loan is charged;
- (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 change to a Borrower under the Loan or the addition of a new Borrower under a Loan;
- (f) any change in the repayment method of the Loan; and
- (g) any partial release of Security, where, after such release, the Loan continues to satisfy the applicable Loan-To-Value Ratio requirement;

Programme

The £4 billion covered bond Programme of the Co-operative Bank;

Programme Agreement	The meaning given in " <i>Subscription and Sale and Transfer and Selling Restrictions</i> " on page 250;
Programme Date	13 October 2011;
Programme Resolution	Has the meaning given to it in Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution);
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;
Quarter Date	The last calendar day of each of February, May, August and November from, and including, November 2011 to, but excluding the Termination Date (as that term is defined in the Interest Rate Swap Agreement);
Quarterly Period	Each period from, and including, one Quarter Date to, but excluding, the next following Quarter Date, provided that, the first Quarterly Period shall commence on, and include, the date on the LLP which obtained the requisite license under the CCA and the final Quarterly Period will end on, but exclude, the Termination Date (as that term is defined in the Interest Rate Swap Agreement);
Random Basis	Any process which selects Loans and their Related Security on a basis that is not designed to favour the selection of any identifiable class or type or quality of Loans and their Related Security over all the Loans and their Related Security in the Portfolio.
Rate of Interest	The rate of interest payable from time to time in respect of Fixed Rate Covered Bonds and Floating Rate Covered Bonds, as determined in, or as determined in the manner specified in, the applicable Final Terms;
Rating Agency	Moody's, to the extent such rating agency is appointed by the Issuer to provide ratings in relation to the Covered Bonds;
Rating Condition	The condition that will be satisfied in respect of an event or matter if the LLP, the Issuer, the Bond Trustee and/or the Security Trustee (as applicable), has received a Rating Agency Confirmation from Moody's in respect of such event or matter;
Rating Agency Confirmation	An affirmation in writing by Moody's 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, provided that if: (a) a confirmation or affirmation of rating or other response by Moody's is a condition to any action or step under any Transaction Document; and (b) a written request for such confirmation, affirmation or response is delivered to Moody's by any of the LLP, the Issuer, the Bond Trustee and/or the Security Trustee, as applicable (each a **Requesting Party**) and Moody's indicates that it does not consider such confirmation or response necessary in the circumstances, the Requesting Party will be entitled to assume that the then current ratings of the Covered Bonds in issue will not be downgraded or withdrawn by Moody's as a result of such action or step. However, nothing herein will in any way affect the right of Moody's to downgrade or withdraw the then current ratings of the Covered Bonds in a manner as it sees fit;

RCB Regulations

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) and as further amended from time to time;

RCB Sourcebook

The FCA Regulated Covered Bond Sourcebook;

Rearrangement

Any modification, variation, amendment or change to the terms and conditions of a Loan or the parties to a Loan and any drawdown of money or any additional borrowing under a Loan which, in each case, is requested by a Borrower under that Loan and is required to be characterised in accordance with Co-operative Bank's internal policies from time to time, as a rearrangement;

Rearrangement Date

The date on which a Rearrangement is completed;

Rearrangement Transfer Date

The date on which any Loan which was comprised in the Portfolio which was the subject of a Rearrangement is transferred to the LLP pursuant to the Mortgage Sale Agreement;

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;
Record Date	The meaning given in Condition 5(d) (Payments in respect of Registered Covered Bonds);
Redeemed Covered Bonds	The meaning given in Condition 6(c) (Redemption at the option of the Issuer (Issuer Call));
Reference Rate	The meaning given in the applicable Final Terms;
Register	The register of holders of the Registered Covered Bonds maintained by the Registrar;
Registered Covered Bonds	Covered Bonds in registered form;
Registered Definitive Covered Bond	A Registered Covered Bond in definitive form issued or, as the case may require, to be issued by the Issuer in accordance with the provisions of the Programme Agreement or any other agreement between the Issuer and the relevant Dealer(s), the Agency Agreement and the Trust Deed either on issue or in exchange for a Registered Global Covered Bond or part thereof (all as indicated in the applicable Final Terms), such Registered Covered Bond in definitive form being in the form or substantially in the form set out in Part 8 of Schedule 2 to the Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s) and having the Conditions endorsed thereon or, if permitted by the relevant stock exchange, incorporating the Conditions by reference (where applicable to the Trust Deed) as indicated in the applicable Final Terms and having the relevant information supplementing, replacing or modifying the Conditions appearing in the applicable Final Terms endorsed thereon or attached thereto and having a Form of Transfer endorsed thereon;
Registered Global Covered Bonds	Global Covered Bonds in registered form;
Registrar	HSBC Bank plc, 8 Canada Square, London E14 5HQ in its capacity as registrar (and any additional or successor registrar);
Regulated Mortgage Contract	The meaning given in " <i>Further Information relating to the Regulation of Mortgages in the UK</i> " on page 234;
Regulation S	Regulation S under the Securities Act;
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 which is,

or is to be, sold to (or held on trust for) the LLP pursuant to Clause 4 (*Sale and Purchase of New Portfolios*) of the Mortgage Sale Agreement including (without limitation):

- (a) the benefit of all affidavits, declarations, consents, renunciations, guarantees, indemnities, waivers and postponements (including, without limitation, Deeds of Consent, Deeds of Postponement) from occupiers and other persons having an interest in or rights in connection with the relevant Property or third parties;
- (b) each right of action of the Seller against any person (including, without limitation, any valuer, licensed conveyancer, solicitor and any registrar or registry) in connection with any report, valuation, opinion, certificate or other statement of fact or opinion (including, without limitation, each Certificate of Title and Valuation Report) given or received in connection with all or part of any Loan and its Related Security or affecting the decision of the Seller to make or offer to make all or part of the relevant Loan; and
- (c) the benefit of (including, without limitation, the rights as the insured person under and as notations of interest on, returns of premium and proceeds of claims under) insurance and assurance policies (including, the Buildings Insurance Policies) deposited, charged, obtained, or held in connection with the relevant Loan, Mortgage and/or Property and Loan Files.

Relevant Date	The meaning given in Condition 7 (Taxation);
Relevant Screen Page	The meaning given in the applicable Final Terms;
Representations and Warranties	The representations and warranties made by the Seller set out in the Mortgage Sale Agreement (as the same may be supplemented or amended from time to time);
Repurchase Notice	A notice from the Cash Manager to the Seller identifying a Loan or its Related Security in the Portfolio which does not, as at the relevant Transfer Date or relevant Calculation Date (in the case of a Further Advance), materially comply with the Representations and Warranties set out in the Mortgage Sale Agreement;
Required Coupon Amount	In respect of a Term Advance an amount equal to the aggregate of the Sterling Equivalent of: (i) (in the case of each Term Advance where a Covered Bond Swap is not in place), interest due from the LLP on a relevant Term

Advance on the next following Loan Interest Payment Date; and (ii) (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 the next following LLP Payment Date (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);

Required Redemption Amount	The meaning given in " <i>Summary of the Principal Documents</i> " on page 180;
Required True Balance Amount	The meaning given in " <i>Summary of the Principal Documents</i> " on page 197;
Reserve Fund	The reserve fund that the LLP holds 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 aggregate amount equal to the Reserve Fund Required Amount;
Reserve Fund Required Amount	<p>(a) if the Issuer's counterparty risk assessment is at least Aa3(cr) by Moody's, nil; or</p> <p>(b) if the Issuer's counterparty risk assessment is not at least Aa3(cr) by Moody's, an aggregate amount equal to the Sterling Equivalent of:</p> <p>(A) in relation to each Series of Covered Bonds where a Covered Bond Swap is in place, the aggregate of amounts due to each Covered Bond Swap Provider in the immediately following three months; and/or</p> <p>(B) in relation to each Series of Covered Bonds where a Covered Bond Swap is not in place, the aggregate amount of interest due on each Series of Covered Bonds in the immediately following three months;</p> <p>plus</p> <p>(C) any payments to be made by the LLP at item (c) of the Pre-Acceleration Revenue Priority of Payments;</p> <p>plus</p> <p>(D) an amount equal to three-quarters of the anticipated aggregate annual amount payable in respect of items (a) to (b) of the</p>

Pre-Acceleration Revenue Priority of
Payments,

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, if the floating rate is determined by reference to: (i) EURIBOR, the rate shall be at the then current floating rate as at the date on which the amount is calculated; and (ii) SONIA, the sum of: (x) the SONIA Spot Rate published for the date on which the amount is calculated (or, if such day is not a London Business Day, on the immediately preceding London Business Day), compounded daily over the relevant period; and (y) the Margin or the margin in relation to the Covered Bond Swaps, as applicable, for such period;

Reserve Ledger

The ledger on the Transaction Account of such name maintained by the Cash Manager pursuant to the Cash Management Agreement, to record the crediting of Revenue Receipts and (where applicable) proceeds of Term Advances 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;

Restricted Certificate of Title

A restricted certificate of title from Approved Solicitors or Approved Conveyancers relating to such property relating to the title to the Property in a form approved by the insurer under each Title Insurance Policy;

Retained Principal Ledger

The ledger maintained on the Transaction Account to which amounts will be credited on each LLP Payment Date in accordance with the Pre-Acceleration Principal Priority of Payments;

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 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;

- (c) recoveries of interest and/or principal from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed; and
- (d) any deemed Revenue Receipts;

Right to Buy Loan

A Loan in respect of a Property made in whole or in part to a Borrower for the purpose of enabling that Borrower to exercise their right to buy the relevant Property under Section 156 of the Housing Act 1985 excluding however such Loan in respect of which the statutory charge referred to in section 155 of the Housing Act 1985 has expired excluding each Loan in respect of which the discount covenant charge referred to in that legislation has expired;

Sale Proceeds

The cash proceeds realised from the sale of Selected Loans and their Related Security;

Scheduled Interest

An amount equal to the amount in respect of interest which would have been due and payable under the Covered Bonds on each Interest Payment Date as specified in Condition 4 (Interest) (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 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 (Taxation);

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) (Final redemption) and Condition 6(d) (Redemption due to illegality) (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 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, any Receiver or other appointee of the Security Trustee or the Bond Trustee, the Covered Bondholders, the Couponholders, the Issuer, the Seller, the Servicer, the Account Bank, the Standby Account Bank, the Cash Manager, the Swap Providers, the Corporate Services Provider, the Back-Up Cash Manager Facilitator, the Back-Up Servicer Facilitator, the Paying Agents, the Asset Monitor, the Registrar, the Transfer Agents and any other person which becomes a Secured Creditor pursuant to the Deed of Charge;

Secured Obligations

Means any and all monies, obligations and liabilities and all other amounts due, owing, payable or owed by the LLP which the LLP covenants and undertakes in Clause 2 (*Covenant to Pay Secured Obligations and Discharged Secured Obligations*) of 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;

Securities Custodian

Any securities custodian appointed from time to time in respect of any Custody Account pursuant to a Custody Agreement;

Security

The meaning given in "*Summary of the Principal Documents — Deed of Charge*" on page 209;

Security Interest

Any mortgage, sub mortgage, charge, sub charge, pledge, lien (other than a lien arising in the ordinary course of business or by operation of law) or other encumbrance or security interest howsoever created or arising;

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

or additional security trustees appointed from time to time thereunder;

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 True 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 True Balance Amount;

Selected Loans 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 True Balance of the Selected Loans and the Adjusted Required Redemption Amount, substantially in the form set out in the Mortgage Sale Agreement, and served in accordance with the terms of the Mortgage Sale Agreement.

Selection Date

The meaning given in Condition 6(c) (Redemption at the option of the Issuer (Issuer Call));

Seller

The Co-operative Bank, any successor entity to the Co-operative Bank under Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution) 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, first Interest Payment Date, first Coupon Amount and/or Issue Prices;

Series Reserved Matter

In relation to Covered Bonds of a Series:

- (a) any increase, 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 but excluding a Base Rate Modification;

- (b) alteration of the currency in which payments under the Covered Bonds and Coupons are to be made;
- (c) 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);
- (d) except in accordance with Condition 6(g) (Cancellation) or Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution), the sanctioning of any such scheme or proposal for the exchange or sale of the Covered Bonds for or the conversion of the Covered Bonds into, or the cancellation of the Covered Bonds in consideration of, shares, stock, covered bonds, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, bonds, covered bonds, debentures, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash and for the appointment of some person with power on behalf of the holders of Covered Bonds to execute an instrument of transfer of the Registered Covered Bonds held by them in favour of the persons with or to whom the Covered Bonds are to be exchanged or sold respectively; and
- (e) alteration of this definition or the proviso to paragraph 5 or paragraph 6 of Schedule 4 (Provisions for Meetings of Covered Bondholders) to the Trust Deed;

Servicer	Co-operative Bank in its capacity as servicer under the Servicing Agreement or any successor servicer appointed from time to time;
Servicer Event of Default	The meaning given in " <i>Summary of the Principal Documents</i> " on page 188;
Servicer Termination Event	The meaning given in " <i>Summary of the Principal Documents</i> " on page 188;

Services	The services listed in the Servicing Agreement to be provided by the Servicer pursuant to the relevant Servicing Agreement;
Servicing Agreement	The servicing agreement entered into on the Initial Programme Date and as the same may be amended, restated, varied and/or supplemented from time to time with the consent of the parties thereto;
Share Trustee	Intertrust Corporate Services Limited having its registered office at 1 Bartholomew Lane, London, EC2N 2AX;
Social Bond Principles	The International Capital Markets Association Social Bond Principles of 2021 (as amended in June 2022) and as the same may be amended from time to time;
Social Bond	A Covered Bond that is issued in compliance with the criteria set out in the Social Bond Principles;
Specified Currency	The meaning given to it in the applicable Final Terms;
Specified Denomination	The meaning given to it 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;
Standard Variable Rate Loan	Those Loans with respect to which the interest rate payable by the Borrower varies in accordance with the Standard Variable Rate;
Standard Variable Rate Loan Balance	In respect of a calendar month, the aggregate outstanding True Balance as at the first day of the relevant month of the Standard Variable Rate Loans in the Portfolio;
Standard Variable Rate Swap	An Interest Rate Swap to hedge possible variances between the rates of interest payable on some or all of the Loans that are subject to a Standard Variable Rate and one month compounded daily SONIA;
Standard Variable Rate Swap Event	An event which occurs on the first day of a calendar month if the Standard Variable Rate Loan Balance on that day and the first day of each of the three immediately preceding calendar months is greater than or equal to 10% of the aggregate True Balance of the Loans in the Portfolio;

Standby Account Bank	Barclays Bank PLC or any successor standby account bank appointed from time to time;
Sterling Equivalent	<p>(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 or, if the Covered Bond Swap Agreement has been terminated, the applicable spot rate as determined by the Cash Manager; and (ii) Sterling, the applicable amount in Sterling; and</p> <p>(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, or, if the Covered Bond Swap Agreement has been terminated, the applicable spot rate as determined by the Cash Manager; and (ii) Sterling, the applicable amount in Sterling;</p>
Subscription Agreement	An agreement supplemental to the Programme Agreement in or substantially in the form set out in 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 736 of the Companies Act 1985 or Section 1159 of the Companies Act 2006);
Substitution	The meaning given in Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution);
Substitution Assets	Each of: <p>(a) Sterling gilt-edged securities;</p> <p>(b) Sterling demand or time deposits, certificates of deposit, long-term debt obligations and short-term debt obligations provided that in all cases such investments have a remaining period to maturity of 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+ by Fitch or their</p>

equivalents by three other internationally recognised rating agencies; and

- (c) Sterling denominated government and public securities, as defined from time to time by the FCA, provided that such investments have a remaining period to maturity of one year or less and which are rated at least Aaa by Moody's and F1+ by Fitch or their equivalents by three other internationally recognised rating agencies,

provided that such Substitution Assets satisfy the requirements for eligible assets that may collateralise covered bonds in accordance with the requirements of Regulation 2(1)(a) 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 (Meetings of Covered Bondholders, Modification, Waiver and Substitution);
Swap Agreements	The Interest Rate Swap Agreement and the Covered Bond Swap Agreement(s), 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 for 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 Agreement	The swap collateral account agreement entered into by the LLP and a suitably rated counterparty bank (with the prior consent of the Security Trustee) dated on or about the date hereof and as the same may be amended, restated, varied and/or supplemented from time to time with the consent of the parties thereto;
Swap Collateral Account(s)	All bank accounts opened (if any) with a suitably rated counterparty bank (with the prior consent of the Security Trustee) and designated as such for the purposes of holding collateral posted by the relevant Swap Provider pursuant to the relevant Swap Agreement;
Swap Collateral Available Amounts	Following the termination of a Swap Agreement, the amount (if any) of Swap Collateral which under the terms of the relevant Swap Agreement, the LLP is not required to

pay to the relevant Swap Provider by way of a termination payment;

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 following termination of the Swap, including Swap Collateral which is to be returned to the relevant Swap Provider from time to time in accordance with the terms of the Swap Agreements and ultimately upon termination of the relevant Swap Agreement;

Swap Provider Default The occurrence of an Event of Default or Swap Provider Downgrade Event (each as defined in the relevant Swap Agreement) where the relevant Swap Provider is the Defaulting Party or the sole Affected Party (each as defined in the relevant Swap Agreement), as applicable;

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 Provider Fee Amount The amount (if any) owing by the Interest Rate Swap Provider to the LLP and described as a "Net payment" pursuant to the Interest Rate Swap Agreement in connection with any Further Advance, Product Switch or Rearrangement which occurred in the immediately preceding Quarterly Period;

Swap Providers Any Covered Bond Swap Provider and the Interest Rate Swap Provider, and each a **Swap Provider**;

Swaps The Covered Bond Swap(s) together with the Interest Rate Swap and **Swap** means any one of them;

Talons The talons (if any) appertaining to, and exchangeable in accordance with the provisions therein contained for further Coupons appertaining to, the Definitive Covered Bonds (other than Zero Coupon Covered Bonds), such talons being in the form or substantially in the form set out in the Trust Deed or in such other form as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s) and includes any replacements for Talons issued pursuant to Condition 10 (Replacement of Covered Bonds, Coupons and Talons) of the Conditions;

T2 Trans-European Automated Real-Time Gross Settlement Express Transfer System or any successor thereto;

Tax Credit The meaning given in the relevant Swap Agreement.

Temporary Global Covered Bond	A temporary global covered bond in the form or substantially in the form set out in the Trust Deed together with the copy of the applicable Final Terms annexed thereto with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s), comprising some or all of the Covered Bonds of the same Series, issued by the Issuer pursuant to the Programme Agreement or any other agreement between the Issuer and the relevant Dealer(s) relating to the Programme, the Agency Agreement and the trust presents;
Term Advance	Each term advance made by the Issuer to the LLP from the proceeds of Covered Bonds pursuant to the Intercompany Loan Agreement;
Third Party Amounts	Each of: <ul style="list-style-type: none"> (a) payments of insurance premiums, if any, due to the Seller in respect of any Seller Arranged Policy to the extent not paid or payable by the Seller (or to the extent such insurance premiums have been paid by the Seller in respect of any Further Advance which is not purchased by the Seller to reimburse the Seller); (b) amounts under an unpaid direct debit which are repaid by the Seller to the bank making such payment if such bank is unable to recoup that amount itself from its customer's account; (c) payments by the Borrower of any fees (including Early Repayment Fees) and other charges which are due to the Seller; (d) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service (including giving insurance cover) to any of that Borrower or the Seller or the LLP; (e) any amounts due or arising from any overpayment by any person or arising from any reimbursement by any person of any such overpayment (including, for the avoidance of doubt, where arising from the failure of a direct debit); (f) (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);

- (g) any amounts owed to the Seller pursuant to Clause 6 (Trust of Monies) of the Mortgage Sale Agreement;
- (h) 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;
- (i) any amounts representing overpayments made on behalf of a Borrower by the Department of Work and Pensions which it subsequently seeks to recover; and
- (j) amount paid to the Seller by way of a cheque which the Seller is unable to recoup from the bank of such payee or which cheque is dishonoured for any reason whatsoever,

which amounts may be paid daily from moneys on deposit in the LLP Accounts.

Third Party Buildings Policy

The buildings insurance policies referable to each Property;

Title Deeds

In relation to each Loan and its Related Security and the Property relating thereto, all conveyancing deeds and documents which relate to 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;

Title Insurance Policies

Each of the following title insurance policies:

- (a) the policy from Norwich Union Title Insurance with policy number 0380CQ54249;
- (b) the policy from Norwich Union Title Insurance with policy number 680CQ09559;
- (c) the policy from Norwich Union Title Insurance with policy number 0380CQ39815;
- (d) the policy from ISIS Title Insurance with policy number ISIS06600104;
- (e) the policy the policy from Stewart Title Limited with policy number CIP/0701/11064;

- (f) the policy issued by London & European Title Insurance Services Limited;
- (g) the policy issued by TitleSolv; and
- (h) the block policy from Aviva with policy number 18/61831675ALI,

together with, in each case, any other insurance policies in replacement, addition or substitution thereof or thereto from time to time which relate to the Loans;

Tracker Rate Loan

A Loan to the extent that and for such period that its Mortgage Conditions provide that it is subject to an interest rate which is linked to a variable interest rate other than the Variable Mortgage Rate;

Transaction Account

The account or accounts 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 including any Standby Account opened with the Standby Account Bank pursuant to the Standby Account Bank Agreement) as may for the time being be in place in accordance with the Transaction Documents;

Transaction Documents

- (a) Agency Agreement;
- (b) Asset Monitor Agreement;
- (c) Bank Account Agreement;
- (d) Cash Management Agreement;
- (e) Corporate Services Agreement;
- (f) each Covered Bond Swap Agreement;
- (g) any Custody Agreement;
- (h) Deed of Charge (and any documents entered into pursuant to the Deed of Charge);
- (i) each set of Final Terms (as applicable in the case of each issue of listed Covered Bonds);
- (j) the Interest Rate Swap Agreement;
- (k) Intercompany Loan Agreement;
- (l) LLP Deed;

- (m) Master Definitions and Construction Agreement;
- (n) Mortgage Sale Agreement (and any documents entered into pursuant to the Mortgage Sale Agreement);
- (o) Programme Agreement;
- (p) Servicing Agreement;
- (q) Standby Bank Account Agreement;
- (r) each Subscription Agreement (as applicable in the case of each issue of listed Covered Bonds subscribed pursuant to a subscription agreement);
- (s) the Trust Deed; and
- (t) any other agreement or document from time to time designated as such by the Issuer, the LLP and the Bond Trustee and/or the Security Trustee;

Transfer Agent

The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 100;

Transfer Date

Each of the First Transfer Date and the date of transfer of any New Portfolio to the LLP in accordance with the Mortgage Sale Agreement;

True Balance

For any Loan as at any given date, the aggregate (but avoiding double counting) of:

- (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 properly capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent and added to the amounts secured or intended to be secured by 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 but which is secured or intended to be secured by the related Mortgage,

in each case, as at the end of the Business Day immediately preceding that given date less any repayment or payment of any of the foregoing made on or before the end of the 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;

Trust Deed	The meaning given in " <i>Terms and Conditions of the Covered Bonds</i> " on page 100;
UK CRA Regulation	Regulation (EC) No 1060/2009 as it forms part of domestic law by virtue of the EUWA;
UK GDPR	The General Data Protection Regulation 2016/679 as it forms part of "retained EU law" as defined in the EUWA;
UK Prospectus Regulation	The meaning given on page 1;
UTCCR	Unfair Terms in Consumer Contracts Regulations 1999 (SI 1999/2083), as amended, and the Unfair Terms in Consumer Contracts Regulations 1994 (SI 1994/3159);
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 or acting for the Seller in respect of the valuation of a Property;
Weighted Average Remaining Maturity	Calculated as the weighted average (weighted by the Principal Amount Outstanding) of the remaining maturities of each Series of Covered Bonds then outstanding

Yield Reserve	The reserve fund that the LLP will be required to establish in the Transaction Account which will be credited with that part of a Cash Capital Contribution (in the LLP's discretion) up to an aggregate amount equal to the Yield Reserve Required Amount;
Yield Reserve Required Amount	The amount notified by the Seller to the LLP from time to time equal to the amount necessary to ensure that Clause 4.4(c) of the Mortgage Sale Agreement is met on any relevant Transfer Date;
Yield Shortfall Test	The test as to whether the aggregate amount of interest on the Loans, amounts available to be withdrawn from the Yield Reserve and amounts under the Interest Rate Swap Agreement to be received by the LLP during the Relevant LLP Payment Period would give a yield on the Loans of at least 0.20 per cent. plus the SONIA Spot Rate published for the final London Business Day in the previous Calculation Period; 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

The Co-operative Bank p.l.c.

1 Balloon Street
Manchester
M60 4EP

THE LLP

Moorland Covered Bonds LLP

PO Box 101
1 Balloon Street
Manchester
M60 4EP

SECURITY TRUSTEE AND BOND TRUSTEE

HSBC Corporate Trustee Company (UK) Limited

8 Canada Square
London E14 5HQ

PRINCIPAL PAYING AGENT AND REGISTRAR

HSBC Bank plc

8 Canada Square
London E14 5HQ

LEGAL ADVISERS

To the Issuer, the LLP and the Seller as to English Law

Allen Overy Shearman Sterling LLP

One Bishops Square
London E1 6AD

*To the Arrangers as to
English law*

Linklaters LLP

1 Silk Street
London EC2Y 8HQ

*To the Security Trustee and the Bond Trustee
as to English law*

Linklaters LLP

1 Silk Street
London EC2Y 8HQ

INDEPENDENT AUDITOR

To the LLP and the Issuer

Ernst & Young LLP

25 Churchill Place
Canary Wharf
London
E14 5EY

ARRANGERS

Barclays Bank PLC
1 Churchill Place
London E14 5HP

NatWest Markets Plc
250 Bishopsgate
London EC2M 4AA