IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following disclaimer applies to the base prospectus (the "Base Prospectus") following this page, and you are advised to read this disclaimer page carefully before reading, accessing or making any other use of the attached Base Prospectus. In accessing the attached Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE FOLLOWING BASE PROSPECTUS AND ITS CONTENTS ARE CONFIDENTIAL AND MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS PROHIBITED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation: You have been sent this Base Prospectus on the basis that you have confirmed to Barclays Bank PLC (the "Arranger") and Barclays Bank PLC, National Australia Bank Limited, the Royal Bank of Scotland plc and Banco Santander, S.A. (the "Lead Managers"), being the sender of the attached that (i) you and any customers that you represent are outside of the United States; (ii) the electronic mail (e-mail) address to which this Base Prospectus has been delivered is not located in the United States of America, its territories and possessions, any state of the United States or the District of Columbia (where "possessions" include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) and (iii) you consent to delivery of this Base Prospectus and any amendments or supplements thereto by electronic transmission.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where 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 underwriter or any affiliate of the Arranger or the Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Arranger or the Lead Managers or such affiliate on behalf of Clydesdale Bank PLC (the "Issuer") in such jurisdiction.

You are reminded that this Base Prospectus has been delivered to you on the basis that you are a person into whose possession this Base 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 this Base Prospectus to any other person.

This Base Prospectus has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently, none of the Issuer, the Arranger or the Lead Managers or any person who controls them or any of their directors, officers, employees or agents, or any affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between this Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Issuer, the Arranger or the Lead Managers.

In the United Kingdom, this Base Prospectus is being communicated only to (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (ii) persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Order (all such persons together being referred to as "relevant persons"). This Base Prospectus must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Base Prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.
Before investing in the Covered Bonds, prospective investors should be aware of the issues summarised within this section.

Programme
Under this €10 billion covered bond programme (the "Programme"), Clydesdale Bank PLC (the "Issuer" or "Clydesdale") 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 maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed €10 billion (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein. Covered Bonds issued under the Programme have been and will be issued in Series. The price and amount of the Covered Bonds to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions. Covered Bonds may be issued in bearer or registered form.

Final Terms
Each Series will be subject to Final Terms, which, for the purpose of that Series only, supplements the Terms and Conditions of the Covered Bonds set out in this Base Prospectus and must be read in conjunction with this Base Prospectus.

Regulated Covered Bonds
The Issuer has been admitted to the register of issuers and the Programme and the Covered Bonds issued under the Programme (including those Covered Bonds issued prior to the date of admission) will be admitted to the register of regulated covered bonds.

Guarantee
The Issuer is expected to make payments of principal and interest due on the Covered Bonds. However, Clydesdale Covered Bonds N22 LLP (the "LLP") has guaranteed payments of interest and principal under the Covered Bonds pursuant to the Covered Bond Guarantee which is secured over the Mortgage Loan Portfolio (as defined below) and other assets of the LLP. Reourse to the LLP under its guarantee is limited to the Mortgage Loan Portfolio and such other assets of the LLP.

Dual Recourse
The LLP will be required to pay Guaranteed Amounts (as defined below) under the Covered Bond Guarantee following the occurrence of an Issuer Event of Default and the service of an Issuer Acceleration Notice on the Issuer (or, if earlier, the service on the Issuer and the LLP of an LLP Acceleration Notice) and the service on the LLP of a Notice to Pay. The Covered Bonds will only be accelerated against the Issuer and will not be accelerated against the LLP.

Underlying Assets
The LLP's primary source of funds to make payments under the Covered Bond Guarantee will be derived from, inter alia, payments of interest and principal in relation to a portfolio of residential mortgage loans originated and/or acquired by Clydesdale Bank PLC and secured over properties located in England, Wales or Scotland. These Mortgage Loans will be purchased by the LLP on the Transfer Dates, subject to certain criteria being satisfied. See the section entitled "The Mortgage Loan Portfolio", page 159 for more information.

Redemption Provisions
Information on any optional and mandatory redemption of the Covered Bonds is summarised on page 56 (Transaction Overview - Overview of the Terms and Conditions of the Covered Bonds) and set out in full in Condition 6 (Redemption and Purchases) and in the applicable Final Terms.

Rating Agencies
Fitch Ratings Limited ("Fitch") and Moody's Investors Service Limited, each of which is established in the European Union and has been registered under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 (as amended) (the "CRA Regulation")

Ratings
Covered Bonds to be issued under the Programme are expected to be rated "AAA" by Fitch and "Aaa" by Moody's, unless otherwise specified in the relevant Final Terms. Each Series of Covered Bonds is expected on issue to be assigned a rating by each Rating Agency. The ratings assigned by Fitch address the likelihood of (a) timely payment of interest due to the Covered Bondholders on each Interest Payment Date and (b) full payment of principal by a date that is not later than the Final Maturity Date of the relevant Series of Covered Bonds. The ratings assigned by Moody's address the expected loss to a Covered Bondholder in proportion to the initial principal amount of the Covered Bonds held by a Covered Bondholder in relation to a portfolio of residential mortgage loans originated and/or acquired by Clydesdale Bank PLC and secured over properties located in England, Wales or Scotland. These Mortgage Loans will be purchased by the LLP on the Transfer Dates, subject to certain criteria being satisfied. See the section entitled "The Mortgage Loan Portfolio", page 159 for more information.

Listing
This Base Prospectus constitutes a "base prospectus" for the purpose of Directive 2003/71/EC (the "Prospectus Directive"). Application has been made to the Financial Services Authority, which is the United Kingdom competent authority for the purposes of the Prospectus Directive and relevant implementing measures in the United Kingdom (the "UK Listing Authority") for approval of this Base Prospectus as a base prospectus in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of Covered Bonds issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of the UK Listing Authority (the "Official List") and to the regulated market of the London Stock Exchange plc (the "London Stock Exchange"). The London Stock Exchange is a regulated market for the purposes of Directive 2004/39/EC (the "Markets in Financial Instruments Directive") (the "Regulated Market of the London Stock Exchange"). The Final Terms (as defined below) relating to each Tranche of Covered Bonds will state whether or not the Covered Bonds are to be listed and/or admitted to trading and, if so, on which stock exchange(s) and/or market(s).

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

Clearing Systems
Barclays Bank S.A./N.V., Clearstream Banking, societe anonyme/The Depository Trust Company as indicated in the relevant Final Terms. N Covered Bonds will not be settled through a clearing system.

THE "RISK FACTORS" SECTION CONTAINS DETAILS OF CERTAIN RISKS AND OTHER FACTORS THAT SHOULD BE GIVEN PARTICULAR CONSIDERATION BEFORE INVESTING IN THE COVERED BONDS. PROSPECTIVE INVESTORS SHOULD BE AWARE OF THE ISSUES SUMMARISED WITHIN THIS SECTION.
The Issuer and the LLP each accept responsibility for the information contained in this Base Prospectus (the "Base Prospectus"). To the best of the knowledge and belief of each of the Issuer and the LLP (each having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus is given in compliance with the prospectus rules made by the UK Listing Authority under the Financial Services and Markets Act 2000 ("FSMA") as amended by the Prospectus Regulations 2005 (the "Prospectus Rules") and in compliance with the rules relating to the admission to the Official List made pursuant to section 73A(1) of the FSMA (the "Listing Rules") for the purposes of giving information about the Issuer and the Covered Bonds.

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

The information contained in this Base Prospectus was obtained from the Issuer, the LLP, the Liquidation Member and National Australia Bank Limited but no assurance can be given by the Dealers, the Bond Trustee or the Security Trustee as to the accuracy or completeness of this information. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger, the Dealers, the Bond Trustee or the Security Trustee as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer, the LLP or the Liquidation Member in connection with the Programme. None of the Arranger, the Dealers nor the Bond Trustee nor the Security Trustee accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer, the LLP or the Liquidation Member in connection with the Programme.

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

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

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

The Covered Bonds in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States Persons, except in certain transactions permitted by U.S. tax regulations (see "Subscription and Sale and Transfer and Selling Restrictions" below). Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and the regulations promulgated thereunder.
This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Covered Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Covered Bonds may be restricted by law in certain jurisdictions. The Issuer, the LLP, the Dealers, the Bond Trustee and the Security Trustee do not represent that this Base Prospectus may be lawfully distributed, or that any Covered Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the LLP, the Dealers, the Bond Trustee or the Security Trustee which would permit a public offering of any Covered Bonds or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Covered Bonds may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Covered Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Covered Bonds. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Covered Bonds in the United States, the United Kingdom, see "Subscription and Sale and Transfer and Selling Restrictions" below.

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

In connection with the issue of any Tranche of Covered Bonds, the Dealer or Dealers (if any) named as the stabilising manager(s) (or persons acting on behalf of any stabilising manager(s)) in the applicable Final Terms may over allot Covered Bonds (provided that, in the case of any Tranche of Covered Bonds to be admitted to trading on the Regulated Market of the London Stock Exchange or any other regulated market (within the meaning of the Markets in Financial Instruments Directive) in the European Economic Area, the aggregate principal amount of Covered Bonds allotted does not exceed 105% of the aggregate principal amount of the relevant Tranche) or effect transactions with a view to supporting the price of the Covered Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the stabilising manager(s) (or persons acting on behalf of a stabilising manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Covered Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Covered Bonds and 60 days after the date of the allotment of the relevant Tranche of Covered Bonds. Any stabilisation action or over-allotment must be conducted by the relevant stabilising manager(s) (or persons acting on behalf of any stabilising manager(s)) in accordance with applicable laws and rules.

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

None of the Arranger, the Dealers, the LLP, the Security Trustee or the Bond Trustee makes any representation to any investor in the Covered Bonds regarding the legality of its involvement 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.

The Covered Bonds may not be a suitable investment for all investors. Each potential investor in the Covered Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:
(a) have sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds, the merits and risks of investing in the Covered Bonds and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;

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

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

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

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

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

The Issuer has applied to the Financial Services Authority (the "FSA") to be admitted to the register of issuers and for the Programme and for any Covered Bonds issued under the Programme prior to the date of admission to be admitted to the register of regulated covered bonds, under the Regulated Covered Bonds Regulations 2008 (Statutory Instrument 2008/346) as amended by the Regulated Covered Bonds (Amendment) Regulations 2008 (Statutory Instrument 2008/1714) (the "Regulated Covered Bond Regulations" or the "RCB Regulations"). The Issuer was admitted to the register of issuers on 1 December 2010 and the Programme and the Covered Bonds issued under the Programme have been and will be admitted to the register of regulated covered bonds under the RCB Regulations.

Governing Law

The Programme documents are governed by, as applicable, the laws of England and Wales, Scotland and/or the Federal Republic of Germany.

The "United Kingdom" and "UK" are abbreviated references to the United Kingdom of Great Britain and Northern Ireland. The UK comprises three distinct legal systems, namely those of England and Wales, Scotland and Northern Ireland, each with its own judicial process. However, leaving aside devolution of certain powers to Welsh, Scottish and Northern Irish legislative bodies, the legislative body for each of these three jurisdictions is the UK Parliament. Accordingly, references to UK law are to laws promulgated by the UK Parliament and which are binding on the United Kingdom.

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

Rounding Adjustments

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

Forward-Looking Statements

This Base Prospectus contains statements which constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, as amended. Such statements appear in a number of places in this Base Prospectus and reflect significant assumptions and subjective judgments by the Issuer and/or the LLP that may or may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as "may", "will", "could", "believes", "expects", "anticipates", "continues", "intends", "plans", or similar terms. Any projections, forecasts and estimates contained herein are forward-looking statements and are based upon certain assumptions. Projections are necessarily speculative in nature, and some or all of the assumptions underlying the projections may not materialize or may vary significantly from actual results. Consequently, future results may differ from the Issuer's and/or the LLP's expectations due to a variety of factors, including (but not limited to) the economic environment in the United Kingdom. Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the Covered Bonds are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer and/or the LLP. The dealers have not attempted to verify any such statements, nor do they make any representations, express or implied, with respect thereto.

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

Capitalised terms used in this document, unless otherwise indicated, have the meanings set out in this document. A glossary of defined terms appears at the back of this document (see "Glossary").
PRINCIPAL CHARACTERISTICS OF THE COVERED BOND PROGRAMME

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

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<th>Clydesdale Bank PLC.</th>
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<td>Clydesdale Covered Bonds No. 2 LLP.</td>
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<td>The Issuer has been admitted to the register of issuers and the Programme and the Covered Bonds issued under the Programme (including those Covered Bonds issued prior to the date of admission) have been or will be admitted to the register of regulated covered bonds maintained by the FSA pursuant to the RCB Regulations.</td>
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<td>Nature of eligible property:</td>
<td>Residential Mortgage Loans (including buy to let) and their Related Security and Authorised Investments.</td>
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<td>Compliant with the Banking Consolidation Directive (Directive 2006/48/EC):</td>
<td>The Programme is intended to be compliant with the Banking Consolidation Directive.</td>
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<td>Location of eligible residential property underlying Mortgages:</td>
<td>England, Wales and Scotland.</td>
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<td>Maximum Loan to Value Ratio given credit under the Asset Coverage Test:</td>
<td>75 per cent.</td>
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<td>A Reserve Fund will be established by the LLP if (a) the Issuer's short term unsecured and unsubordinated obligations are not rated at least P-1 by Moody's or (b) the Issuer's short term, unsecured, unsubordinated and unguaranteed debt obligations are not rated at least F1+ by Fitch, to trap Available Revenue Receipts.</td>
</tr>
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<td>Maximum Asset Percentage:</td>
<td>90 per cent.</td>
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<td>Hard Bullet Maturities:</td>
<td>Available.</td>
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<td>Ernst &amp; Young LLP.</td>
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<td>Asset Segregation:</td>
<td>Yes.</td>
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<td>N Covered Bond (Namensschuldverschreibung):</td>
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<td>INDEX OF DEFINED TERMS</td>
<td>342</td>
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DOCUMENTS INCORPORATED BY REFERENCE

The following information which has previously been published or is published simultaneously with this Base Prospectus and has been submitted to and filed with the FSA shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

(a) Clydesdale's Annual Reports and Consolidated Financial Statements for the financial years ended 30 September 2010 and 30 September 2011 and Clydesdale's Interim Financial Statements for the half-year ending 31 March 2012 (together, the "Issuer Financial Statements"), with the exception of the information incorporated by reference in the Issuer Financial Statements, which shall not be deemed to be incorporated into this Base Prospectus;

(b) the LLP's members' reports and audited financial statement for the financial year ended 30 September 2011;

(c) the memorandum and articles of association of Clydesdale,

save that any statement contained herein or any of the documents incorporated by reference in, and forming part of, this Base Prospectus shall be deemed to be modified or superseded for the purpose of this Base 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 an annual information update or supplements to this Base Prospectus pursuant to Article 16 of the Prospectus Directive. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Base Prospectus.

Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant for prospective investors or is covered elsewhere in this Base Prospectus.

The Issuer and the LLP will provide, without charge, to each person to whom a copy of this Base 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 either to the Issuer at Level 3, 88 Wood Street, London EC2V 7QQ and marked for the attention of UK Treasury or (as applicable) the LLP, at its office set out at the end of this Base Prospectus.

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

Clydesdale Bank PLC
Seller

Clydesdale Covered Bonds No. 2 LLP

Swap Providers

Covered Bondholders
Bond Trustee
Security Trustee

Clydesdale Bank PLC
Issuer

Covered Bond proceeds

Intercompany Loan

Repayment of Intercompany Loan

Covered Bonds Guarantee and Deed of

DIAGRAMMATIC OVERVIEW OF THE ON-GOING CASHFLOWS

Clydesdale Bank PLC
Originator and Seller

Sale of Mortgage Loans

YBHL
Originator

Sale of YBHL Mortgage Loans

Consideration

Covered Bondholders

Non-sterling amounts

Transactions

Deutsche Bank AG, London Branch
Principal Pricipal Asset

Transactions Account

Mortgage Loan Principal Receipts (daily following downgrade – see “Rating Triggers Table”)

YBHL Originator

Sale of YBHL Mortgage Loans

Consideration

Clydesdale Covered Bonds LLP

Intercompany Loan

Repayment of Intercompany Loan

Subscription proceeds

Payments of interest and principal under the Covered Bonds

Borrowers

Grant of Mortgage Loan

Collection Account

Transaction Account

GIC Account

Deutsche Bank AG, London Branch
Principal Pricipal Asset

Deutsche Bank AG, London Branch
Principal Pricipal Asset
As at the date of this Base Prospectus, the entire issued share capital of the Liquidation Member is held by Deutsche International Finance (Ireland) Limited as share trustee on trust for the benefit of certain discretionary objects.
RISK FACTORS

This section describes the principal risk factors associated with an investment in the Covered Bonds. Prospective purchasers of Covered Bonds should consider carefully all the information contained in this Base Prospectus, including the following risk factors, in evaluating an investment in the Covered Bonds or participating in the Programme. Any of the risks described below, or additional risks not currently known to the Issuer or that the Issuer currently deems immaterial, could have a significant or material adverse effect on the business, financial condition, operations or prospects of the Issuer and could result in a corresponding decline in the value of the Covered Bonds. As a result, investors could lose all or a substantial part of their investment.

Investment Considerations Relating To The Issuer

Factors that may affect the Issuer's ability to fulfil its obligations under the Covered Bonds issued under the Programme

The Covered Bonds will be direct, unsecured and unconditional obligations of the Issuer. A purchaser of the Covered Bonds relies on the creditworthiness of the Issuer and no other person, except in the case of certain Index Linked Covered Bonds, where payment of principal or interest under such Covered Bonds may be determined by reference to changes in the prices of securities in other entities or other factors. Investment in the Covered Bonds involves the risk that subsequent changes in actual or perceived creditworthiness of the Issuer may adversely affect the market value of the Covered Bonds.

Macroeconomic Risks and Financial Market Conditions

The Issuer is a provider of credit to United Kingdom individuals and corporates. The business activities of the Issuer are dependent upon the level of banking, finance and financial services required by its customers. In particular, levels of borrowing are heavily dependent on customer confidence, employment trends, the state of the economy and market interest rates and global economic trends (given the degree of global interconnectivity, interdependency and potential for contagion in the financial system).

Forecast global economic growth is projected to remain weak, especially in Europe, and there is variability in business and economic conditions across a number of the Issuer’s key markets. Changes in the economic climate in which the Issuer operates may adversely impact its financial performance and position. Examples of such changes include, but are not limited to, economic growth rates, interest rates, inflation rates, employment levels, labour costs, consumer sentiment, demand for credit, market volatility, relative changes in exchange rates, commodity and asset prices (i.e. bonds, equity securities, property and derivative instruments), industrial production, taxation levels, domestic and international competition, monetary policy, fiscal policy, domestic and international political changes and environmental conditions. Factors causing these changes are many and varied and include, but are not limited to, the occurrence of major shock events e.g. natural disasters, war and terrorism, pandemics, flu and diseases, political and social unrest, and sovereign debt restructures and defaults. Conditions in the United Kingdom are weak. Should these conditions continue to be weak, or deteriorate, this could further impact the Issuer’s activities and financial outcomes in the short to medium term.

Current volatility in credit, currency and equity markets globally may result in uncertainty in financial markets that could affect all banks, including the Issuer. Market volatility during the global financial crisis has led to, and may in the future lead to, the following (amongst other factors):

(a) increased cost of funding and/or lack of availability of funding;
(b) deterioration in the value and liquidity of assets (including collateral);
(c) inability to price certain assets;
(d) higher provisions for bad and doubtful debts;
(e) an increased likelihood of counterparty default and credit losses;
(f) mark to market losses in equity and trading positions;
(g) increased cost of insurance and/or lack of available insurance; and
lower growth, business revenues and earnings.

The financial performance and position of the Issuer have been, and its future financial performance and position may continue to be, affected by these factors.

**Competition and Consolidation**

There is substantial competition for the provision of financial services in the markets in which the Issuer operates, from existing and new competitors, across a broad range of product offerings. Competitive market conditions may adversely impact the financial performance and position of the Issuer. For example, increasing competition for customers can lead to compression in profit margins, increased advertising and related expenses to attract and retain customers, increased customer turnover and decreased customer loyalty. As technology and customers attitudes are rapidly evolving, this increases the risk of competition from new business entrants with lower cost operating models. The trend towards consolidation and rationalisation in the financial services industry is creating competitors with broader ranges of product and service offerings, increased access to capital, and greater efficiency and pricing power. There has also been an increase in the direct role of governments in the international banking sector arising out of certain consolidations that occurred during the heightened period of instability during the global financial crisis.

The financial performance and position of the Issuer have been, and its future financial performance and position may continue to be, affected by these factors.

**Risks Specific to the Issuer**

There are a number of risk factors which arise directly from the operations of the Issuer as a participant in the banking and financial services industry and from the specific structure of the Issuer. The financial performance and position of the Issuer have been, and its future financial performance and position may continue to be, affected by these factors. The key categories of these risks are set out below:

**Credit Risk**

Credit risk is the potential that a counterparty or customer will fail to meet its obligations to the Issuer in accordance with agreed terms. Bank lending activities account for most of the Issuer's credit risk, however other sources of credit risk exist throughout the activities of the Issuer. These activities include but are not limited to acceptances, placements, inter-bank transactions, trade financing, foreign exchange transactions, swaps and bonds, as well as in the extension of commitments and guarantees and the settlement of transactions.

The portfolio of credit risk is large and diverse. Less favourable business or economic conditions, whether generally or in a specific industry sector or geographic region, could cause, and have caused, counterparties and customers (especially those concentrated in areas experiencing less favourable business or economic conditions) to experience an adverse financial situation. This could thereby expose the Issuer to the increased risk that those customers will fail to meet their obligations in accordance with agreed terms. Major sub-segments within the Issuer's portfolio include home loan borrowers and commercial real estate borrowers (although see "The Issuer" for more information in connection with the proposed transfer of the vast majority of the Issuer's commercial real estate book to its parent, NAB). A continuation of, or further deterioration in, the significant downturn currently being experienced in the United Kingdom, particularly in the commercial real estate market, could have an adverse impact on the Issuer's financial performance and position. Other factors that could have an adverse impact include declines in the UK economy which would impact the Issuer's small and medium sized customer base or further financial market dislocation which could lead to falling confidence, increasing re-financing risk and contagion risk amongst market participants, counterparties and customers.

The Issuer provides for losses incurred in relation to loans, advances and other assets. Estimating losses incurred in its loan portfolio is, by its very nature, uncertain and the accuracy of those estimates depends on many factors, including general economic conditions, assumptions of probability of default, loss given default and exposure at default, rating changes, structural changes within industries that alter competitive positions, and other external factors such as legal and regulatory requirements and a number of assumptions based on available experience and management judgements. If the information (or the assumptions upon which the assessment is made) proves to be inaccurate, the provisions made for credit
impairment may need to be revised, which could have an adverse impact on the Issuer’s financial performance and position.

Operational and technology risk

Operational risks arise from the day to day operational activities of the Issuer, which may result in direct or indirect losses and could adversely impact the Issuer’s financial performance and position. These losses may result from both internal and external events, and risks, including, but not limited to, process error or failure, inadequate process design, poor product development and maintenance, poor change management, aging infrastructure and systems, system failure, security and physical protection, fraud, deficiencies in employees’ skills and performance, operational failures by third party providers (including offshored and outsourced providers), natural disasters, extreme weather events, political, security and social events and failings in the financial services industry.

The Issuer is dependent on its information systems and technology from a system stability, data quality and information security perspective. The Issuer is also dependent on payments systems and technology that interface with wider industry infrastructure. Internal or external failure of these systems and technology (including if such systems cannot be restored or recovered in acceptable timeframes, or adequately protected) could adversely impact the Issuer’s ability to conduct its daily operations and the Issuer’s financial performance and position.

The Issuer is also dependent on its ability to retain and attract key management and operating personnel. The Issuer has qualified and experienced management teams that it relies on in order to operate effectively and efficiently and maximise returns to investors. The unplanned loss of any key member of these teams, or the Issuer’s inability to attract the requisite personnel with suitable experience, could have an adverse impact on the Issuer’s financial performance and position.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either the Issuer or any other company within the NAB Group will be unable to comply with its obligations as a company with securities admitted to the Official List or as an authorised firm regulated by the FSA.

Compliance risk

The Issuer is subject to compliance risk across, but not limited to, its banking and third party distribution channels (including, but not limited to, mortgage brokers). Compliance risk refers to the risk of legal or regulatory sanctions and/or material financial loss and/or a loss of reputation as a result of failure to comply with laws, regulations, taxation requirements, licence conditions, supervisory requirements, self regulatory industry codes of conduct and related internal policies, procedures and organisational frameworks and standards.

To the extent that these compliance risks limit the Issuer’s operations or flexibility, or result in fines or loss of licences, settlements, or restitution to customers, regulators or other stakeholders, they could adversely impact the Issuer’s financial performance and position.

Capital Risk

Capital risk is the risk that the Issuer does not hold sufficient capital and reserves to achieve its strategic aspirations or cover the risks to which it is exposed and protect against unexpected losses. The Issuer is required to maintain minimum levels of capital reserves relative to the risk profile of the operation. Any change that limits the Issuer’s ability to manage its capital, or requires it to hold more capital (including at a higher quality standard), could have an adverse impact on the Issuer's financial performance and condition.

As mentioned in "Regulatory Considerations – Financial Services Policy and Regulatory Risk of the Issuer", there are proposed changes to minimum required levels of capital that the Issuer, or other members of the NAB Group, are required to hold which, when fully implemented, may adversely impact the Issuer’s financial performance and position.

Funding and Liquidity Risk

Funding risk is the risk that the Issuer or the NAB Group are unable to raise short and long term funding to support its strategic plans and objectives Any dislocation in global capital markets could adversely
affect the Issuer's ability to access funds (including at a reasonable cost) to meets its strategic plans and objectives and impact the Issuer's financial performance and position.

Liquidity risk is the risk that the Issuer is unable to meet its financial obligations as they fall due. These obligations include the repayment of deposits on demand or at their contractual maturity, the repayment of borrowings and loan capital as they mature, the payment of interest on borrowings, and the payment of operating expenses and taxes. Any significant deterioration in the Issuer’s liquidity position could adversely impact the Issuer’s financial performance and position.

As mentioned in “Regulatory Considerations – Financial Services Policy and Regulatory Risk of the Issuer”, the FSA has implemented changes to minimum required levels of liquidity that the Issuer, and other members of the NAB Group, are required to hold which may adversely impact the Issuer’s financial performance and position.

Legal Proceedings and Contingent Liabilities

The Issuer may be involved from time to time in legal proceedings arising from the conduct of its business. The aggregate potential liability in respect thereof cannot be accurately assessed. Any material legal proceedings could have an adverse impact on the Issuer’s financial performance and position.

See "Issuer – Legal and arbitration proceedings" for details in relation to the Issuer's material legal proceedings.

Interest Rate Risk

This is the risk to the Issuer’s financial performance and position caused by changes to market interest rates. As interest rates and yield curves change over time, the Issuer may be exposed to a loss in earnings and economic value due to the re-pricing structure of its balance sheet. This includes the risk arising out of customers’ demands for interest rate-related products with various re-pricing profiles.

Foreign Exchange Risk

This risk arises from the impact of changes in foreign currency exchange rates on the value of the Issuer’s cash flows and assets and liabilities as a result of participation in the global financial markets. It also includes any currency positions emanating from transactions with customers, bank and other counterparties. If the Issuer was to suffer substantial losses due to any adverse movement in foreign exchange rates it could adversely impact its financial performance and position. The Issuer conducts business in different currencies including Sterling and euro. The Issuer’s business may be affected by a change in currency exchange rates or a full or partial break –up or a change in the reserve status of any of those currencies.

Non-traded equity risk

The Issuer carries equity investments at fair value. Fair value reflects valuations derived from either market prices or an approved internal model. The fair value of an equity investment is impacted by various risk factors, including, but not limited to, economic risk, political risk, business and operational risk, legal and regulatory risk, currency risk, price risk and market risk. A material reduction in the fair value of an equity investment could have an adverse impact on the financial performance and position of the Issuer.

Defined Benefit Pension Fund Risk

This is the risk that, at any point in time, the assets available to meet pension liabilities are at a value below current and future pension scheme obligations. Asset values and liabilities are affected by a number of factors including, but not limited to, the discount rate used to calculate the liability net present value, the long-term inflation assumption, actuarial assumptions (including mortality rates) and the value of the investment portfolio (which in turn is affected by a number of factors, for example, equity markets, bond rates and the investment decisions of the pension trustees). Many of these factors are outside the control of the Issuer.

The Issuer’s principal exposure to defined benefit pension fund risk is its defined benefits scheme (closed to new members with effect from 1 January 2004).
Such defined benefit pension risk could adversely impact the Issuer’s financial performance and position.

**Credit Rating Risk**

Ratings agencies regularly conduct review activity. Recent methodology changes and the ongoing Eurozone crisis has resulted in the review of sovereign and global bank ratings. There is the potential for this ongoing review activity to continue, particularly in periods of increased market volatility.

A reduction in the credit ratings of the Issuer (or any other member of the NAB Group) or the sovereign rating of the countries in which the Issuer (or any other member of the NAB Group) operates or raises capital, may increase the Issuer's borrowing costs, limit its access to the capital markets and trigger additional collateral requirements in derivative contracts and other secured funding arrangements which may adversely impact the Issuer’s financial performance and position.

On 22 February 2012, Moody’s placed the Issuer’s long-term senior unsecured debt and deposit ratings on review for possible downgrade following the announcement by the NAB Group of a strategic review of its UK business on 7 February 2012. On 30 April 2012, the NAB Group announced the outcome of its UK banking strategic review (as to which, see "The Issuer – NAB Group UK Banking Strategic Review"). As a result of both the anticipated changes to the Issuer's business operations and the ongoing review by the rating agencies of the outlook on global financial institutions, the Issuer's ratings will be subject to ongoing rating surveillance and may be subject to change.

**Reputation Risk**

Reputation risk is the possible impact of negative stakeholder opinion of the Issuer’s actions, behaviour and performance. This risk may expose the Issuer to litigation, financial loss, a decline in customer satisfaction and customer basis and overall loss of competitiveness or a loss of key personnel.

Reputation risk may arise through the actions of the Issuer or other financial services companies, and adversely affect perceptions of the Issuer held by the public, investors and customers, regulators or rating agencies. The impact of a risk event (for example, operational, compliance or credit events) on the Issuer's reputation and brand, may adversely impact the Issuer’s financial performance and position.

**Strategic Risk**

There is a risk that the assumptions on which the Issuer’s strategic direction is based are incorrect, that market conditions may change, that the risks generated exceed expected and approved appetite, or that execution of the Issuer’s strategic initiatives proves ineffective. It is also possible that certain strategic initiatives are unable to be easily undone once the Issuer has committed to them. These risks could adversely impact the Issuer’s financial performance and position.

**General Acquisition and Divestment Risk**

The NAB Group, of which the Issuer forms part, regularly examines a range of corporate opportunities (including acquisitions, divestments and joint ventures) with a view to determining whether these opportunities are in line with its strategic priorities and are able to enhance its financial performance and position. In particular, the NAB Group announced on 30 April 2012 the outcome of its review of its United Kingdom business (as to which, see "The Issuer – NAB Group UK Banking Strategic Review"), which is to involve a significant restructure of that business (including the business of the Issuer), subject to receiving the necessary regulatory approvals.

Any corporate opportunity (including the restructure announced on 30 April 2012) that is pursued could change the Issuer's or the NAB Group’s risk profile. There are also risks associated with the external approval process and integration of any new acquisition into the Issuer or the broader NAB Group, any divestment, joint venture, or restructure including the risk that expected synergies will not be realised, that the Issuer may lose customers, or that it may face disruption to its operations. Acquisitions may need to be funded by the issuance of additional equity, which may be dilutive to existing shareholders. Additionally, there is a risk that the NAB Group’s or the Issuer’s credit ratings may be placed on negative watch or downgraded as a result of corporate activity. These factors, combined with a possible negative sentiment in relation to acquisitions, joint ventures or asset and business disposals, could have an adverse impact on the Issuer’s financial performance and position.
**Other commercial risks**

There are a number of general commercial risks that could adversely impact the Issuer’s financial performance and position or future prospects, which are common to investments in most listed companies, including, but not limited to, the following:

- new projects, including cost overruns and delays in (or inability to achieve) revenues or cost benefits intended to flow from such new projects. Among other strategic projects, the NAB Group announced on 30 April 2012 the outcome of its review of its United Kingdom banking business, which is to involve a significant restructure of that business (including the business of the Issuer), subject to receiving the necessary regulatory approvals;

- development of new services or technology in competition with the Issuer’s operations;

- failure of third party service providers to fulfil their obligations to the Issuer;

- the level of market acceptance for the services provided by the Issuer;

- technological change relating to the Issuer’s information systems;

- loss of accreditation or regulatory or other licensing for the Issuer’s operations, causing the loss of contracts or market share; and

- terrorist attacks and/or other malicious activities (including, but not limited to, bomb and cyber-attacks) by employees, customers or general public, or certain terrorist groups which directly or indirectly target or adversely impact any of the Issuer’s assets, operations, staff, customers, offshored or outsourced providers, suppliers, or the communities or economies in which the Issuer operates or on which it relies, or which are considered material to global commerce.

If any of these risks are realised, they may have an adverse impact on the financial performance and position of the Issuer.

**Failure of risk management frameworks and processes**

The Issuer’s approach to identifying, assessing, measuring, managing and reporting its risks is subject to the successful application of a number of risk and control frameworks. Should these frameworks, or the judgement of the people involved in their application, fail this could have an adverse impact on the Issuer’s financial performance and position.

**United Kingdom Housing Market**

The Issuer’s primary activity is the provision of banking services to retail and small to medium-sized and mid-corporate business customers, including mortgage lending in the United Kingdom with loans secured against residential property. The recent downturn in the United Kingdom economy had a negative effect on the housing market. A further fall in property prices resulting from continued deterioration in the housing market could result in losses being incurred by lenders where the net recovery proceeds are insufficient to redeem the outstanding loan. Any deterioration in the quality of the LLP’s Mortgage Loan Portfolio could have an adverse effect on the LLP’s ability to make payment under the Covered Bond Guarantee. There can be no assurance that the housing market will not continue to deteriorate.

The current United Kingdom economic environment may affect the rate at which the Seller originates new Mortgage Loans and may also affect the level of attrition of the Seller’s existing Borrowers, which could in turn adversely affect the ability of the LLP to make payments under the Covered Bond Guarantee.

In addition, there exist additional risks for potential investors as a result of the current United Kingdom economic environment, including: (i) the possibility that the value of the assets sold by the Issuer to the LLP may deteriorate after the date of such sale and (ii) the likelihood that the LLP will find it more difficult to sell its assets in the secondary market, which may adversely affect the ability of the LLP to make payments under the Covered Bond Guarantee.
Geographic concentration of the Mortgage Loans

To the extent that specific geographic regions have experienced or may experience in the future weaker regional economic conditions and housing markets than other regions, a concentration of Mortgage Loans in such a region may be expected to exacerbate all of the risks relating to the Mortgage Loans described in this section. The LLP can predict neither when nor where such regional economic declines may occur nor to what extent or for how long such conditions may continue but if the timing and payment of the Mortgage Loans in the Mortgage Loan Portfolio is adversely affected as a result of the above, the ability of the LLP to make payments under the Covered Bond Guarantee could be reduced or delayed.

General Investment Considerations

Current Market Volatility and Recent Market Developments

The global financial system has been experiencing difficulties since the second half of 2007. Despite measures taken by the United Kingdom and United States governments and the European Central Bank and other central banks to stabilise the financial markets, the volatility and disruption of the capital and credit markets have continued. Together with the significant declines in the property markets in the United Kingdom, the United States, Eurozone countries and other countries, these events over the past five years have contributed to significant write-downs of asset values by financial institutions, including government-sponsored entities and major retail, commercial and investment banks. These write-downs have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions, to be nationalised and, in some cases, to fail. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have substantially reduced and, in some cases, stopped their funding to borrowers, including other financial institutions.

These conditions produced downward pressure on stock prices and credit capacity for certain issuers. There can be no assurances that this lack of credit and lack of confidence in the financial sector, increased volatility in the financial markets and reduced business activity will not continue to materially and adversely affect the Issuer's business, financial condition and results of operations. It is difficult to predict whether, or to what extent, such adverse market conditions will continue to exist.

Concerns about credit risk (including that of sovereigns) and the Eurozone crisis have recently intensified. The large sovereign debts and/or fiscal deficits of a number of European countries and the United States, the United Kingdom, Japan and other countries have raised concerns regarding the financial condition of financial institutions, insurers and other corporates (i) located in these countries; (ii) that have direct or indirect exposure to these countries; and/or (iii) whose banks, counterparties, custodians, customers, service providers, sources of funding and/or suppliers have direct or indirect exposure to these countries. The default or a significant decline in the credit rating, of one or more sovereigns or financial institutions, insurers or other corporates could cause severe stress in the financial system generally and could adversely affect the markets and market participants, in ways which it is difficult to predict or to effectively manage.

It is possible that one or more Eurozone countries may abandon the euro and return to national currencies or move to a series of new currency blocs. It is also possible that the euro currency could cease to exist. In addition, it is possible that one or more member countries may decide to leave the broader European Union.

The Issuer has direct and indirect exposure to financial institutions, government entities, counterparties, custodians, customers and service providers within the European Union. These exposures may, in the future, be affected by restructuring of their terms, principal, interest and maturity, either via the voluntary agreement of creditors or involuntarily, irrespective of whether or not the event is deemed to be a default, however defined.

The financial performance and position of the Issuer may be affected by these factors.

Potential investors in Covered Bonds should be aware of the prevailing and widely reported global credit market conditions, whereby the secondary market for instruments similar to the Covered Bonds has been experiencing disruptions resulting from reduced investor demand for such instruments and as a result of
which there exist significant additional risks to the Issuer and the investors which may affect the returns on the Covered Bonds to potential investors.

In addition, the primary market for a number of financial products including instruments similar to the Covered Bonds has also been disrupted as a result of the liquidity crisis. While the liquidity crisis has alleviated for certain sectors of the global credit markets, including markets for instruments similar to the Covered Bonds, there can be no assurance that the market for securities similar to the Covered Bonds will continue to recover or not worsen.

**Soundness of other Financial Institutions**

The Issuer is exposed to many different industries and counterparties in the normal course of its business. In particular it is exposed to counterparties in the financial services industry. This exposure can arise through trading, lending, deposit-taking, clearance and settlement and many other activities and relationships. These counterparties include brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Many of these relationships expose the Issuer to credit risk in the event of default of a counterparty or client. In addition, the Issuer’s credit risk may be exacerbated when the collateral it holds cannot be realised or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure it is due. Many of the hedging and other risk management strategies utilised by the Issuer also involve transactions with financial services counterparties. The weakness of these counterparties may impair the effectiveness of the Issuer’s hedging and other risk management strategies.

**Absence of secondary market; lack of liquidity**

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

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

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

The LLP will have 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 and the LLP 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 on the LLP and the Issuer of an LLP Acceleration Notice. The occurrence of an Issuer Event of Default will not constitute an LLP Event of Default. However, failure by the LLP to pay amounts when Due for Payment under the Covered Bond Guarantee will constitute an LLP Event of Default which will 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 will 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 Dealers, the Arranger, the Bond Trustee, the Security Trustee, any member of the NAB Group (other than Clydesdale) or any other party to the Programme, their officers, members, directors, employees, security holders or incorporators, other than the Issuer and the LLP. The Issuer and the LLP will be liable solely in their
corporate capacity for their obligations in respect of the Covered Bonds and such obligations will not be the obligations of their respective officers, members, directors, employees, security holders or incorporators.

**Covered Bonds issued under the Programme**

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

All Covered Bonds issued from time to time will rank *pari passu* with each other in all respects (save as set out in the Guarantee Priorities of Payments) and will share in the security granted by the LLP under the Deed of Charge. Prior to the occurrence of an LLP Event of Default, if an Issuer Event of Default occurs in respect of a particular Series of Covered Bonds, then, following the service of an Issuer Acceleration Notice on the Issuer and the LLP, the Covered Bonds of all Series then outstanding will accelerate as against the Issuer but will be subject to, and have the benefit of, payments made by the LLP under the Covered Bond Guarantee (following service of a Notice to Pay). If an LLP Event of Default occurs in respect of a particular Series of Covered Bonds, then following the service of an LLP Acceleration Notice, the Covered Bonds of all Series outstanding will accelerate as against the Issuer (if not already accelerated following the occurrence of an Issuer Event of Default and the service on the Issuer and the LLP of an Issuer Acceleration Notice) and the obligations of the LLP under the Covered Bond Guarantee will accelerate.

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

(a) the Issuer will be obliged to apply the proceeds of any issue of Covered Bonds to make a Term Advance to the LLP. The LLP will use the proceeds of such Term Advance (after swapping the same into Sterling pursuant to the Swap Agreements if necessary) (i) to purchase Mortgage 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 to the extent required to meet the requirements of Regulations 17(2)(b) and 24(i)(a)(ii) of the RCB Regulations and the requirements of the Asset Coverage Test; and thereafter the LLP may use such proceeds (subject to complying with the requirements of Regulations 17(2)(b) and 24(1)(a)(ii) of the RCB Regulations and the Asset Coverage Test): (A) to invest in Substitution Assets in an amount not exceeding the prescribed limit; and/or (B) subject to complying with the Asset Coverage Test, to make a Capital Distribution to a Member; and/or (C) if an existing Series or Tranche, or part of an existing Series or Tranche, of Covered Bonds is being refinanced (by the issue of a further Series or Tranche of Covered Bonds), to repay the Term Advance(s) corresponding to the Covered Bonds being so refinanced; and/or (D) to make a deposit of all or part of the proceeds in the GIC Account (including, without limitation, to fund the Reserve Fund to an amount not exceeding the prescribed limit); and

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

(c) on or prior to the date of issue of any further Covered Bonds, the Issuer will be obliged to obtain a Rating Agency Confirmation in relation thereto.

The Seller will, subject to the satisfaction of certain conditions (including the Eligibility Criteria) be permitted to (a) assign and substitute further Mortgage Loans and (b) assign non mortgage assets to the LLP from time to time subject to receipt of a Rating Agency Confirmation in relation thereto.

An N Covered Bond will not constitute a Covered Bond under the Programme (and will not receive the benefit of the Covered Bond Guarantee) until the Issuer has confirmed that it has received the N Covered Bond Confirmation relating to such N Covered Bond duly signed by all parties thereto.
Powers of the Security Trustee and the Bond Trustee may affect the interests of the Covered Bondholders

In the exercise of its powers, trusts, authorities and discretions the Security Trustee and the Bond Trustee shall (except where provided otherwise) only have regard to the interests of the Covered Bondholders, provided that nothing shall prevent the Security Trustee or the Bond Trustee having regard to its own interests as such. In the exercise of its powers, trusts, authorities and discretions, the Security Trustee or the Bond Trustee may not act on behalf of the Seller.

If, in connection with the exercise of its powers, trusts, authorities or discretions, the Security Trustee or the Bond Trustee is of the opinion that the interests of the Covered Bondholders of any one or more Series would be materially prejudiced thereby, the Security Trustee or 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 representing at least 25 per cent. (in the case of the Security Trustee) or 75 per cent. (in the case of the Bond Trustee) of the Principal Amount Outstanding of Covered Bonds of the relevant Series then outstanding.

Extendable obligations under the Covered Bond Guarantee

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

To the extent that the LLP has received a Notice to Pay and has sufficient moneys available to pay in whole or in part the Guaranteed Amounts corresponding to the unpaid portion of the Final Redemption Amount in respect of the relevant Series of Covered Bonds, the LLP will be required to make such payment in accordance with the Guarantee Priority of Payments and as described in Condition 6(a) (Final Redemption) on any Interest Payment Date (from, and including, subject to applicable grace periods, the Final Maturity Date for such Covered Bonds) up to and including the relevant Extended Due for Payment Date. The Extended Due for Payment Date will be 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 for the relevant Series of Covered Bonds (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 for the relevant Series of Covered Bonds and/or pay Guaranteed Amounts constituting Scheduled Interest on any Original Due for Payment Date up to and including such Extended Due for Payment Date will (subject to any applicable grace period) be an LLP Event of Default.

The Final Maturity Dates for different Series of Covered Bonds may not be the same. This means that a Series of Extendable Maturity Covered Bonds having an earlier occurring Final Maturity Date will start receiving principal repayments in advance of the other Series of Extendable Maturity Covered Bonds having later occurring Final Maturity Dates.

The Extended Due for Payment Dates for different Series of Extendable Maturity Covered Bonds may not be the same. On each LLP Payment Date following the service of a Notice to Pay on the LLP (but prior to the service of an LLP Acceleration Notice and/or prior to realisation of the Security and/or provision for prior ranking items in full), the LLP will apply the monies available to it to repay the principal outstanding of all Series of Extendable Maturity Covered Bonds in the following order:
(i) first, on a pro rata and pari passu basis, those Series of Extendable Maturity Covered Bonds for which the relevant LLP Payment Date is the Extended Due for Payment Date for such Covered Bonds (together with those Series of Hard Bullet Covered Bonds for which the relevant LLP Payment Date is the Final Maturity Date for such Covered Bonds); and

(ii) second, on a pro rata and pari passu basis, those Series of Extendable Maturity Covered Bonds whose Final Redemption Amount was not paid in full by the Extension Determination Date for such Covered Bonds.

The above payment arrangements mean that, following the service of a Notice to Pay on the LLP, certain Series of Extendable Maturity Covered Bonds may be repaid before other Series of Extendable Maturity Covered Bonds and there is a risk that a Series of Covered Bonds may not be repaid in full by its Final Maturity Date or, if applicable, its Extended Due for Payment Date.

These risks are intended to be mitigated by the Amortisation Test which ensures that if the value of the Mortgage Loan Portfolio deteriorates beyond a stipulated threshold then an LLP Event of Default will occur which will entitle the Bond Trustee to accelerate the obligations of the LLP under the Covered Bond Guarantee and will entitle the Security Trustee to enforce the Security.

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

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

(a) **Covered Bonds subject to optional redemption by the Issuer**

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

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

(b) **Trading in the Clearing Systems**

In relation to the issue of any Covered Bonds which have a minimum denomination and are tradable in the clearing systems in amounts above such minimum denomination which are smaller than that minimum denomination, should definitive Covered Bonds be required to be issued, a holder who does not have an integral multiple of the minimum denomination in his account with the relevant clearing system at the relevant time may not receive all of his entitlement in the form of definitive Covered Bonds unless and until such time as his holding becomes an integral multiple of the minimum denomination.

(c) **Index Linked Covered Bonds and Dual Currency Covered Bonds**

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

(i) the market price of such Covered Bonds may be volatile;

(ii) they may receive no interest;
(iii) payment of principal or interest may occur at a different time or in a different currency from that expected;

(iv) they may lose all or a substantial portion of their principal;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to Covered Bonds in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

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

(d) **Partly-paid Covered Bonds**

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

(e) **Variable rate Covered Bonds with a multiplier or other leverage factor**

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

(f) **Fixed/Floating Rate Covered Bonds**

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

(g) **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.

(h) **Covered Bonds issued at a substantial discount or premium**

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

The ratings assigned to a Series of Covered Bonds by Fitch address the likelihood of full and timely payment to Covered Bondholders of all payments of interest on each Interest Payment Date and the Final Maturity Date and the likelihood of ultimate payment of principal on the Final Maturity Date. The ratings assigned to the Covered Bonds by Moody's address the probability of default, the loss given by default and the expected loss posed to potential investors.

The expected ratings of a Series of Covered Bonds will be set out in the applicable Final Terms for such Series of Covered Bonds. Any Rating Agency may lower its rating or withdraw its rating if, in the sole judgement of the Rating Agency, the credit quality of the Covered Bonds has declined or is in question or such Rating Agency has changed the criteria by which they analyse the credit quality of the Covered Bonds. If any rating assigned to the Covered Bonds is lowered or withdrawn or qualified, the market value of the Covered Bonds may be reduced. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time (including as a result of changes to rating methodologies). A credit rating 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 downgrade in the rating of the Issuer may have a negative impact on the ratings of the Covered Bonds.

Rating Agency Confirmations

The terms of certain of the Programme Documents provide that, in certain circumstances, a Rating Agency Confirmation is required in relation to a particular action proposed to be taken.

A written rating confirmation by a Rating Agency (which would satisfy the requirement of a Rating Agency Confirmation from that Rating Agency) may or may not be given at the sole discretion of that Rating Agency. It should be noted that, depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that a Rating Agency cannot provide a written rating confirmation in the time available or at all, and the Rating Agency should not be responsible for the consequences thereof.

Certain Rating Agencies have indicated that, as a matter of policy, they will no longer provide written rating confirmations. To the extent that a written rating confirmation cannot be obtained from either or both of the Rating Agencies, whether or not a proposed amendment, action, determination or appointment will ultimately take place will be determined in accordance with the provisions of the relevant Programme Documents and specifically the relevant modification and waiver provisions. In the absence of a written rating confirmation from any Rating Agency (where the Rating Agency has advised that such written confirmation has not been and will not be provided on the basis that it is not obliged to provide such confirmation) the requirement for the provision of a Rating Agency Confirmation can be satisfied by the provision of a certification in writing by an authorised signatory of the Issuer or, following the occurrence of an Issuer Event of Default, the LLP to the Bond Trustee and the Security Trustee stating that, in its opinion, such amendment, action, determination or appointment would not cause the then current ratings of any outstanding Covered Bonds to be reduced, qualified, suspended or withdrawn by the Rating Agencies.

A Rating Agency Confirmation, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time and in the context of cumulative changes to the transaction of which the securities form part since the Closing Date. A Rating Agency Confirmation provided by a Rating Agency represents only a restatement of the opinions given by that Rating Agency as at the Closing Date and cannot be construed as advice for the benefit of any parties to the transaction.

Any Rating Agency Confirmation delivered by the Issuer or the LLP, as applicable, does not constitute a rating confirmation from and, is not binding on, the Rating Agencies.

In general European regulated investors are restricted under Regulation (EC) No. 1060/2009 (the "CRA Regulation") from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-
registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Moody's and Fitch are both registered under the CRA Regulation.

Changes to rating methodology and rating criteria may adversely affect the then current ratings of the Covered Bonds

At any time any Rating Agency may revise its relevant rating methodology or revise its current ratings criteria. Any changes to the methodology applied by Rating Agencies for rating covered bonds or the expectations of the Rating Agencies with regards to, inter alia, the nature of counterparty contracts and ratings of covered bond pool counterparties might lead to a downgrade of the Covered Bonds or re-affirmation of the Covered Bond rating and might also require that certain amendments are made to the Programme Documents to be able to satisfy the revised criteria.


Covered Bondholders should note that the Bond Trustee and the Security Trustee will be required, subject to certain conditions, to automatically approve any modifications requested to be made by the Issuer or the LLP to any Programme Documents, without first seeking to determine if such requested modification is materially prejudicial to the interest of Covered Bondholders or without first seeking the direction of such Covered Bondholders, provided that the Issuer and/or the LLP certifies: (a) that such modification is required to be made as a result of or in anticipation of any change to any Rating Agency rating’s criteria; and (b) that the implementation of such modifications would not adversely affect the then current ratings of the Covered Bonds (see "The Bond Trustee and the Security Trustee may agree to modifications to the Programme Documents without, respectively, the holders of the Covered Bonds’ or Secured Creditors’ prior consent" below). In this regard, Covered Bondholders should note the provisions of Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution).

For the avoidance of doubt, neither the Issuer nor the LLP (nor the Cash Manager) will be obliged, following a change in rating methodology by any Rating Agency, to, inter alia, select a reduced Asset Percentage or to amend any of the Programme Documents to maintain the then ratings of the Covered Bonds.

The Bond Trustee and the Security Trustee may agree to modifications to the Programme Documents without, respectively, the Covered Bondholders or other Secured Creditors’ prior consent

Pursuant to the terms of the Trust Deed and the Deed of Charge, the Bond Trustee and the Security Trustee:

(a) may, without the consent or sanction of any of the Covered Bondholders or any of the other Secured Creditors, concur with any person in making or sanctioning any modifications to the Covered Bonds of any Series or the Programme Documents or any waiver or authorisation of any breach or proposed breach of any of the provisions of the Covered Bonds of any Series or the provisions of any Programme Document provided that (i) the Bond Trustee is of the opinion that such modification, waiver or authorisation will not be materially prejudicial to the interest of any of the Covered Bondholders, and (ii) the Security Trustee is of the opinion that such modification, waiver or authorisation will not be materially prejudicial to the interests of any of the Secured Creditors;

(b) may, without the consent or sanction of any of the Covered Bondholders or any of the other Secured Creditors, concur with any person in making or sanctioning any modifications to the Covered Bonds of any Series or the Programme Documents or any waiver or authorisation of any breach or proposed breach of any of the provisions of the Covered Bonds of any Series or the provisions of any Programme Document (in relation to the modification of the provisions of the Covered Bonds of any Series or the provisions of any Programme Documents only) which in the opinion of the Bond Trustee and the Security Trustee (i) is made to correct a manifest error (or an error established as such to the satisfaction of the Bond Trustee and the Security Trustee) or
(ii) is of a formal, minor or technical nature or is made to comply with mandatory provisions of law; or

(c) shall, without the consent or sanction of any of the Covered Bondholders or any of the other Secured Creditors, concur with any person in making or sanctioning any modifications to the Covered Bonds of any Series or the Programme Documents or any waiver or authorisation of any breach or proposed breach of any of the provisions of the Covered Bonds of any Series or the provisions of any Programme Document which the Issuer and/or the LLP shall (i) have certified in writing to the Bond Trustee and the Security Trustee as being modifications, waivers or authorisations that are required by and seek only to implement, new or anticipated criteria of any Rating Agency and (ii) have obtained a Rating Agency Confirmation in respect of such modifications, waivers or authorisations (as applicable). Notwithstanding anything to the contrary in the other Programme Documents or the Conditions, the Bond Trustee and the Security Trustee shall not be responsible for any Liability that may be occasioned to any person by acting in accordance with the provisions of Condition 14 and/or the Trust Deed based on the written certification it receives from the Issuer and/or the LLP.

Prior to any modification, waiver or authorisation becoming effective on or after the date on which the Issuer is admitted to the register of issuers pursuant to Regulation 14 of the RCB Regulations, the Bond Trustee must receive written confirmation from the Issuer or a legal adviser considered by the Bond Trustee in its discretion to be competent to provide such advice to the Bond Trustee that such modification, waiver or authorisation, as applicable, would not result in a breach of the RCB Regulations nor cause the Programme to cease to be registered under the RCB Regulations; and that either:

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

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

Certain decisions of Covered Bondholders taken at Programme level

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

Neither the Bond Trustee nor the Security Trustee shall be bound to take enforcement proceedings in relation to the Trust Deed, the Covered Bonds, the Receipts or the Coupons, the Security or any other Programme Document unless the Bond Trustee or Security Trustee, as applicable, shall have been indemnified and/or prefunded and/or secured to its satisfaction and provided that neither the Bond Trustee nor the Security Trustee shall be bound to take any enforcement proceedings which may, in the opinion of the Bond Trustee or the Security Trustee, as applicable, in its absolute discretion, result in the Bond Trustee or the Security Trustee, as applicable, failing to receive any payment to which it is or would be entitled but for the provisions of the RCB Regulations or otherwise howsoever.

European Monetary Union

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

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

Expenses of insolvency officeholders

Under the RCB Regulations, certain disbursements of an insolvency officeholder in respect of the LLP (including a liquidator, administrator or an administrative receiver) rank ahead of the claims of the Covered Bondholders with respect to both fixed and floating charge realisations. It appears that they would include costs incurred by the officeholder in relation to certain senior service providers and hedge counterparties and also general expenses incurred in a winding up, administration, administrative receivership or receivership of the LLP (which could include any corporation tax charges). This is a departure from the general position under English or Scots law which provides that the expenses of any administration (and, following the implementation of new section 176ZA of the Insolvency Act 1986 on 6 April 2008, the expenses of any liquidation) only rank ahead of unsecured debts and the claims of a floating chargeholder (but not the claims of a fixed chargeholder).

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

Covered Bonds where denominations involve integral multiples: definitive Covered Bonds

In the case of Covered Bonds which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that Covered Bonds may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case, a Covered Bondholder who, as a result of trading such amounts, holds a principal amount which (after deducting integral multiples of such minimum Specified Denomination) is less than the minimum Specified Denomination in 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 it holds an amount equal to one or more Specified Denominations.

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

Investment Considerations Relating to the LLP

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

Subsequent to the occurrence of an Issuer Event of Default, the Bond Trustee may, but is not obliged to, serve an Issuer Acceleration Notice on the Issuer and the LLP 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 an Issuer Acceleration Notice on the Issuer and the LLP, a Notice to Pay will be served by the Bond Trustee on the LLP. Following service of a Notice to Pay on the LLP, under the terms of the Covered Bond Guarantee the LLP will be obliged to pay Guaranteed Amounts as and when the same are Due for
Payment. In these circumstances, the LLP will not be obliged to pay any other amounts which become payable for any other reason.

Following service of an Issuer Acceleration Notice on the Issuer and the LLP, a Notice to Pay will also be served by the Bond Trustee on the LLP following a breach of the Pre-Maturity Test, if certain actions are not taken within a specified period.

Payments by the LLP will be made subject to any applicable withholding or deduction and the LLP will not be obliged to pay any additional amounts as a consequence.

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

Subject to any grace period, if the LLP fails to make a payment when Due for Payment under the Covered Bond Guarantee or any other LLP Event of Default occurs, then the Bond Trustee may accelerate the obligations of the LLP under the Covered Bond Guarantee by service of an LLP Acceleration Notice, whereupon the Bond Trustee will have a claim under the Covered Bond Guarantee for an amount equal to the Early Redemption Amount of each Covered Bond, together with accrued interest and all other amounts then due under the Covered Bonds (other than additional amounts payable under Condition 7 (Taxation)). Following service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP, the Security Trustee may enforce the Security over the Charged Property. The proceeds of enforcement and realisation of the Security shall be applied by the Security Trustee in accordance with the Post-Enforcement Priority of Payments in the Deed of Charge, and Covered Bondholders will receive amounts from the LLP on an accelerated basis.

**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 GIC Account and the Excess Proceeds will thereafter form part of the Security and will be used by the LLP in the same manner as all other moneys from time to time standing to the credit of the GIC Account. Any Excess Proceeds received by the Bond Trustee will discharge pro tanto the obligations of the Issuer in respect of the Covered Bonds, Receipts and Coupons (subject to restitution of the same if such Excess Proceeds shall be required to be repaid by the LLP). However, the obligations of the LLP under the Covered Bond Guarantee are (following service of an LLP Acceleration Notice) unconditional and irrevocable and the receipt by the Bond Trustee of any Excess Proceeds will not reduce or discharge any such obligations.

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

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

Following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice on the Issuer and the LLP, all amounts payable under the Covered Bonds will be accelerated by the Bond Trustee as against the Issuer and 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 Mortgage Loans and their Related Security in the Mortgage Loan Portfolio, (ii) the amount of Mortgage Loan Revenue Receipts and Mortgage Loan Principal Receipts generated by the Mortgage Loan 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 GIC Account. Recourse against the LLP under the Covered Bond Guarantee is limited to the aforementioned assets and the LLP will not have any other source of funds available to meet its obligations under the Covered Bond Guarantee.
If an LLP Event of Default occurs and the Security created by or pursuant to the Deed of Charge is enforced, the realisation 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, the Secured Creditors have not received the full amount due to them pursuant to the terms of the Programme 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 Mortgage Loan Amount is greater than the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding, which should reduce the risk of there ever being a shortfall (although there is no assurance of this – in particular, the sale of further Mortgage Loans and Related Security by the Seller to the LLP may be required to avoid or remedy a breach of the Asset Coverage Test). Each of the LLP and the Seller (in its capacity as a member of the LLP) will be required to ensure that, following the occurrence of an Issuer Event of Default, the Amortisation Test is met on each Calculation Date. A breach of the Amortisation Test will constitute an LLP Event of Default and will entitle the Bond Trustee to serve an LLP Acceleration Notice on the LLP and the Issuer. The Asset Coverage Test, the Amortisation Test, the Yield Shortfall Test and the Pre-Maturity Test have in the aggregate been structured to ensure that the Asset Pool is sufficient to pay amounts due on the Covered Bonds and senior expenses (which will include costs relating to the maintenance, administration and winding-up of the Asset Pool whilst the Covered Bonds are outstanding). However, no assurance can be given that the Asset Pool will in fact generate sufficient amounts for such purposes. (see “Summary of the Principal Documents – LLP Deed – Asset Coverage Test and Credit Structure – Asset Coverage Test”, and “Summary of Principal Documents - LLP Deed - Asset Coverage Test and Credit Structure - Amortisation Test”.

Reliance of the LLP on third parties

The LLP has entered into agreements with a number of third parties, which will agree to perform services for the LLP. In particular, but without limitation, the Servicer will be appointed to service Mortgage Loans in the Mortgage Loan Portfolio sold to the LLP, the Cash Manager will be appointed to calculate and monitor compliance with the Asset Coverage Test and the Amortisation Test and to provide cash management services to the LLP, the Asset Monitor will be appointed to report on the accuracy of the Cash Manager's calculations and the GIC Account, the Transaction Accounts and the All Moneys Mortgage Trust Account will be held with the Account Banks. In the event that any of those parties fails to perform its obligations under the relevant agreement to which it is a party, the realisable value of the Mortgage Loans 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 fails to adequately administer the Mortgage Loans in the Mortgage Loan Portfolio, this may lead to higher incidences of non-payment or default by Borrowers. The LLP will also be reliant on the Swap Providers to provide it with the funds matching its obligations under the Intercompany Loan Agreement and the Covered Bond Guarantee, as described below.

If a Servicer Termination Event occurs, then the LLP (with the consent of 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 replacement servicer with sufficient experience of administering mortgages of residential properties and who satisfies the required ratings would be found who would be willing and able to service the Mortgage Loans in the Mortgage Loan Portfolio on the terms of the Servicing Agreement.

In addition, as described below, any replacement servicer will be required to be authorised under the FSMA in respect of the administration of Mortgage Loans that constitute regulated mortgage contracts under the FSMA. Any replacement servicer will also be required to be licensed appropriately under the CCA. The ability of a replacement servicer to perform fully the required services would depend, amongst other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a replacement servicer may affect payments on the Mortgage Loans in the Mortgage Loan Portfolio, the realisable value of such Mortgage Loans 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.

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

If a Cash Manager Termination Event occurs, then the LLP and/or the Security Trustee will be entitled to terminate the appointment of the Cash Manager. The LLP will be required to use its reasonable endeavours to appoint a replacement cash manager. There can be no assurance that a replacement cash manager would be found who would be willing and able to provide such cash management services on the terms of the Cash Management Agreement. Neither the Security Trustee nor the LLP will be obliged in any circumstances to act as a Cash Manager or to monitor or supervise the performance by the Cash Manager (or any replacement cash manager) of its obligations.

Any delay or inability to appoint a replacement cash manager may affect payments to and from the Transaction Accounts in accordance with the terms of the Programme Documents, and/or the provision of the asset coverage reports and other information to, inter alia, the Rating Agencies, the Security Trustee and the LLP and may ultimately affect the ability of the LLP to make payments under the Covered Bond Guarantee.

The Cash Manager 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 Cash Manager under the Cash Management Agreement.

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

**Change of counterparties**

The parties to the Programme Documents who receive and hold monies pursuant to the terms of such documents (such as the Account Banks) will be required to satisfy certain contractual criteria in order to continue to receive and hold such monies.

These contractual criteria will include requirements imposed by the FSA under the FSMA and also that the relevant counterparties have prescribed short-term and/or, as applicable, long-term, unguaranteed and unsecured ratings as ascribed to such party by Fitch and Moody’s. If the party concerned ceases to satisfy the applicable criteria, including such ratings criteria, then the rights and obligations of that party (including the right or obligation to receive monies on behalf of the LLP) may be required, pursuant to the terms of the Programme Documents, 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 Programme Documents.

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

**Reliance on Swap Providers**

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

If the LLP fails to make timely payments of amounts due under any Swap Agreement (except where such failure is caused by the assets available to the LLP on a Due for Payment date being insufficient to make the required payment in full, in which case the Swap Provider’s payment obligation may be reduced by an amount equivalent to such shortfall in accordance with the relevant Swap Agreement), then it will have
defaulted under that Swap Agreement and such Swap Agreement may be terminated (in whole or in part). Further, a Swap Provider is only obliged to make payments to the LLP if the LLP complies with its payment obligations under the relevant Swap Agreement. If a Swap Agreement terminates or the relevant Swap Provider is not obliged to make payments or if it defaults in its obligations to make payments of amounts in the relevant currency equal to the full amount to be paid to the LLP on the payment date under such Swap Agreements, the LLP will be exposed to changes in the relevant currency exchange rates to Sterling (where relevant) and to any changes in the relevant rates of interest. Unless a replacement swap is entered into, the LLP may have insufficient funds to make payments under the Intercompany Loan Agreement or Covered Bond Guarantee.

If a Swap Agreement terminates (in whole or in part), 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 or to make any upfront payment required by a replacement swap counterparty, nor can there be any assurance that the LLP will be able to find a replacement swap counterparty which has both sufficiently high ratings as may be required by any of the Rating Agencies and which within the required timeframe agrees to enter into a replacement swap agreement on similar commercial terms.

If the LLP is obliged to pay a termination payment under any Swap Agreement, any such termination payment will rank:

(i) prior to the service of a Notice to Pay on the LLP or the service of an LLP Acceleration Notice on the LLP and the Issuer, senior to amounts due and payable to the Issuer under the Intercompany Loan Agreement (except where default by, or downgrade of, the relevant Swap Provider has caused the relevant Swap Agreement to terminate);

(ii) following the service of a Notice to Pay on the LLP and/or the service of any LLP Acceleration Notice on the LLP and the Issuer, in relation to any termination payment due and payable under the TRS, senior to amounts due and payable to the Covered Bondholders on the Covered Bonds and to amounts due and payable to the Issuer under the Intercompany Loan Agreement and, in relation to any termination payment due and payable under a Covered Bond Swap, pari passu with amounts due and payable to the Covered Bondholders on the Covered Bonds (except, where default by, or downgrade of, the relevant Swap Provider has caused the relevant Swap Agreement to terminate) and senior to amounts due and payable to the Issuer under the Intercompany Loan Agreement.

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

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

With respect to a Covered Bond Swap, the LLP will pay a monthly amount, on each LLP Payment Date, to the Covered Bond Swap Provider based on LIBOR for one month Sterling deposits. The Covered Bond Swap Provider may not be obliged to make corresponding swap payments to the LLP under such Covered Bond Swap for up to twelve months until amounts are due and payable by the LLP under the Intercompany Loan Agreement (prior to the service of a Notice to Pay on the LLP or the service of a LLP Acceleration Notice on the Issuer and the LLP and/or realisation of the Security and/or commencement of winding up proceedings against the LLP) or are Due for Payment under the Covered Bond Guarantee (after the service of a Notice to Pay on the LLP or the service of a LLP Acceleration Notice on the Issuer and the LLP and/or realisation of the Security and/or winding up proceedings against the LLP). In addition to the insufficiency of funds and exposure to changes in relevant currency rates and rates of interest that may be caused by the failure of a Swap Provider to make payments to the LLP when due (see "Reliance on Swap Providers", above), if the Covered Bond Swap Provider does not meet its payment obligations to the LLP under the Covered Bond Swap and the 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 Provider under the Covered Bond Swap may affect the LLP's ability to make payments under the Covered Bond Guarantee with respect to the Covered Bonds.
Limited description of the Portfolio

Covered Bondholders will only receive limited statistical and other information in relation to the Mortgage Loans in the Mortgage Loan Portfolio. This information will be set forth in the applicable Final Terms, and while it will be accurate as of the Cut Off Date (as defined in the applicable Final Terms), it will not reflect any subsequent changes to the Mortgage Loan Portfolio between the Cut Off Date and the Issue Date or thereafter. It is expected that the constitution of the Mortgage Loan Portfolio will frequently change due to, for instance:

(a) the Seller selling additional Mortgage Loans and their Related Security (or Mortgage Loans of New Product Types and their Related Security) to the LLP;

(b) New Sellers acceding to the Transaction and selling Mortgage Loans and their Related Security to the LLP (or Mortgage Loans of New Product Types and their Related Security);

(c) payments by the Borrowers on those Mortgage Loans; and

(d) the Seller repurchasing Mortgage Loans and their Related Security in accordance with the Mortgage Sale Agreement, in particular, in relation to non-compliance with the Representations and Warranties and in the case of a Further Advance or Product Switch (see "Summary of the Principal Documents - The Mortgage Sale Agreement - Repurchase by the Seller").

There is no assurance that the characteristics of the New Mortgage Loans sold to the LLP on any Transfer Date will be the same as those of the Mortgage Loans in the Mortgage Loan Portfolio as at the relevant Transfer Date or as described in this Base Prospectus or in any Final Terms. However, each Mortgage Loan will be required to meet, on the date of its sale to the LLP, the Eligibility Criteria and the Seller will also be required to make the Representations and Warranties set out in the Mortgage Sale Agreement on such date – see "Summary of the Principal Documents – Mortgage Sale Agreement – Sale by the Seller of Mortgage Loans and Related Security" (although the Eligibility Criteria and Representations and Warranties may change in certain circumstances – see "The Bond Trustee and the Security Trustee may agree to modifications to the Programme Documents without, respectively the Covered Bondholders' or Secured Creditors' prior consent" above). In addition, the Asset Coverage Test is intended to ensure that the Adjusted Aggregate Mortgage Loan Amount is an amount equal to or in excess of the aggregate Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding and the Cash Manager will provide monthly reports that will, amongst other things, set out certain information in relation to the Asset Coverage Test and selected portfolio statistics.

Fixed charges may take effect under English law as floating charges

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

The law in England and Wales relating to the characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the LLP may take effect under English law as floating charges only, if, for example, it is determined that the Security Trustee does not exert sufficient control over the Charged Property for the security to be said to constitute fixed charges. If the charges take effect as floating charges instead of fixed charges, then, ordinarily as a matter of law, certain claims would have priority over the claims of the Security Trustee in respect of the floating charge assets.

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

Liquidation Expenses

For all liquidations commenced after 6 April 2008, the costs and expenses of the liquidation (including certain tax charges) will be payable out of floating charge assets in priority to the claims of a floating
charge holder. This change has been brought about by section 1252 of the Companies Act 2006 which reverses the decision of the House of Lords in the case of Leyland Daf [2004] UKHL 9. For those liquidation expenses that are categorised as litigation expenses, approval from those creditors who have a claim in the property comprised in or subject to a floating charge will be required or alternatively, in some cases, approval will be required from the court. Floating charge realisations upon the enforcement of the floating charge security granted by the LLP would be reduced by the amount of any liquidation expenses.

**Maintenance of Portfolio**

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

Alternatively, Clydesdale (in its capacity as Member of the LLP) may make a Cash Capital Contribution to the LLP pursuant to the LLP Deed in order to ensure that the LLP is in compliance with the Asset Coverage Test. If a breach of the Asset Coverage Test occurs on a Calculation Date and is not remedied on the next following Calculation Date, the Bond Trustee will be required to serve an Asset Coverage Test Breach Notice on the LLP and the Issuer (which for so long as such Asset Coverage Test Breach Notice has not been revoked will, require the LLP to, amongst other things, sell Selected Mortgage Loans (as to which, see “Summary of the Principal Documents – LLP Deed – Sale of Selected Mortgage Loans and their Related Security following service of an Asset Coverage Test Breach Notice”). If an Asset Coverage Test Breach Notice has been served but not revoked on or before the third Calculation Date after service of such Asset Coverage Test Breach Notice, an Issuer Event of Default will occur. There is no specific recourse by the LLP to the Seller in respect of the failure to sell Mortgage Loans and their Related Security to the LLP nor is there any specific recourse to Clydesdale if it does not make Cash Capital Contributions to the LLP.

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

If the aggregate collateral value of the Mortgage Loan 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 Mortgage Loan 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. Failure to satisfy the Amortisation Test on any Calculation Date following an Issuer Event of Default will constitute an LLP Event of Default, thereby entitling the Bond Trustee to accelerate the Covered Bonds against the Issuer (to the extent not already accelerated against the Issuer) and accelerate the LLP’s obligations under the Covered Bond Guarantee against the LLP subject to and in accordance with the Conditions.

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

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

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

If an Asset Coverage Test Breach Notice is served on the Issuer and the LLP or a Notice to Pay is served on the LLP (and, in the case of an Asset Coverage Test Breach Notice, for so long as such notice has not been revoked), then the LLP will be obliged to sell Selected Mortgage Loans and their Related Security (selected on a random basis) in order to remedy a breach of the Asset Coverage Test or to make payments to the LLP’s creditors including payments under the Covered Bond Guarantee (see "Summary of the Principal Documents – LLP Deed – Sale of Selected Mortgage Loans and their Related Security following service of an Asset Coverage Test Breach Notice – Sale of Selected Mortgage Loans and their Related Security following service of a Notice to Pay").

There is no guarantee that in such circumstances a buyer will be found to buy Selected Mortgage Loans and their Related Security at the times required and there can be no guarantee or assurance as to the price which may be able to be obtained, which may affect payments under the Covered Bond Guarantee. However (a) if a Notice to Pay has been served, the Selected Mortgage Loans may not be sold by the LLP for less than an amount equal to the Adjusted Required Redemption Amount for the relevant Series of Covered Bonds until six months prior to (i) the Final Maturity Date in respect of such Covered Bonds (in the case of a Series of Hard Bullet Covered Bonds); or (ii) the Extended Due for Payment Date under the Covered Bond Guarantee in respect of such Covered Bonds (in the case of a Series of Extendable Maturity Covered Bonds); and (b) if an Asset Coverage Test Breach Notice has been served (and has not been revoked) the Selected Mortgage Loans may not be sold by the LLP for less than an amount equal to the sum of (i) their aggregate Current Principal Balance; and (ii) the aggregate of the swap termination amounts payable under the TRS by the LLP (if any) in respect of such Selected Mortgage Loans which are to be sold.

In the six months prior to, as applicable, the Final Maturity Date (in the case of a Series of Hard Bullet Covered Bonds) or the Extended Due for Payment Date (in the case of a Series of Extendable Maturity Covered Bonds), the LLP is obliged to sell the Selected Mortgage Loans for the best price reasonably available notwithstanding that such price may be less than the Adjusted Required Redemption Amount. If the Selected Mortgage 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 make payment in respect of the Covered Bonds.

On the Final Maturity Date of a Series of Covered Bonds or, if applicable, on each Interest Payment Date after service of a Notice to Pay on the LLP up to and including the Extended Due for Payment Date for such Series of Covered Bonds, the LLP will apply Available Revenue Receipts and Available Principal Receipts to redeem or repay in part the relevant Series of Covered Bonds, to the extent that the LLP has sufficient monies available to make such payments in accordance with the Guarantee Priority of Payments. Such amounts will include the sale proceeds of Selected Mortgage Loans (including any excess sale proceeds resulting from the sale of Selected Mortgage Loans sold in respect of another Series of Covered Bonds) and all principal repayments received on the Mortgage Loans in the Mortgage Loan Portfolio generally. This may adversely affect later maturing Series of Covered Bonds if the Selected Mortgage Loans sold to redeem or repay in part 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 Mortgage Loan Portfolio (such as Principal Receipts) to redeem that earlier maturing Series of Covered Bonds.

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

If the Pre-Maturity Test is breached the LLP will be obliged to sell Selected Mortgage Loans and their Related Security in order to enable the LLP to pay the Final Redemption Amount on a Hard Bullet Covered Bond under the Covered Bond Guarantee in the event of the occurrence of an Issuer Event of Default and the service of an Issuer Acceleration Notice. In the event that the Pre-Maturity Test is breached in relation to a Series of Hard Bullet Covered Bonds less than six months prior to the Final Maturity Date of that Series of Hard Bullet Covered Bonds and the LLP is unable to sell sufficient Selected Mortgage Loans and their Related Security within a specified period of time, an Issuer Event of Default will occur.
There is no guarantee (i) that a suitable buyer will be found to acquire Selected Mortgage Loans and their Related Security, or (ii) that the Selected Mortgage Loans and their related Security may be refinanced, in each case, at the times required and there can be no guarantee or assurance as to the price which may be able to be obtained, such circumstances may affect payments under the Covered Bond Guarantee.

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

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

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

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

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

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

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

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

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

(d) changes to the lending criteria of the Seller;

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

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

(g) limited recourse to the Seller;

(h) possible regulatory changes by the Office of Fair Trading, the FSA and other regulatory authorities;

(i) regulations in the United Kingdom that could lead to some terms of the Mortgage Loans being unenforceable; and

(j) other issues which impact on the enforceability of the Mortgage Loans.

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

New Sellers which are members of the NAB Group may in the future accede to the Programme and sell Mortgage Loans and their Related Security to the LLP. However, this would only be permitted if the conditions precedent relating to the 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 Mortgage 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 Mortgage Loans originated by the Seller. If the lending criteria differ in any way that affects the creditworthiness of the Mortgage Loans in the Mortgage Loan Portfolio, that may lead to increased defaults by Borrowers and may affect the realisable value of the Mortgage Loan Portfolio or any part thereof or the ability of the LLP to make payments under the Covered Bond Guarantee. As noted above, however, Defaulted Mortgage Loans in the Mortgage Loan Portfolio will be given a reduced weighting for the purposes of the calculation of the Asset Coverage Test.

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

Following a breach of the Pre-Maturity Test and/or the occurrence of an Issuer Event of Default, the service of an Asset Coverage Test Breach Notice (which has not been revoked), the service of an Issuer Acceleration Notice and the service of a Notice to Pay (but prior to the service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP), the LLP will be obliged to sell Selected Mortgage Loans and their Related Security to third party purchasers, subject to a right of pre-emption enjoyed by the Seller pursuant to the terms of the Mortgage Sale Agreement (see "Summary of the Principal Documents – LLP Deed – Method of Sale of Selected Mortgage Loans and their Related Security"). In respect of any sale of Selected Mortgage Loans and their Related Security to third parties, however, the LLP will not be permitted to give representations, warranties or indemnities in respect of those Selected Mortgage Loans and their Related Security (unless expressly permitted to do so by the Security Trustee). There is no assurance that the Seller would give any warranties or representations in respect of the Selected Mortgage Loans and their Related Security. Any Representations and Warranties previously given by the Seller in respect of the Mortgage Loans in the Mortgage Loan Portfolio may not have value for a third party purchaser if the Seller is then insolvent. Accordingly, there is a risk that the ability of the LLP to sell Selected Mortgage Loans and their Related Security could be adversely affected by the lack of representations and warranties which in turn could adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee.

Default by Borrowers in paying amounts due on their Mortgage Loans

Borrowers may default on their obligations due under the Mortgage Loans. Defaults may occur for a variety of reasons. The Mortgage 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, such as changes in the general economic conditions affecting the United Kingdom real estate markets and consumer-owned real estate markets, such as: volatility in interest rates; lack of liquidity in wholesale funding markets in periods of stressed economic conditions, economic or political crisis; illiquidity and downward price pressure; commencement of recession and employment fluctuations; consumer perception as to the continuing availability of credit and price competition which may have an adverse impact on delinquency and repossession rates. Other factors in Borrowers' individual, personal or financial circumstances may affect the ability of Borrowers to repay the Mortgage Loans. Loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by and bankruptcies of Borrowers, and could ultimately have an adverse impact on the ability of Borrowers to repay the Mortgage Loans. In addition, the ability of a Borrower to sell a property given as security for a Mortgage Loan at a price sufficient to repay the amounts outstanding under that Mortgage 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.
The Current Principal Balance of any Defaulted Mortgage Loans in the Mortgage Loan Portfolio will be given a reduced weighting for the purposes of any calculation of the Asset Coverage Test and the Amortisation Test.

**Measures aimed at providing relief for home owners**

The UK Government has been introducing a number of measures aimed at providing relief for home owners, including the Homeowners Mortgage Support Scheme and the Pre-Action Protocol for mortgage possession cases (see further "Mortgage Loan Portfolio – Regulation of the UK Mortgage Market").

There may be adverse consequences for Covered Bondholders as a result of the introduction or implementation of measures aimed at providing relief for home owners. The participation by the Issuer in any such schemes and compliance with the Pre-Action Protocol may have an adverse effect on the collection of interest on the Loans, the timing of enforcement of the Mortgages and accordingly on the Issuer’s financial condition. As a result of this, there can be no assurance that any delay in starting and/or completing repossession actions by the LLP would not result in the amounts recovered being less than if the LLP did not allow any such delays (which may ultimately affect the ability of the LLP to make payments of interest and principal on the Covered Bonds under the Covered Bond Guarantee).

**Seller to initially retain legal title to the Mortgage Loans**

Each assignment by the Seller to the LLP of the benefit of the English Mortgage Loans and their Related Security (and each assignment by YBHL to the Seller of English Mortgage Loans and their Related Security to be assigned by the Seller to the LLP) will take effect in equity only until transfer of legal title. Each sale by the Seller of the Scottish Mortgage Loans and their Related Security to the LLP (and each sale by YBHL to the Seller of Scottish Mortgage Loans and their Related Security to be sold by the Seller to the LLP) will be given effect by Scottish Declarations of Trust (each such declaration of trust, a "Scottish Declaration of Trust" and together, the "Scottish Declarations of Trust") by the Seller or YBHL, as applicable by which the beneficial interest in such Scottish Mortgage Loans and their Related Security will be transferred to the LLP.

In each case this means that legal title to the Mortgage Loans and their Related Security assigned to the LLP will remain with the Seller or YBHL, as applicable, but the LLP will have all the other rights and benefits relating to ownership of each Mortgage Loan and its Related Security. The LLP will, however, have the right to demand that the Seller give it legal title to the Mortgage Loans and their Related Security in the limited circumstances described in "Summary of the Principal Documents – Mortgage Sale Agreement – Transfer of title to the Mortgage Loans to the LLP" and until such right arises the LLP will not give notice of the sale of the English Mortgage 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 English Mortgage Loans and their Related Security or take any steps to perfect its title to the Scottish Mortgage Loans and their Related Security. In addition, it may not be possible for there to be a legal assignment or assignation (as appropriate) of the benefit of those Insurance Policies in relation to which the LLP has acquired only an equitable interest or interest as beneficiary under a Scottish Declaration of Trust.

At any time during which the LLP does not hold legal title to the Mortgage Loans in the Mortgage Loan Portfolio or their Related Security and has not protected its interest in the Mortgage Loans and their Related Security by registration of a notice at the Land Registry, the following risks exist:

(a) **first**, if the Seller or YBHL wrongly sells a Mortgage 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 Mortgage Loan and its Related Security, then such person might obtain good title to the Mortgage 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 Mortgage Loan and its Related Security and it would not be entitled to payments by a Borrower in respect of that Mortgage Loan. However, the risk of third party claims obtaining priority to the interests of the LLP would be likely to be limited to circumstances arising from a breach by the Seller of its contractual obligations or fraud, negligence or mistake on the part of the Seller or the LLP or their respective personnel or agents;
(b) second, the rights of the LLP may be subject to the rights of the Borrowers against the Seller or YBHL, as applicable, such as rights of set-off, which occur in relation to transactions or deposits made between Borrowers and the Seller, and the rights of Borrowers to redeem their mortgages by repaying the Mortgage Loans directly to the Seller; and

(c) third, unless the LLP has perfected the assignment or assignation (as appropriate) of the Mortgage Loans (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 Mortgage Loan or Mortgage itself but would have to join the Seller (and YBHL, in relation to the Mortgage Loans originated by YBHL) as a party to any legal proceedings.

If the risks described in (a), (b) or (c) above were to occur, then the realisable value of the Mortgage Loan Portfolio or any part thereof and/or the ability of the LLP to make payments under the Covered Bond Guarantee may be affected.

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

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

**Value of the Mortgage Loan Portfolio**

The guarantee granted by LLP in respect of the Covered Bonds, will, *inter alia*, be backed by the LLP's interest in the Mortgage Loan Portfolio. Since the economic value of the Mortgage Loan Portfolio may increase or decrease, the value of the LLP's assets may decrease (for example if there is a general decline in property values). Neither the Issuer nor the LLP makes any representation, warranty or guarantee that the value of a Mortgaged Property will remain at the same level as it was on the date of the origination of the related Mortgage Loan or at any other time. The value of the Mortgage Loan Portfolio may have been significantly reduced by the overall decline in property values experienced by the residential property market in England, Wales and/or Scotland and may also be further reduced by any additional decline in such property values. This, ultimately, may result in losses to the Covered Bondholders if such security is required to be enforced.

**Payments on the Mortgage Loans**

Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal on the Mortgage Loans. These factors include changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, mortgage interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Other factors in Borrowers' personal or financial circumstances may also affect the ability of Borrowers to repay Mortgage Loans. Loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by, and bankruptcies of, Borrowers, and could ultimately have an adverse impact on the ability of Borrowers to repay Mortgage Loans.

The rate of prepayments on mortgage loans may be increased due to borrowers refinancing their Mortgage Loans and sales of Mortgaged Properties (either voluntarily by Borrowers or as a result of enforcement action taken), as well as the receipt of proceeds from buildings insurance and life assurance policies. The rate of prepayment of Mortgage Loans may also be influenced by the presence or absence of early repayment charges.
In addition, the ability of a Borrower to sell the Mortgaged Property relating to the relevant Mortgage Loans at a price sufficient to repay the amounts outstanding under such Mortgage Loans will depend upon a number of factors, including the availability of buyers for that property, the value of the property and property values and the property market in general at the time of such proposed sale. The downturn in the United Kingdom economy has had, and could continue to have, a negative effect on the housing market.

Further, the mortgage loan market in the United Kingdom is highly competitive. This competitive environment may affect the rate at which the Seller and YBHL originate new Mortgage Loans and may also affect the repayment rate of existing Mortgage Loans.

If the timing and payment of the Mortgage Loans is adversely affected by any of the risks described above, the ability of the LLP to make payments under the Covered Bond Guarantee could be reduced or delayed.

**Buy-to-Let Mortgage Loans**

The Mortgage Loan Portfolio may include Buy-to-Let Mortgage Loans, up to a maximum of 15 per cent. of the Mortgage Loan Portfolio (as calculated by reference to the then applicable aggregate Current Principal Balances as at the time of (and after taking into account) any sale of such Buy-to-Let Mortgage Loans into the Mortgage Loan Portfolio). The Borrower's ability to make payments in respect of a Mortgage Loan secured on such property is likely to depend on the Borrower's ability to lease the property on appropriate terms. This dependency on leasing income increases the likelihood, during difficult market conditions, that the rate of delinquencies and losses on such non-owner occupied properties will be higher than for Mortgage Loans secured by the Borrower's primary residence.

Upon enforcement of a Mortgage Loan in the Mortgage Loan Portfolio in respect of a property which is the subject of an existing tenancy, the Servicer may not be able to obtain vacant possession of that property, in which case the Servicer will only be able to sell the property as an investment property with one or more sitting tenants. This may affect (i) the amount that the Servicer could realise upon enforcement of the Mortgage and (ii) the speed at which such sale can be achieved. However, other than in the case of Scottish Mortgage Loans, the Servicer will have the ability to appoint a receiver of rent to collect any rents payable in respect of such property and apply them in payment of any interest and arrears accruing under that Mortgage Loan. If the timing and payment of the Buy-to-Let Mortgage Loans is adversely affected as described above, the ability of the LLP to make payments under the Covered Bond Guarantee could be reduced or delayed.

**The Lending Criteria**

Each of the Mortgage Loans in the Mortgage Loan Portfolio originated by the Seller or by YBHL will have been originated in accordance with the Seller's and (as applicable) YBHL's Lending Criteria applicable at the time of origination. Each of the Seller's and YBHL's Lending Criteria consider a variety of factors such as a potential Borrower's credit history, employment history and status and repayment ability, as well as the value of the Property to be mortgaged. In the event of the sale of any new Mortgage Loans and their Related Security to the LLP, representations and warranties will at such time be given by the Seller to the LLP and the Security Trustee that those new Mortgage Loans and their Related Security were originated in accordance with the Seller's or (as applicable) YBHL's Lending Criteria then applicable at the time of the origination of such new Mortgage Loans. However, each of the Seller and YBHL retain the right to revise its Lending Criteria as determined from time to time.

If any new Mortgage Loans which have been originated under revised Lending Criteria are then sold to the LLP pursuant to the terms of the Mortgage Sale Agreement, the characteristics of the Mortgage Loan Portfolio could at such time change. This could lead to a delay or reduction in the payments received by the Covered Bondholders under the Covered Bond Guarantee.

**Limited recourse to the Seller**

The LLP, the Bond Trustee and the Security Trustee will not undertake any investigations, searches or other actions on any Mortgage Loan or its Related Security and will rely instead on the Representations and Warranties given in the Mortgage Sale Agreement by the Seller in respect of the Mortgage Loans sold by the Seller to the LLP.
In the event of a material breach of any of the Representations and Warranties made by the Seller or if any of the Representations and Warranties proves to be materially untrue, in each case in respect of any Mortgage Loan and its Related Security sold by the Seller as at the Transfer Date of that Mortgage Loan, then the Seller will be required to remedy the breach within 28 Business Days of the Seller becoming aware of the same or of receipt by it of a notice from the LLP requiring the Seller to remedy the breach.

If the Seller fails to remedy the breach of a Representation and Warranty within such 28 Business Day period, then the Seller will be required (but only prior to the occurrence of an Issuer Event of Default) to repurchase on or before the next following Calculation Date (or such other date that may be agreed between the LLP and the Seller) the relevant Mortgage Loan and its Related Security and any other Mortgage Loans secured by the same Related Security or secured on the same Mortgaged Property that are included in the Mortgage Loan Portfolio, at their Current Principal Balance together with Accrued Interest and Arrears of interest and expenses payable as of the date of repurchase.

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

Regulatory Considerations

Financial Services Policy and Regulatory Risk of the Issuer

The Issuer is regulated in the United Kingdom and in other countries in which it raises funds or in respect of which it has some other connection. Regulations vary from country to country, and to differing degrees are designed to protect the interests of depositors, security holders and the banking and financial services system as a whole.

The Issuer’s financial performance and position could be affected by changes in the legal, regulatory, fiscal, monetary or other policies required by various regulatory authorities of the UK and foreign governments and international agencies. A number of changes are currently being influenced by public opinion (including banking sentiment) and changing stakeholder expectations of transparency, social responsibility and environmental impacts. The precise nature and impact of future changes in such policies are not predictable. Changes in regulations or regulatory policy could adversely affect one or more of the Issuer's businesses and could result in the incurring of substantial costs to comply.

In the UK, the FSA has recently implemented a more onerous set of regulations pertaining to the liquidity of financial institutions in response to the main failures of liquidity risk management that have become apparent during the recent difficulties in the global markets.

The FSA's current responsibilities are to be reallocated between the Prudential Regulatory Authority (a subsidiary of the Bank of England) and a new Financial Conduct Authority. In addition, the Independent Commission on Banking (the "ICB") completed its review of the UK banking system and published its final report on 12 September 2011. The ICB recommended (among other things) that: (i) the UK retail banking activities of a UK bank or building society should be placed in a legally distinct, operationally separate and economically independent entity (so-called "ring-fencing"); and (ii) the loss-absorbing capacity of ring-fenced banks and UK-headquartered global systemically important banks should be increased to levels higher than the Basel III proposals (See "Risk Factors – Basel III" below for more information). The UK Government responded to the ICB proposals in December 2011 and endorsed the ICB's proposals to ring-fence retail banking operations as part of a wider regulatory framework including capital and liquidity and effective macro- and micro-prudential supervision. The UK Government is expected to provide further details of its plans in the second quarter of 2012. Although it was not (as at the date of this Base Prospectus) possible to predict which of the ICB recommendations will be implemented by the UK Government and the manner of their implementation, changes to the structure of UK banks and an increase in the amount of loss-absorbing capital issued by UK banks may have a material impact on the Issuer’s results and financial condition.

Regulators are requiring many banks, including the Issuer, to develop recovery and/or resolution plans that show how the institution would propose to recover from a significant loss that threatened its viability.
as a stand alone entity. These plans include, but are not limited to, liquidity management, capital management, balance sheet reduction, repricing, cost reduction and asset disposal initiatives. If elements of the plan were implemented in response to a crisis, or preparatory actions relating to the plan were mandated by regulators, it is possible that some or all of these actions could have an adverse impact on the Issuer’s financial performance and position.

The International Accounting Standards Board ("IASB") are in the process of making changes to the rules which govern the accounting for financial instruments, insurance and leases. Exposure drafts have been issued which, after consideration of feedback, may be finalised as accounting standards. There is no certainty as to the effective date for these changes, and until such time as the accounting standards are issued, whether these changes will have a significant impact on the Issuer’s financial performance.

Bank Levy

In June 2010, the UK Government introduced a bank levy applicable to, inter alia, certain banks and building societies and UK operations of foreign banks. The bank levy is charged each year by reference to balance sheets at the end of the relevant chargeable period. In accordance with accounting standards no provision was made for the bank levy in the accounts to 31 March 2012. The 2012 bank levy will be based on the size and makeup of the Issuer’s balance sheet at 30 September 2012 so it is not possible to predict with certainty the final 2012 liability. The 2011 liability, based on the 30 September 2011 balance sheet position, was £3 million. The full rate from 1 January 2012 will be 0.088 per cent and from 1 January 2013 will be 0.105 per cent.

Basel III

In December 2009, the Basel Committee on Banking Supervision (the "Basel Committee") put forward proposals for a capital and liquidity reform package ("Basel III") which may result in some fundamental changes to regulatory capital and liquidity standards for credit institutions. These proposals were approved by the Basel Committee in July 2010 and include changes to the definition of ‘capital’, new definitions for the calculation of counterparty credit risk and leverage ratios additional capital buffers and development of a global liquidity standard.

Member countries will be required to implement the new capital standards from January 2013, the new Liquidity Coverage Ratio from January 2015 and the Net Stable Funding Ratio from January 2018. The European authorities have indicated that they support the work of the Basel Committee on the approved changes in general, and the European Commission's corresponding proposals to implement the changes (through amendments to the Capital Requirements Directive known as "CRD IV") were presented in the second half of 2011. The changes approved by the Basel Committee may have an impact on incentives to hold the Covered Bonds for investors that are subject to requirements that follow the revised framework and, as a result, they may affect the liquidity and/or value of the Covered Bonds.

In general, investors should consult their own advisers as to the regulatory capital requirements in respect of the Covered Bonds and as to the consequences to, and effect on, such investors of any of the Basel III changes described above and the relevant implementing measures. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

The Banking Act 2009

The Banking Act 2009 (the "Act") came into force on 21 February 2009. The Act creates a special resolution regime (the "SRR") which provides HM Treasury, the Bank of England and the Financial Services Authority (the "Authorities") with a variety of tools for dealing with UK institutions which are authorised deposit takers (such as Clydesdale) and are failing and in certain circumstances, their holding companies. The Act replaces the emergency powers contained in the Banking (Special Provisions) Act 2008 (which powers ceased to be exercisable on 21 February 2009, when the Act came into force).

The Act enables the Authorities, in specified circumstances, to: (i) take a bank or a bank holding company (irrespective of the financial condition of the bank holding company) into temporary public ownership ("TPO"); (ii) transfer all or part of the business of a bank to a private sector purchaser ("PSP"); or (iii) transfer all or part of the business of a bank to a bridge bank owned by the Bank of England ("Bridge Bank"). The SRR also comprises a new insolvency procedure and a new administration procedure, each of specific application to banks. In addition, it should be noted that the Investment Bank Special
Administration Regulations 2011 provide for modifications to the bank insolvency and bank administration procedures in certain circumstances where the UK deposit taking institution is also an investment bank.

TPO and PSP transfers may be affected via a compulsory transfer of securities in the affected entity (which includes covered bonds). PSP and Bridge Bank transfers may be affected via a compulsory transfer of the affected entity's assets and liabilities (which includes Covered Bonds).

SRR transfers are subject to the satisfaction of two general conditions. In summary, the FSA must determine that: (i) the bank is failing or likely to fail to meet its regulatory threshold conditions (within the meaning of section 41(1) of FSMA); and (ii) having regard to timing and other relevant circumstances, it is not reasonably likely that (ignoring the stabilisation powers under the Act) action will be taken by or in respect of the bank that will enable the bank to satisfy the threshold conditions (ignoring for this purpose, HM Treasury or Bank of England financial assistance). There are additional trigger conditions that must be satisfied, the nature of which depends on the nature of the transfer and certain statutory objectives to which the Authorities must have regard in operating the SRR.

SRR transfers under the Act may impact the rights of transferors and third parties in relation to the affected institution. Legal or contractual rights which would operate to inhibit the transfer or which would otherwise be triggered by the transfer (and certain related events) can be disregarded and SRR transfers can take effect free from trusts, liabilities or other encumbrances. A PSP or Bridge Bank transfer may involve a partial transfer of the affected institution's property, which could lead to the rights and obligations of counterparties of the affected institution being split between the transferor and transferee entity (although the Act and the Banking Act 2009 (Restriction of Partial Property Transfers) Order 2009 (as amended) do restrict partial property transfers to some extent, including, for example, protection such that certain partial property transfers may not provide for the transfer of some, but not all, of the property, rights and liabilities which are, or form part of, a capital market arrangement to which the banking institution is a party and such that certain partial property transfers may not transfer the property or rights against which the liability is secured unless that liability and the benefit of the security are also transferred (and vice versa)).

The Act confers wide-ranging ancillary powers on the Authorities to enable SRR transfers and to ensure the continuity of the transferred business. In particular, HM Treasury is given the power to change the law, either generally or specifically and with immediate or with retrospective effect, if HM Treasury considers it is necessary or desirable in order to make a power under the SRR more effective. The Act includes provisions to effect the payment of compensation to transferors under an SRR transfer and to third parties. In general, there is considerable uncertainty about the scope of the powers afforded to the Authorities under the Act and how the Authorities may choose to exercise them.

If an instrument or order were made under the Act in respect of Clydesdale, such instrument or order (as the case may be) may (amongst other things) affect Clydesdale's ability to satisfy its obligations under the Programme Documents and/or (i) result in a compulsory transfer of the Covered Bonds or other securities or property of Clydesdale, (ii) impact on the rights of the Covered Bondholders or result in the nullification or the modification of the Terms and Conditions of the Covered Bonds or the Programme Documents and/or (iii) result in the de-listing of the Covered Bonds. In particular, modifications may be made pursuant to powers permitting certain trust arrangements to be removed or modified and/or via powers which permit provisions to be included in an instrument or order that such instrument or order (and certain related events) be disregarded in determining whether certain widely defined "default events" have occurred (which events would include certain trigger events included in the Programme Documents in respect of Clydesdale, including certain trigger events in respect of perfection of legal title to the Mortgage Loans and certain Issuer Events of Default). Accordingly, the making of an instrument or order in respect of Clydesdale may restrict the ability of parties to the Programme Documents (including the Security Trustee) to take action as provided for by the terms of such Programme Documents. Moreover, other than in the context of certain property transfers, nullification or modifications may be made to contractual arrangements between certain group companies for the purposes of continuity of service (including between Clydesdale, YBHL and the LLP). If an instrument or order were to be made under the Act in respect of Clydesdale, such action may affect various other aspects of the transaction, including resulting in modifications to default event provisions included in the Programme Documents as described above and, more generally, the ability of such parties to perform their obligations under the Programme Documents. As a result, the making of an instrument or order in respect of Clydesdale may negatively
affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee and/or the ability of Clydesdale to meet its obligations in respect of the Covered Bonds.

In addition, in the case of a partial transfer of the business of Clydesdale or a relevant entity associated with Clydesdale, the quality of the assets and the quantum of the liabilities not transferred and remaining with Clydesdale or such relevant entity may result in a deterioration in its creditworthiness and increase the risk of insolvency.

As at the date of this Prospectus, no instruments or orders have been made under the Act in respect of Clydesdale 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 or that Covered Bondholders will not be adversely affected by any such instrument or order if made in the future.

**Financial Services Compensation Scheme**

The Financial Services Compensation Scheme (the "FSCS") was created under the Financial Services and Markets Act 2000 and is the United Kingdom's statutory fund of last resort for customers of authorised financial services firms. The FSCS can pay compensation to customers if a firm is unable, or likely to be unable, to pay claims against it. The FSCS protects claims in respect of deposits, insurance policies, insurance broking, investment business and home finance (for business on or after 31 October 2004). However, there are limits to the protection available under the FSCS which apply per person per firm, and per claim category.

The FSCS raises annual levies from the banking industry to meet its management expenses and compensation costs. Individual institutions make payments based on, amongst other things, their level of market participation (in the case of deposits, the proportion that their protected deposits represent of total market protected deposits) at 31 December each year. If an institution is a market participant on this date it is obligated to pay a levy. The Issuer was a market participant at 31 December 2011. Following the failure of a number of financial institutions, the FSCS has raised borrowings from the UK Government to cover compensation in relation to protected deposits. In the interim the FSCS has estimated levies due for the year to 31 March 2013 from the banking industry to support interest payments on the borrowings, and an accrued expense of £11 million was held as at 31 March 2012 by the Issuer for its calculated liability for this period. Whilst the FSCS intends to use recoveries from the failed institutions with respect to the principal repayments if the assets of the failed institutions are insufficient to repay the UK Government loan, additional levies will become payable in future periods. The ultimate cost to the industry, which will also include the cost of any compensation payments made by the FSCS and, if necessary, the cost of meeting any shortfall after recoveries on the borrowings entered into by the FSCS (and therefore the level of the Issuer's exposure in relation to such costs), remains uncertain. In the event that the FSCS raises levies from the authorised firms, raises those levies more frequently or significantly increases the levies to be paid by such firms, the associated costs to the Issuer may have a material impact on the Issuer's results of operations and financial condition. Potential changes to the FSCS arrangements with the potential to require the Issuer to incur additional costs or expose the Issuer to risks may arise from ongoing discussions at the national and European Union levels around the future design of deposit protection schemes, including but not limited to potentially increasing the level of protection which is accorded to deposits and/or moving to pre-funding of compensation schemes.

**UK Government Credit Guarantee Scheme**

On 8 October 2008 the UK Government announced measures to ensure the stability of the financial system and protect ordinary savers, depositors, businesses and borrowers. On 13 October 2008 the UK Government announced the details of its 2008 Credit Guarantee Scheme for UK incorporated banks' and building societies' debt issuance (the "Scheme").

The UK Government has indicated that certain debt instruments, including UK covered bonds, are not covered by the guarantee provided under the Scheme. Therefore, potential investors should note that the obligations of the Issuer in respect of the Covered Bonds (and, for the avoidance of doubt, the obligations of the LLP under the Covered Bond Guarantee) are not guaranteed by the UK Government under the Scheme.

The Scheme was closed to new issuances from 28 February 2010.
In addition, any investment in the Covered Bonds does not have the status of a bank deposit in England and Wales, or Scotland, and is not within the scope of the UK Financial Services Compensation Scheme.

The RCB Regulations

The Issuer has applied to the FSA for admission to the register of issuers and for the Programme and for the Covered Bonds issued under the Programme prior to the date of admission to be admitted to the register of regulated covered bonds under the RCB Regulations. The Issuer was admitted to the register of issuers on 1 December 2010 and the Programme and the Covered Bonds issued under the Programme were admitted to the register of regulated covered bonds under the RCB Regulations.

The new legislative framework for UK covered bonds implemented by the RCB Regulations is intended to meet the requirements set out in Directive 85/611/EEC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities, as amended (the "UCITS Directive"). The FSA must, in such manner and at such times as it may determine, notify the European Commission of an issuer's inclusion in the register of issuers, a covered bond included in the register of regulated covered bonds and the status of the guarantee offered in respect of such covered bonds once the registration process in respect of that issuer and its covered bond programme has been successfully completed.

The RCB Regulations and the RCB Sourcebook impose certain ongoing obligations and liabilities on both the Issuer and the LLP. In this regard, the LLP is required to, amongst other things, following the insolvency of the Issuer, make arrangements for the maintenance and administration of the asset pool, to ensure compliance with certain asset capability and quality related requirements. Following the occurrence of an Issuer Event of Default or a LLP Event of Default (which is continuing at the relevant Transfer Date), Mortgage Loans and their Related Security will not be sold to the LLP. This may affect the ability of the LLP to comply with, inter alia, such quality related requirements.

Actions by the FSA in relation to the Issuer may adversely affect the ability of the Issuer or the LLP to meet their respective obligations to investors. An example of such action may include restricting the Issuer's ability to transfer further Mortgage Loans to the Mortgage Loan Portfolio.

The FSA has the authority to take certain actions in respect of the Issuer and/or the LLP under the RCB Regulations. Such actions include directing the winding-up of the LLP, removing the Issuer from the register of issuers, directing the Issuer and/or the LLP to take specified steps for the purposes 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. Additionally, the FSA may take certain actions in respect of issuers using its general powers under the UK regulatory regime (including restricting an issuer's ability to transfer further assets to the asset pool). To date there is no example and/or clarity as to how the FSA will exercise the discretionary powers that it has been given under the RCB Regulations. There is a risk that any such enforcement actions by the FSA may reduce the amounts available to pay Covered Bondholders. In particular, a winding up of the LLP, prior to the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice may have an adverse effect on the ability of the Issuer to make payments under the Covered Bonds.

On 30 November 2011, the UK Government published the Regulated Covered Bonds (Amendment) Regulations 2011 (SI 2011/No 2859) (the "Amendment Regulations"). The Amendment Regulations contain a number of changes to the regulations applicable to covered bond programmes falling under the RCB Regulations, including: (i) a fixed minimum over-collateralisation requirement for principal and fixed minimum coverage requirement for interest, whereby the total principal amounts outstanding on the mortgage assets constituting eligible property in the asset pool will be required to be more than the total principal amounts outstanding in relation to the regulated covered bonds by at least 8 per cent. and a minimum threshold will apply in respect of interest amounts such that 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 will be required to be not less than the interest which would be payable in relation to the regulated covered bonds in that period; (ii) increased investor reporting requirements, including the supply of loan-level information; and (iii) an enhanced asset pool monitor role, whereby the role of the asset monitor will be formalised within the RCB Regulations and will require the asset pool monitor, 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 FSA (with additional reporting requirements in the case of issuer non-compliance). The Amendment Regulations will come into force on 1 January 2013.
With respect to the risks referred to above, see also the sections "Cashflows" and "Description of the RCB Regulations" below for further details.

**Regulatory Developments in the UK Mortgage Market**

**CCA 2006**

If a Mortgage Loan subject to the unfair relationship test is found to be unfair, the court may require the creditor to repay sums to the debtor, to do, not do or cease doing anything in relation to the agreement, reduce or discharge any sums payable by the debtor or surety, return to a surety any security provided by him, alter the terms of the agreement, direct accounts to be taken or otherwise set aside any duty imposed on the debtor or surety. The term creditor as defined under section 189 of the CCA means the person providing the credit under a consumer credit agreement or the person to whom his rights and duties under the agreement have passed by assignment or operation of law. Given that the LLP has taken only an assignment of rights (and not obligations) it is not clear whether the LLP would fall within the definition of a "creditor" under the CCA for these purposes. However, an order made by the court pursuant to Section 140B of the CCA may adversely affect the Issuer's ability to make payments in full on the Covered Bonds when due and LLP's ability to make payments in relation to the Covered Bond Guarantee when due. See further "Mortgage Loan Portfolio – Regulation of the UK Residential Mortgage Market – Unfair relationships under the CCA".

**MCOB**

Failure to comply with the provisions of the FSA's Mortgages and Home Finance: Conduct of Business sourcebook ("MCOB") will not render any Regulated Mortgage Contracts unenforceable. However, breaches of the rules in MCOB are actionable by Borrowers who suffer loss as a result of the contravention. A breach could therefore give rise to a claim by a Borrower to set off sums due under a Regulated Mortgage Contract (or exercise analogous rights in Scotland). In addition under section 126 of the CCA, a land mortgage securing a Regulated Mortgage Contract is only enforceable by a court order if the credit agreement would, apart from the exemption in Section 16(6C) of the CCA, be a regulated agreement or treated as such. However, Regulated Mortgage Contracts will be unenforceable if, when entered into, they are advised upon, arranged (e.g. by a mortgage intermediary) or entered into by a person which is not authorised or exempt. The Seller is authorised by the FSA to carry out such regulated activities as stated above. and YBHL is authorised to enter into Regulated Mortgage Contracts as lender. Qualifying credit agreements (which would include both Regulated Mortgage Contracts and unregulated agreements originated by Clydesdale and YBHL) will also be unenforceable if they are originated as a result of a financial promotion in relation to which there has been a contravention of Section 21(1) of the FSMA. In both cases a court may allow the qualifying credit agreement, in question to be enforced against the Borrower if it considers it just and equitable to do so in the circumstances of the particular case. See further "Mortgage Loan Portfolio – Regulation of the UK Residential Mortgage Market – Mortgage Loans regulated by the FSA under the FSMA".

As a result of changes to MCOB (see further "Mortgage Loan Portfolio – Regulation of the UK Residential Mortgage Market – Mortgage Market Review"), the new rules may operate in certain circumstances to require the Servicer to take certain forbearance-related actions which may not be contemplated in the Programme Documents (and, in particular, the asset servicing arrangements contemplated by such Programme Documents) in respect of one or more Mortgage Loans and their Related Security. No assurance can be made that any such actions will not adversely affect the LLP's ability to make payments in full when due on the Covered Bonds, although the impact of this will depend on the number of Mortgage Loans which involve a Borrower who experiences payment difficulties.

**Distance Marketing of Financial Services**

With effect from 31 October 2004, the Distance Marketing of Financial Services Directive (2002/65/EC) (the "DMD") has been implemented in the United Kingdom by way of amendments to MCOB generally in relation to Regulated Mortgage Contracts and the Financial Services (Distance Marketing) Regulations 2004 (SI 2004/2095) (the "Regulations") in relation to other mortgage loans. For the purposes of the Regulations, a distance contract means "any contract concerning one or more financial services concluded between a supplier and a consumer under an organised distance sales or service provision scheme run by the supplier or by an intermediary, who, for the purposes of that contract, makes exclusive use of one or
more means of distance communication up to and including the time at which the contract is concluded”. A similar definition is adopted in MCOB.

The Regulations and MCOB require suppliers of financial services by way of distance communication to provide certain information to consumers. This information generally has to be provided before the consumer is bound by a distance contract for supply of the financial services in question and includes, but is not limited to, general information in respect of the supplier and the financial service; contractual terms and conditions; and (in the case of Regulations) whether or not there is a right of cancellation. The right of cancellation will not apply to (a) generally, Regulated Mortgage Contracts or (b) (if the Borrower received the prescribed pre-contract information on time) other contracts for financial services where (i) the price of the service depends on fluctuations in the financial market outside the supplier's control, which may occur during the cancellation period; (ii) the supplier provides credit to a consumer and the consumer's obligation to repay is secured by a legal mortgage on land; or (iii) it is a restricted use credit agreement (within the meaning of the CCA) to finance the purchase of land or an existing building, or an agreement for a bridging loan in connection with the purchase of land or an existing building. The right of cancellation will apply to other Mortgage Loans. If the right of cancellation applies (for want of prescribed pre-contract information on time or otherwise), and if the Borrower cancels the credit agreement, then the Borrower is liable to repay the principal and, subject to conditions, to pay interest and charges, and any security for the cancelled agreement is treated as never having taken effect. The above provisions may be enforced by way of injunction (interdict in Scotland) and any breach may render the Seller and possibly its officers liable to a fine.

If a significant portion of the Mortgage Loans are characterised as being cancellable under the Regulations, then there could be an adverse effect on the Issuer and the LLP, which could affect the ability of the LLP to make payments under the Covered Bond Guarantee.

Home Owner and Debtor Protection (Scotland) Act 2010

Part 1 of the Home Owner and Debtor Protection (Scotland) Act 2010 (the "2010 Act"), came into effect on 30 September 2010 and contains provisions imposing additional requirements on heritable creditors (the Scottish equivalent to mortgagees) in relation to the enforcement of standard securities over residential property in Scotland. The 2010 Act amends the sections of the Conveyancing and Feudal Reform (Scotland) Act 1970 which permitted a heritable creditor to proceed to sell the secured property where the formal notice calling up the standard security had expired without challenge (or where a challenge had been made but not upheld). Under the 2010 Act the heritable creditor is now required to obtain a court order to exercise its power of sale, unless the borrower and any other occupier have surrendered the property voluntarily. In addition, the 2010 Act requires the heritable creditor in applying for a court order to demonstrate that it has taken various preliminary steps to resolve the borrower's position, as well as imposing further procedural requirements. This may restrict the ability of the Seller as heritable creditor of the Scottish Mortgages to exercise its power of sale or affect the ability of the LLP to make payments under the Covered Bond Guarantee and this could affect the Issuer's ability to make payments on the Covered Bonds.

Mortgage Repossession (Protection of Tenants etc) Act 2010

The Mortgage Repossession (Protection of Tenants etc) Act 2010 came into force on 1 October 2010. The Act gives courts in England and Wales the same power to postpone and suspend repossession for up to two months on application by an unauthorised tenant (i.e. a tenant in possession without the lender's consent) as generally exists on application by an authorised tenant. The lender has to serve notice at the property before enforcing a possession order.

This Act may have adverse effects in markets experiencing above average levels of possession claims. Delays in the initiation of responsive action in respect of the Mortgage Loans may result in lower recoveries and may adversely affect the ability of the LLP to make payments under the Covered Bond Guarantee. See also "Risk Factors – Measures aimed at providing relief for home owners".

UTCCR and Unfair Contract Terms Act 1977

In August 2002 the Law Commission for England and Wales and the Scottish Law Commission published a Joint Consultation Paper proposing changes to the Unfair Terms in Consumer Contracts Regulations 1999 (the "UTCCR"), including harmonising provisions of the UTCCR and the Unfair
Contract Terms Act 1977, applying the UTCCR to business to business contracts and revising the UTCCR to make them "clearer and more accessible". A final report was published in 2005. In July 2006, the Law Commission stated that the government accepted the recommendations subject to a regulatory impact statement. However, pending the development of the proposed Consumer Rights Directive, the Department for Business, Innovation and Skills has indicated that the Law Commission's recommendations are on hold at the moment. No assurances can be given that changes to the UTCCR, if implemented, or even changes to the Office of Fair Trading's (the "OFT") and FSA's guidance over time will not have an adverse effect on the Seller, the Issuer and/or the Servicer. See further "Mortgage Loan Portfolio – Regulation of the UK Residential Mortgage Market – Unfair Terms in Consumer Contracts Regulations 1999".

OFT irresponsible lending guidance

In August 2008, the OFT issued a consultation paper on the scope of its project looking at irresponsible lending. A further consultation on draft guidance was launched in July 2009. The guidance covers each stage of the lending process and a range of potential issues for lending, including identifying types of policies and procedures the OFT would expect lenders to put into practice and setting out some specific practices that the OFT considers to constitute irresponsible lending. The OFT published its guidance in March 2010. Where the OFT considers a practice to constitute irresponsible lending, there will be a risk of enforcement action against that lender. Enforcement action could include a penalty of up to £50,000 per instance of non-compliance or a variation of the consumer credit licence held. In serious cases, non-compliance with the guidance could result in a consumer credit licence being revoked altogether. Subsequently, in August 2010, the OFT published a summary of the main issues raised in its March 2010 guidance along with its view on those issues and also published an updated version of its guidance. In February 2011, the OFT made a number of limited amendments to this guidance, mainly to reflect the end of the transitional period for giving effect to the Consumer Credit (EU Directive) Regulations 2010. If the Originators were to be the subject of OFT action resulting in the revocation of their respective CCA licences, they may not be able to enforce any CCA Mortgage Loans in the Mortgage Loan Portfolio, which in turn may impact on the LLP's ability to make payments under the Covered Bond Guarantee.

Regulation under the FSMA

Authorisation by the FSA subjects the Originators to the full regulatory regime imposed by the FSMA and the FSA. In particular, the Seller is required to have in place full systems and controls, to ensure that those carrying out controlled functions are approved by the FSA, to maintain prescribed prudential ratios, and its activities and Regulated Mortgage Contracts will be subject to the Financial Ombudsman Service. The FSA has significant regulatory flexibility to alter its rules and to provide guidance on existing rules. No assurance can be given that the FSA will not change its rules or guidance or take a particular regulatory approach which may adversely affect the Seller's particular sector in the mortgage market or the Seller specifically. Any such development may have a material adverse effect on the LLP and/or the Issuer and/or the Servicer, as applicable, and their respective businesses and operations.

Under the FSMA, the Financial Ombudsman Service is required to make decisions on complaints relating to activities and transactions under its jurisdiction. As the Financial Ombudsman Service is required to make decisions on the basis of, inter alia, the principles of fairness, and may order a money award to the Borrower, it is not possible to predict how any decision of the Ombudsman would affect the Seller, the Issuer and/or the Servicer and their respective business and operations. See further "Mortgage Loan Portfolio – Regulation of the UK Residential Mortgage Market – Financial Ombudsman Service".

The Consumer Credit Directive

The Consumer Credit Directive (2008/48/EC) (the "Consumer Credit Directive") was adopted in April 2008 and took effect in the UK on 1 February 2011. It will regulate consumer credit agreements between EUR 200 and EUR 75,000 between credit providers and consumers entered into on or after 1 February 2011. Notably, however, the Consumer Credit Directive excludes a number of credit agreements from regulation including credit agreements secured by a mortgage (whether first or second mortgage) and credit agreements the purpose of which is to acquire or retain property rights in land. Given the recent implementation it is not yet certain what effect the UK implementation of the Consumer Credit Directive would have on the Seller, the Issuer and/or the Servicer and their respective businesses and operations.
EU initiative on Mortgage Credit

The European Commission began a review of the EU residential mortgage markets in 2003. Following a number of public consultations, research studies and other initiatives, the European Commission published a legislative proposal for a directive on credit agreements relating to residential property on 31 March 2011 (the "Proposed Directive"). The Proposed Directive will introduce certain requirements for the advertising of mortgage credit, ensure that all institutions involved in the origination and distribution of mortgage credit are adequately regulated and supervised, establish principles for the authorisation, registration and passporting of credit intermediaries, ensure that lenders benefit from access to information in credit databases on a non-discriminatory basis, increase information requirements of lenders and credit intermediaries, harmonise the calculation of annual percentage rate of charge in line with that set out in the Consumer Credit Directive and introduce a European Standardised Information Sheet to provide information to consumers.

As at the date of this Base Prospectus, the Proposed Directive is yet to be adopted by the European Parliament and the Council and implemented at national level. Until the Directive is adopted at European level and implemented at national level, it is not certain what effect such proposals would have on the Mortgage Loans, the Seller, the LLP and/or the Servicer and their respective businesses and operations, which may affect the Issuer's ability to make payments in full on the Covered Bonds when due.

General review of UK consumer law

In May 2008, the Department of Business, Enterprise and Regulatory Reform (now the Department for Business Innovation and Skills) published a consultation paper seeking views on whether and how it might reform UK consumer law. Specifically, comments were requested on whether consumer law should be consolidated in a single instrument, whether specific areas of legislation should be updated, and whether a review of UK consumer credit law should be undertaken. The consultation closed on 31 July 2008. In July 2009, the UK Government published a consumer White Paper "A Better Deal for Consumers" which sets out a new approach to consumer credit and aims to learn the lessons from the recent financial crisis and to help consumers make better borrowing decisions. No assurance can be given that any such reform of UK consumer law would not adversely affect the ability of the LLP to make payments under the Covered Bond Guarantee, the Seller, the Issuer and/or the Servicer and their respective businesses and operations.

Proposed changes to the licensing of consumer credit providers

The way in which providers of credit and related companies are licensed is expected to change in the United Kingdom, as demonstrated by a policy paper published by the government on 27 January 2012 announcing its decision to include provisions in the Financial Services Bill 2010-12 enabling it to transfer responsibility for the regulation of consumer credit from the OFT to a new regulatory body, the Financial Conduct Authority (the "FCA"). The FCA will be responsible for the conduct of business and ensuring that business across financial services markets is conducted in a way which advances the interests of all users and participants. HM Treasury proposes, inter alia, that the FCA will have power to render unenforceable contracts made in contravention of its product intervention rules, and that formalised cooperation will exist between the FCA and the Financial Ombudsman Service, particularly where issues identified potentially have wider implications. Until such changes take effect it is not certain what effect such proposals would have on the Mortgage Loans, the Seller, the LLP and/or the Servicer and their respective businesses and operations, which may affect the Issuer's ability to make payments in full on the Covered Bonds when due.

Legal and Other Considerations

EU Savings Directive

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

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

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any paying agent nor any other person would be obliged to pay additional amounts to the Covered Bondholders or to otherwise compensate the Covered Bondholders for the reduction in the amounts that they will receive as a result of the imposition of such withholding tax. However, the Issuer is required to maintain a paying agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Taxation of Savings Directive or any other directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 on the taxation of savings income.

Foreign Account Tax Compliance Act provisions of the Hiring Incentives to Restore Employment (HIRE) Act of 2010

In certain circumstances a portion of payments made on or with respect to Covered Bonds may be subject to U.S. reporting obligations which, if not satisfied, may require U.S. tax to be withheld.

The United States has passed legislation (the Foreign Account Tax Compliance Act provisions of the Hiring Incentives to Restore Employment (HIRE) Act of 2010, commonly referred to as "FATCA"), which generally will impose new information reporting and other requirements with respect to certain holders of "financial accounts", as such term is defined in the FATCA rules. Under FATCA, non-U.S. financial institutions generally will be required to enter into agreements with the IRS to identify financial accounts held by U.S. persons or non-U.S. entities with substantial U.S. ownership, as well as accounts of other "financial institutions" that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime. For these purposes, the term "financial institution" includes, among others, banks, insurance companies and funds that are engaged primarily in the business of investing, reinvesting or trading in securities, commodities or partnership interests. Covered Bonds issued prior to 1 January 2013 that are classified as debt for U.S. federal income tax purposes are generally exempt from these rules.

If a participating non-U.S. financial institution makes a relevant payment to an account holder that has not provided information requested to enable the institution to comply with its FATCA reporting obligations, or if the recipient of the payment is a non-participating non-U.S. financial institution (that is not otherwise exempt), the payor will be required to withhold 30% on all or a portion of the payment. The withholding tax on payments to a non-participating non-U.S. financial institution generally will apply whether the financial institution is receiving payments for its own account or on behalf of another person. Guidance issued by the IRS indicates an intention to promulgate regulations that, beginning in 2017, would treat, for example, a portion of payments of interest, principal and disposition proceeds on debt or equity issued by a participating non-U.S. financial institution as being subject to this withholding tax based on the percentage of the financial institution’s total assets that are U.S. assets.

If the Issuer or the LLP determines that it must comply with FATCA in order to receive certain payments free of withholding or for another FATCA related reason and were to enter into a reporting agreement with the IRS under the FATCA rules, an investor in Covered Bonds that is not a financial institution may be required to provide information to establish whether it is a U.S. person or is substantially owned by U.S. persons in order to establish an exemption from this withholding tax. An investor in Covered Bonds
that a financial institution may be required to establish whether it is a U.S. financial institution or a participating non-U.S. financial institution in order to establish such an exemption.

An investor that is a non-U.S. financial institution generally will be able to obtain a refund only to the extent an applicable income tax treaty with the United States entitles such institution to a reduced rate of tax on the payment that was subject to withholding under these rules, provided the required information is furnished in a timely manner to the IRS. Investors generally will not be entitled to interest from the IRS for the period prior to the refund. It is not entirely clear how income tax treaty exemptions apply to withholding on payments of principal or gross proceeds recognised on the sale or other disposition of Covered Bonds.

Financial institutions in jurisdictions that have entered into agreements with the United States and enacted legislation to collect and share information regarding account holders of financial institutions with the United States will generally be able to receive payments free of withholding under FATCA. The United Kingdom, the United States, France, Germany, Italy and Spain have announced their intention to enter into inter-governmental reciprocal information gathering and sharing agreements of this kind. It is not yet clear whether legislation implementing these agreements will be enacted in any jurisdiction nor is it entirely clear how any such legislation will impact the treatment of Covered Bonds under FATCA.

Investors will not be entitled to receive additional amounts or otherwise be compensated by the Issuer with respect to taxes withheld pursuant to FATCA.

This description of the FATCA rules is based on proposed regulations and preliminary guidance. Further guidance is anticipated prior to the effective date of these rules, which may significantly modify these rules as they apply to the Issuer and to investors. Investors should consult their own advisers about the application of FATCA to Covered Bonds, in particular if they may be classified as financial institutions under these rules.

Insolvency Act 2000

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

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

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

**Insolvency proceedings and subordination provisions**

The validity of contractual priorities of payments such as those contemplated in the Programme has been challenged in the English and U.S. courts. The hearings have arisen due to the insolvency of a secured creditor (in that case a swap counterparty) and have considered whether such payment priorities breach the "anti-deprivation" principle under English and U.S. insolvency law. This principle prevents a party from agreeing to a provision that deprives its creditors of an asset upon its insolvency. In the English proceedings it was argued that where a secured creditor subordinates itself to noteholders in the event of its insolvency, that secured creditor effectively deprives its own creditors. The Supreme Court of the United Kingdom in *Belmont Park Investments PTY Limited (Respondent) v BNY Corporate Trustee Services Limited and Lehman Brothers Special Financing Inc* [2011] UKSC 38 unanimously upheld the decision of the Court of Appeal in dismissing this argument and upholding the validity of similar priorities of payment, stating that, provided that such provisions form part of a commercial transaction entered into in good faith which does not have, as its predominant purpose or one of its main purposes, the deprivation of the property of one of the parties on bankruptcy, the anti-deprivation principle was not breached by such provisions.

In parallel proceedings in New York, Judge Peck of the U.S. Bankruptcy Court for the Southern District of New York granted Lehman Brothers Special Finance Inc.’s ("LBSF") motion for summary judgment on the basis that the effect was that the provisions infringed the anti-deprivation principle in a U.S. insolvency. Judge Peck acknowledged that this resulted in the U.S. courts coming to a decision "directly at odds with the judgment of the English Courts". In New York, whilst leave to appeal was granted, the case was settled before an appeal was heard.

It should be noted that on 8 February 2012, Belmont Park Investments PTY Limited and others commenced proceedings in the U.S. Bankruptcy Court in relation to Lehman Brothers Special Financing Inc. seeking an order recognising and enforcing the English judgment on noteholder priority. Declaratory relief that the noteholder priority is valid and that the collateral can be distributed accordingly and without liability to the trustee, is also being sought. Those proceedings remain pending and are subject to a request to be transferred to the District Court. This is an aspect of cross border insolvency law which remains untested. So whilst the priority issue is considered largely resolved in England and Wales, concerns still remain that the English and U.S. courts will diverge in their approach which, in the case of an unfavourable decision in the U.S., may adversely affect the Issuer's ability to make payments on the Covered Bonds.

There remains the issue whether in respect of the foreign insolvency proceedings relating to a creditor located in a foreign jurisdiction, an English court will exercise its discretion to recognise the effects of the foreign insolvency proceedings whether under the Cross Border Insolvency Regulations 2006 or any similar common law principles. Given the current state of U.S. law, this is likely to be an area of continued judicial focus particularly in respect of multi-jurisdictional insolvencies.

**Enterprise Act 2002**

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

From 1 October 2005, the Limited Liability Partnership (Amendment) Regulations 2005 have applied the administration provisions of Schedule B1 of the Insolvency Act to limited liability partnerships (such as to the LLP) with certain modifications.
The Insolvency Act contains provisions which continue to allow for the appointment of an administrative receiver in relation to certain transactions in the capital markets. These provisions apply to the LLP as if it were a company. The relevant exception provides that the right to appoint an administrative receiver is retained for certain types of security (such as the Security) which form part of a capital market arrangement (as defined in the Insolvency Act), which would include the issue of covered bonds, and which involves indebtedness of at least £50 million (or, when the relevant security document (being in respect of the transactions described in this Base Prospectus, the Deed of Charge) was entered into, a party to the relevant transaction (such as the Issuer) was expected to incur a debt of at least £50 million) and the arrangement involves the issue of a capital market investment (also defined but generally a rated, listed or traded bond). The Secretary of State may, by secondary legislation, modify the capital market exception and/or provide that the exception shall cease to have effect. No assurance can be given that any such modification or provision in respect of the capital market exception, or its ceasing to be applicable to the transactions described in this Base Prospectus, will not be detrimental to the interests of the Covered Bondholders.

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

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

In addition to the introduction of a prohibition on the appointment of an administrative receiver as set out above, section 176A of the Insolvency Act provides that any receiver (including an administrative receiver), liquidator or administrator of a company is required to make a "prescribed part" of the company's "net property" available for the satisfaction of unsecured debts in priority to the claims of the floating charge holder. These provisions apply to a limited liability partnership as if it were a company. The company's "net property" is defined as the amount of the chargor's property which would be available to any floating charge which was created prior to 15 September 2003 or within the context of a capital market transaction retains the power to appoint an administrative receiver, such holder may prevent the appointment of an administrator (either by the new out-of-court route or by the court based procedure) by appointing an administrative receiver prior to the appointment of the administrator being completed.

This obligation does not apply if the net property is less than a prescribed minimum and the relevant officeholder is of the view that the cost of making a distribution to unsecured creditors would be disproportionate to the benefits. The relevant officeholder may also apply to court for an order that the provisions of section 176A of the Insolvency Act should not apply on the basis that the cost of making a distribution would be disproportionate to the benefits. It should however be noted that the RCB Regulations disapply the provisions of section 176A of the Insolvency Act and the provisions of the Insolvency Act that relate to the priority of payments of preferential debts.
Pensions Act 2004

Under the Pensions Act 2004 a person that is connected with or an "associate" of an employer under an occupational pension scheme, can be subject to either a contribution notice or a financial support direction. As the LLP is a member of the NAB Group, it may be treated as connected to an employer under an occupational pension scheme which is within the NAB Group.

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

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

It should be noted that the Court of Appeal in Bloom & Ors v The Pensions Regulator (Nortel, Re) and Lomas & Ors v. The Pensions Regulator (Lehman, Re) [2011] EWCA Civ 1124 held that contribution notices and financial support directions issued after the commencement of a liquidation or an administration (by the Pensions Regulator pursuant to its "moral hazard" powers) should be treated by the companies in liquidation/administration as a liquidation/administration expense, not an ordinary unsecured debt. This means that any such payments will be required to be made before any distributions to unsecured creditors. The matter is, however, not yet settled and on 2 November 2011 permission was granted to pursue an appeal to the Supreme Court.

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

Financial Services Act 2010

The Financial Services Act 2010 (the "Financial Services Act") received Royal Assent on 8 April 2010. The Financial Services Act establishes a new consumer financial education body, amends the FSMA to provide the FSA with a new financial stability statutory objective, gives the FSA significant new powers to make rules on remuneration arrangements, short selling, recovery and resolution plans to reduce systemic risks associated with the failure of financial institutions, consumer redress schemes, to gather information relevant to financial stability and extends its enforcement powers. The implementation of the Financial Services Act may have a significant impact on Clydesdale's operations, structure, costs, financial condition and/or prospects.

Limited Liability Partnerships

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

Absence of Regulatory Oversight Under the U.S. Investment Company Act

In the event the Covered Bonds are offered within the United States or to, or for the account or benefit of, U.S. Persons, neither the Issuer nor the Guarantor is required and nor do they intend to register with the U.S. Securities and Exchange Commission (the "SEC") as an investment company under the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act"). The Issuer and the Guarantor will rely on the exemption provided in Section 3(c)(7) of the Investment Company Act,
limiting the availability of its securities to investors who are not "U.S. Persons" as defined in Regulation S promulgated under the Securities Act, or who are "U.S. Persons" who are also "qualified purchasers" as defined in Section 2(a)(51) of the Investment Company Act and the rules and regulations promulgated thereunder. Accordingly, the provisions of the Investment Company Act (which may provide certain regulatory safeguards to investors) will not be applicable.

Restrictions On Transfer

In the event the Covered Bonds are offered within the United States or to, or for the account or benefit of, U.S. Persons, the Covered Bonds will not be registered under the Securities Act or any state securities laws and may not be transferred unless registered under applicable federal and state securities laws or unless an exemption from such laws is available. The Issuer has no plans, and is under no obligation, to register the Covered Bonds under the Securities Act.

No sale, assignment, participation, pledge or transfer of a Covered Bond or any interest therein may be made unless made in compliance with the transfer and selling restrictions set forth under "Subscription and Sale and Transfer and Selling Restrictions". Purchasers of the Covered Bonds in the United States or who are U.S. Persons will be required to make certain representations set forth under "Subscription and Sale and Transfer and Selling Restrictions".

A transfer of N Covered Bonds can only be made by assignment and surrender of the N Covered Bond Certificate as prescribed by the N Covered Bond Conditions and will not be effective until the transferee is registered in the Register by the Registrar. In addition, N Covered Bonds are not eligible for trading on an exchange.

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

The structure of the issue of the Covered Bonds and the ratings which are to be assigned to them are based on English law (and in relation to Scottish Mortgage Loans, Scots law and German law (in relation to N Covered Bonds)), regulatory, accounting and administrative practice in effect as at the date of this Base Prospectus, and having due regard to, amongst other things, the expected tax treatment of the LLP under United Kingdom tax law and the published practice of the United Kingdom HM Revenue & Customs in force or applied in the United Kingdom as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible change to English law (or Scots law, as applicable), regulatory, accounting or administrative practice in the United Kingdom or to United Kingdom tax law, or the interpretation or administration thereof, or to the published practice of the United Kingdom HM Revenue & Customs as applied in the United Kingdom after the date of this Base Prospectus, nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Covered Bonds when due or the ability of the LLP to make payments under the Covered Bonds Guarantee when due.
## TRANSACTION PARTIES

<table>
<thead>
<tr>
<th>Party</th>
<th>Name</th>
<th>Address</th>
<th>Document under which appointed / Further Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuer</td>
<td>Clydesdale Bank PLC</td>
<td>30 St. Vincent Place, Glasgow G1 2HL</td>
<td>N/A; see the section entitled &quot;The Issuer&quot; for further information.</td>
</tr>
<tr>
<td>LLP</td>
<td>Clydesdale Covered Bonds No. 2 LLP</td>
<td>Level 3, 88 Wood Street, London EC2V 7QQ</td>
<td>N/A; see the section entitled &quot;The LLP&quot; for further information.</td>
</tr>
<tr>
<td>Seller</td>
<td>Clydesdale Bank PLC</td>
<td>30 St. Vincent Place, Glasgow G1 2HL</td>
<td>N/A; see the section entitled &quot;The Issuer&quot; for further information.</td>
</tr>
<tr>
<td>YBHL</td>
<td>Yorkshire Bank Home Loans Limited</td>
<td>20 Merrion Way, Leeds LS2 8NZ</td>
<td>N/A; see the section entitled &quot;The Issuer – Yorkshire Bank Home Loans Limited&quot;.</td>
</tr>
<tr>
<td>Servicer</td>
<td>Clydesdale Bank PLC</td>
<td>30 St. Vincent Place, Glasgow G1 2HL</td>
<td>Appointed under the Servicing Agreement; see the section entitled &quot;Summary of the Principal Documents – Servicing Agreement&quot; for further information.</td>
</tr>
<tr>
<td>Cash Manager</td>
<td>Clydesdale Bank PLC</td>
<td>30 St. Vincent Place, Glasgow G1 2HL</td>
<td>Appointed under the Cash Management Agreement; see the sections entitled &quot;Cashflows&quot; and &quot;Summary of the Principal Documents – Cash Management Agreement&quot; for further information.</td>
</tr>
<tr>
<td>TRS Swap Provider</td>
<td>National Australia Bank Limited</td>
<td>Level 3, 88 Wood Street London EC2V 7QQ</td>
<td>Appointed under the TRS Agreement; see the section entitled &quot;Summary of the Principal Documents - Swap Agreements – Total Return Swap&quot; for further information.</td>
</tr>
<tr>
<td>Covered Bond Swap Provider(s)</td>
<td>As specified in the Final Terms relating to each Tranche of Covered Bonds</td>
<td>As specified in the Final Terms relating to each Tranche of Covered Bonds</td>
<td>See the section entitled &quot;Summary of the Principal Documents - Swap Agreements – Covered Bond Swap&quot; for further information.</td>
</tr>
<tr>
<td>Collection Account Bank</td>
<td>Clydesdale Bank PLC</td>
<td>30 St. Vincent Place, Glasgow G1 2HL</td>
<td>Appointed under the Collection Account Declaration of Trust; see the section entitled &quot;Summary of the Principal Documents – Collection Account Declaration of Trust&quot; for further information.</td>
</tr>
<tr>
<td>Transaction Account Bank</td>
<td>Clydesdale Bank PLC</td>
<td>30 St. Vincent Place, Glasgow G1 2HL</td>
<td>Appointed under the Account Bank Agreement; see the section entitled &quot;Summary of the Principal Documents – Account Bank Agreement&quot; for further information.</td>
</tr>
<tr>
<td>GIC Account Bank</td>
<td>National Australia Bank Limited</td>
<td>Level 3, 88 Wood Street London</td>
<td>Appointed under the Account Bank Agreement; see the section entitled &quot;Summary of the Principal Documents – Account Bank Agreement&quot; for further information.</td>
</tr>
<tr>
<td>Party</td>
<td>Name</td>
<td>Address</td>
<td>Document under which appointed / Further Information</td>
</tr>
<tr>
<td>--------------------</td>
<td>------------------------------------</td>
<td>----------------------------------------------</td>
<td>-----------------------------------------------------</td>
</tr>
<tr>
<td>GIC Provider</td>
<td>National Australia Bank Limited</td>
<td>EC2V 7QQ</td>
<td>– Account Bank Agreement” for further information.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Level 3, 88 Wood Street London</td>
<td>Appointed under the Account Bank Agreement; see the section entitled “Summary of the Principal Documents – Account Bank Agreement” for further information.</td>
</tr>
<tr>
<td>Security Trustee</td>
<td>Deutsche Trustee Company Limited</td>
<td>Winchester House, 1 Great Winchester Street, London EC2N 2DB</td>
<td>Appointed under the Deed of Charge; see the section entitled “Summary of the Principal Documents – Deed of Charge” for further information.</td>
</tr>
<tr>
<td>Bond Trustee</td>
<td>Deutsche Trustee Company Limited</td>
<td>Winchester House, 1 Great Winchester Street, London EC2N 2DB</td>
<td>Appointed under the Trust Deed; see the section entitled “Summary of the Principal Documents – Trust Deed” for further information.</td>
</tr>
<tr>
<td>Registrar</td>
<td>Deutsche Bank Trust Company Americas</td>
<td>1761 East St, Andrew Place, Santa Ana, California, 92705, United States of America</td>
<td>Appointed under the Agency Agreement; see the section entitled “Summary of the Principal Documents – Agency Agreement” for further information.</td>
</tr>
<tr>
<td>Principal Paying Agent and Agent Bank</td>
<td>Deutsche Bank AG, London Branch</td>
<td>Winchester House, 1 Great Winchester Street, London EC2N 2DB</td>
<td>Appointed under the Agency Agreement; see the section entitled “Summary of the Principal Documents – Agency Agreement” for further information.</td>
</tr>
<tr>
<td>Exchange Agent and Transfer Agent</td>
<td>Deutsche Bank Trust Company Americas</td>
<td>1761 East St, Andrew Place, Santa Ana, California, 92705, United States of America</td>
<td>Appointed under the Agency Agreement; see the section entitled “Summary of the Principal Documents – Agency Agreement” for further information.</td>
</tr>
<tr>
<td>Asset Monitor</td>
<td>Ernst &amp; Young LLP</td>
<td>1 More London Place, London SE1 2AF</td>
<td>Appointed under the Asset Monitor Agreement; see the section entitled “Summary of the Principal Documents – Asset Monitor Agreement” for further information.</td>
</tr>
<tr>
<td>Liquidation Member</td>
<td>Aruna Mortgages Limited</td>
<td>Winchester House, 1 Great Winchester Street, London EC2N 2DB</td>
<td>N/A; see the section entitled “The LLP” for further information.</td>
</tr>
<tr>
<td>Corporate Services Provider</td>
<td>Deutsche Bank AG, London Branch</td>
<td>Winchester House, 1 Great Winchester Street, London EC2N 2DB</td>
<td>Appointed under the Corporate Services Agreement; see the section entitled “Summary of the Principal Documents – Corporate Services Agreement” for further information.</td>
</tr>
<tr>
<td>Party</td>
<td>Name</td>
<td>Address</td>
<td>Document under which appointed / Further Information</td>
</tr>
<tr>
<td>------------------------------</td>
<td>-------------------------------</td>
<td>------------------------------</td>
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<td>Listing Authority and Stock</td>
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<td>N/A; see the section entitled &quot;Listing and General Information&quot; for further information.</td>
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<tr>
<td>Rating Agencies</td>
<td>Moody's and Fitch</td>
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<td>N/A.</td>
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MORTGAGE LOAN PORTFOLIO AND SERVICING

Please refer to the sections entitled "The Mortgage Loan Portfolio", "Summary of the Principal Documents – Mortgage Sale Agreement" and "Summary of the Principal Documents – Servicing Agreement" for further detail in respect of the characteristics of the Mortgage Loan Portfolio and the sale and servicing arrangements in respect of the Mortgage Loan Portfolio.

**Sale of Mortgage Loan Portfolio**

The Mortgage Loan Portfolio will consist of Mortgage Loans and their Related Security sold from time to time by the Seller to the LLP in accordance with the terms of the Mortgage Sale Agreement. The types of Mortgage Loans forming part of the Mortgage Loan Portfolio will vary over time **provided that**, at the time the relevant Mortgage Loans are sold to the LLP, the Eligibility Criteria (as described below) in respect of such Mortgage Loans are met on the relevant Transfer Date.

Each Mortgage Loan and the Related Security will be governed by English law or Scots law.

The Mortgage Loans comprising the Initial Mortgage Loan Portfolio and any New Mortgage Loan Portfolio may be Standard Variable Rate Mortgage Loans, Variable Rate Mortgage Loans, Fixed Rate Mortgage Loans, Tracker Rate Mortgage Loans, Capped Rate Mortgage Loans or Discount Rate Mortgage Loans and/or other types of Mortgage Loans that may be assigned to the LLP, from time to time, in accordance with the Mortgage Sale Agreement.

All of the Mortgage Loans in the then Mortgage Loan Portfolio will be secured by first ranking legal mortgage over a residential property located in England or Wales or by first ranking standard security over a residential property located in Scotland.

See "Summary of the Principal Documents – Mortgage Sale Agreement" for further information on this.

**Features of Mortgage Loans**

The following is a summary of certain features of the Mortgage Loans as at the date of this Base Prospectus and investors should refer to, and carefully consider, further details in respect of the Mortgage Loans set out in the relevant Final Terms.

<table>
<thead>
<tr>
<th>Feature</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of Borrower</td>
<td>Prime</td>
</tr>
<tr>
<td>Type of mortgage</td>
<td>Principal repayment, interest only or part principal repayment/part interest only</td>
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<tr>
<td>Self-certified Mortgage Loans</td>
<td>No</td>
</tr>
<tr>
<td>Fast-track Mortgage Loans</td>
<td>No</td>
</tr>
<tr>
<td>Buy-to-Let Mortgage Loans</td>
<td>Yes</td>
</tr>
<tr>
<td>Flexible Mortgage Loans</td>
<td>Yes</td>
</tr>
<tr>
<td>Offset Mortgage Loans</td>
<td>Yes</td>
</tr>
<tr>
<td>Staff Mortgage Loans</td>
<td>No</td>
</tr>
</tbody>
</table>

**Consideration**

The consideration payable by the LLP in respect of the sale of the Mortgage Loans and their Related Security originated by the Seller or YBHL on any Transfer Date will be a combination of:

(a) (i) a cash payment paid by the LLP to the Seller and/or (ii) the
Seller being treated as having made a Capital Contribution to the LLP (in an amount up to the difference between the aggregate Current Principal - Balance of the Mortgage Loans sold by the Seller to the LLP as at the relevant Transfer Date and the cash payment (if any) paid by the LLP for such Mortgage Loans to the Seller); and

(b) the payment to the Seller of the Deferred Consideration with respect to the Mortgage Loan Portfolio.

Eligibility Criteria

Any New Mortgage Loans and the Related Security must comply with, among other things, the following criteria on each relevant Transfer Date:

(a) no Issuer Event of Default or LLP Event of Default under the Programme Documents shall have occurred which is continuing as at the relevant Transfer Date;

(b) the LLP, acting on the advice of the Cash Manager, is not aware, and could not reasonably be expected to be aware, that the purchase of the Mortgage Loans and their Related Security, would adversely affect the then current ratings by Moody's or Fitch of the Covered Bonds;

(c) the weighted average yield on the Mortgage Loans in the Mortgage Loan Portfolio (including the Mortgage Loans to be sold to the LLP on such Transfer Date) is at least 0.15 per cent. greater than LIBOR for one-month Sterling deposits after taking into account (i) the average yield on the Mortgage Loans and (ii) the margins on the TRS and (iii) the average yield on any Substitution Assets held by the LLP;

(d) no Mortgage Loan has a Current Principal Balance of more than £1.5 million;

(e) no Mortgage Loan relates to a Property which is not a residential Property;

(f) no Mortgage Loan is in arrears for a period equal to or in excess of 3 months; and

(g) no Mortgage Loan constitutes a New Product Type unless a Rating Agency Confirmation has been received in relation to such sale, in accordance with the terms of the Mortgage Sale Agreement.

See "Summary of the Principal Documents – Mortgage Sale Agreement – Eligibility Criteria" for more information on this.

Representations and Warranties

The Seller is required to give certain representations and warranties to the LLP pursuant to the Mortgage Sale Agreement in respect of a Mortgage Loan and its Related Security on the date of the service of the relevant New Mortgage Loan Portfolio Notice which includes such Mortgage Loan and on the relevant Transfer Date on which such Mortgage Loan and its Related Security are sold by the Seller to the LLP.
The Representations and Warranties will include (but will not be limited to) the following matters:

(a) legal nature of the Mortgage Loans and their Related Security (i.e. the valid, binding and enforceable nature of the relevant Mortgage Loan and the Related Security);

(b) (in England and Wales) a first ranking charge by way of legal mortgage or (in Scotland) a first ranking standard security over the relevant Mortgaged Property;

(c) each relevant Mortgaged Property is a residential Property located in England, Wales, or Scotland;

(d) the Borrower has a good and marketable title to the relevant Mortgaged Property with respect to an English Mortgage or good and marketable heritable title with respect to a Scottish Mortgage;

(e) so far as the Seller is aware, no Borrower is in material breach of the terms of its Mortgage Loan;

(f) the scheduled payments due in the first month following origination have been paid in full by the relevant Borrower in respect of each Mortgage Loan;

(g) the Mortgage Loan does not have a Current Principal Balance outstanding of more than £1,500,000; and

(h) the Mortgage Loan has a remaining term of less than 40 years.

See "Summary of the Principal Documents – Mortgage Sale Agreement – Representations and Warranties".

Seller's Lending Criteria

Each of the Mortgage Loans was originated by the Seller or YBHL (as applicable) in accordance with the Lending Criteria applicable at the time of origination.

Each Originator is entitled to change its Lending Criteria from time to time, so that New Mortgage Loans originated after the date of that change will be subject to such new Lending Criteria. Notwithstanding any such change to such Lending Criteria, such New Mortgage Loans may still be sold to the LLP provided that the Mortgage Loans are able to continue to comply with the Seller's representations and warranties set out in the Mortgage Sale Agreement, including a representation that those New Mortgage Loans were originated in accordance with the Lending Criteria applicable at the time of such origination.

Repurchase of the Mortgage Loans

If the Seller receives a Repurchase Notice from the LLP identifying a Mortgage Loan or its Related Security in the Mortgage Loan Portfolio which did not, as at the relevant Transfer Date or relevant Calculation Date (in the case of a Product Switch or Further Advance), materially comply with each of the Representations and Warranties (which is either not capable of remedy or if the Seller failed to remedy it within the agreed grace period) set out in the Mortgage Sale Agreement, then the Seller will be required to repurchase (i) any such Mortgage Loan and its Related Security and (ii) any other Mortgage Loans secured by the same Related Security or secured on the same Mortgaged Property that are included in the Mortgage Loan Portfolio. The repurchase price payable for each Mortgage Loan will be an amount (not less than zero) equal to the Current Principal Balance on such Mortgage Loan as
at the date of repurchase plus all unpaid interest (including any Accrued Interest and Arrears of Interest) and expenses payable thereon as at the date of such repurchase.

Prior to the occurrence of an Issuer Event of Default, the Seller may from time to time offer to repurchase a Mortgage Loan and its Related Security from the LLP for a purchase price of not less than the aggregate Current Principal Balance plus Accrued Interest and Arrears of Interest and expenses payable of the relevant Mortgage Loan. The LLP may accept such offer at its discretion.

**Sale of Selected Mortgage Loans**

Breach of the Pre-Maturity Test in relation to a Series of Hard Bullet Covered Bonds and/or following service of an Asset Coverage Test Breach Notice (which has not been revoked) and/or realisation of the Security and/or commencement of winding-up proceedings against the LLP will mean that the LLP will be obliged to sell Selected Mortgage Loans, subject to the rights of pre-emption enjoyed by the Seller and subject to the making of any Cash Capital Contributions by the Members (other than the Liquidation Member). If the LLP is required to sell Selected Mortgage Loans and their Related Security, the LLP will ensure that the Selected Mortgage Loans have been selected from the Mortgage Loan Portfolio on a random basis. The amount that the LLP is required to receive for the sale of such Selected Mortgage Loans will vary depending on the occurrence of the event that requires such sale. See "Summary of the Principal Documents – LLP Deed – Method of Sale of Selected Mortgage Loans".

**Perfection Events**

Transfer of the legal title to the relevant Mortgage Loans will be completed on the occurrence of certain events, which include:

(a) the occurrence of an Issuer Event of Default and service on the Issuer of an Issuer Acceleration Notice and the service on the LLP of a Notice to Pay;

(b) the order of a court, regulatory or other authority with whom it is customary for the Seller and/or YBHL to comply;

(c) the security under the Deed of Charge or any material part of that security being, in the opinion of the Security Trustee, in jeopardy;

(d) it becoming necessary by law;

(e) (with certain caveats) the termination of the Seller's role as Servicer under the Servicing Agreement;

(f) the Seller requesting a transfer by giving notice in writing to the LLP and the Security Trustee;

(g) insolvency of the Seller; and

(h) downgrade of the Seller to below certain specified ratings (as to which see below "Rating Triggers Table").

Prior to the completion of the transfer of legal title to the Mortgage Loans, the LLP will hold only the equitable title to those Mortgage Loans or, in the case of Scottish Mortgage Loans, will be the sole beneficiary under the grant of a declaration of trust and will therefore be subject to certain risks as set out in "The Seller will initially retain legal title to the Mortgage Loans" in the section entitled "Risk
Servicing of the Mortgage Loan Portfolio

The Servicer has been appointed by the Seller and the LLP to administer the Mortgage Loans on a day-to-day basis. The Servicer performs the day-to-day servicing of the Mortgage Loans from its mortgage service centres and telephone banking and operations centres. The appointment of the Servicer may be terminated by the LLP upon the occurrence of a Servicer Termination Event, which includes:

(a) failure to pay any amount due under the Servicing Agreement to the LLP which is not remedied within five Business Days;

(b) insolvency of the Servicer;

(c) material non-performance; or

(d) failure to obtain the necessary licences or regulatory approvals.

The Servicer may also resign upon giving 12 months' notice provided (i) a replacement Servicer with a management team with experience of administering Mortgage Loans secured on residential mortgaged properties in England, Wales and Scotland has been appointed by the LLP and enters into a servicing agreement with the LLP substantially on the same terms as the Servicing Agreement and (ii) the resignation has no adverse effect on the then current ratings of the Covered Bonds (unless the holders of the Covered Bonds agree otherwise by Extraordinary Resolution).

Appointment of a back-up servicer

The Servicer will be required to use reasonable endeavours to enter into a back-up or master servicing agreement with a suitably experienced third party acceptable to the LLP and the Security Trustee, subject to the criteria set out in the Servicing Agreement, within 60 calendar days of the Servicer ceasing to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa1 or by Fitch of at least BBB-. Such back-up or master servicing agreement will be required to provide for, amongst other things, the third party servicer to undertake or delegate (under a master servicing agreement) the servicing obligations substantially on the same terms as set out in the Servicing Agreement within 60 days of the Servicer ceasing to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa3 or by Fitch of at least BBB-.

Delegation

The Servicer may delegate some of its servicing function to a third party provided that it meets conditions as set out in the Servicing Agreement. See "Summary of the Principal Documents – Servicing Agreement".
OVERVIEW OF THE TERMS AND CONDITIONS OF THE COVERED BONDS

Please refer to section entitled "Terms and Conditions of the Covered Bonds" for further detail in respect of the terms of the Covered Bonds.

Programme Size
Up to €10 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 "Subscription and Sale and Transfer and Selling Restrictions".

Specified Currencies
As set out in the applicable Final Terms.

Issue Price
Covered Bonds may be issued at par or at a premium or discount to par on a fully-paid basis or partly-paid basis, in each case as specified in the applicable Final Terms.

Form of Covered Bonds
The Covered Bonds will be issued in bearer or registered form as described in "Form of the Covered Bonds". The Issuer will also be able to issue Non-Covered Bonds.

The types of Covered Bonds that can be issued under the Programme include the following:

(a) Fixed Rate Covered Bonds;
(b) Floating Rate Covered Bonds;
(c) Index Linked Covered Bonds;
(d) Dual Currency Covered Bonds;
(e) Zero Coupon Covered Bonds; or
(f) Partly-Paid Covered Bonds,
in each case as specified in the applicable Final Terms.

Redemption
The applicable Final Terms will indicate that the relevant Covered Bonds:

(a) cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable);
(b) can be redeemed for taxation reasons;
(c) can be redeemed if it becomes unlawful for any Term Advance to remain outstanding; or
(d) if applicable, can be redeemed at the option of the Issuer or the Covered Bondholders on such terms as may be agreed between the Issuer and the relevant Dealer(s) as specified in the applicable Final Terms,
in each case as set out in the applicable Final Terms.

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

**Final Redemption**

Unless an Extended Due for Payment Date is set out in the applicable Final Terms for a Series of Covered Bonds, if that Series of Covered Bonds has not already been redeemed in full in accordance with their terms and conditions, those Covered Bonds will be finally redeemed at their respective Principal Amount Outstanding (plus any accrued interest thereon) on the Final Maturity Date for such Covered Bonds, as set out in the applicable Final Terms.

**Optional Redemption**

A series may be subject to optional early redemption in part or in full in accordance with the terms and conditions of the relevant Covered Bonds.

**Extendable obligations under the Covered Bond Guarantee**

An Extended Due for Payment Date may be specified as applying in relation to a Series of Covered Bonds in the applicable Final Terms. This means that if the Issuer fails to pay the Final Redemption Amount of the relevant series of Covered Bonds on the Final Maturity Date (subject to applicable grace periods) and if the LLP, following the service of a Notice to Pay on the LLP, fails to pay in full the Guaranteed Amounts equal to the unpaid portion of such Final Redemption Amount of the relevant Series of Covered Bonds by the Extension Determination Date (for example because, following the service of a Notice to Pay on the LLP, the LLP has insufficient monies available in accordance with the Guarantee Priority of Payments to pay, in full, Guaranteed Amounts corresponding to the unpaid Final Redemption Amount of the relevant Series of Covered Bonds) then payment of such unpaid amount pursuant to the Covered Bond Guarantee shall be automatically deferred (without an LLP Event of Default occurring as a result of such non payment) and shall be due and payable on the Extended Due for Payment Date (subject to any applicable grace period). However, to the extent monies are available in accordance with the Guarantee Priority of Payments, such Final Redemption Amount due and remaining unpaid on the Extension Determination Date shall 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 Dates up to, and including, the Extended Due for Payment Date in accordance with Condition 4 (*Interest*).

**Denomination of Covered Bonds**

Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms). Except in certain limited circumstances, 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.

**Taxation**

All payments in respect of the Covered Bonds and the N Covered Bonds will be made without deduction or withholding for or on account of any taxes whatsoever unless such withholding or deduction is required by law. In the case of the Covered Bonds and the N Covered Bonds, if any such deduction or withholding is made on account of United Kingdom income tax the Issuer will, save in the limited circumstances provided in Condition 7 (*Taxation*) (or Condition 6 (*Taxation*) with respect to the N Covered Bonds), be required to pay additional amounts in respect of the amounts so deducted or withheld. 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 additional amounts in the event of a payment being made net of any deduction or withholding.
**Cross Default**

If an Issuer Event of Default occurs and an Issuer Acceleration Notice is served in respect of a particular Series of Covered Bonds, then the Covered Bonds of all Series outstanding will accelerate at the same time against the Issuer, but will be subject to, and have the benefit of, payments made by the LLP under the Covered Bond Guarantee (following service of a Notice to Pay on the LLP).

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.

**Set-Off**

In the case of N Covered Bonds, as long as, and to the extent that, the N Covered Bond forms part of the restricted assets (gebundenes Vermögen) within the meaning of § 54 of the German Act Concerning the Supervision of Insurance Companies (Gesetz über die Beaufsichtigung der Versicherungsunternehmen - Versicherungsaufsichtsgesetz) of 17 December 1992 (as amended) and the German Regulation Concerning the Investment of the Restricted Assets of Insurance Companies (Verordnung über die Anlage des gebundenen Vermögens von Versicherungsunternehmen) of 20 December 2001 (as amended), the Issuer waives (also in the event of insolvency of the N Covered Bondholder or in the event that insolvency proceedings or similar proceedings are instituted against the N Covered Bondholder) any right of set-off as well as any right to exercise any pledges, rights of retention and other rights which could affect the rights under the N Covered Bonds.

**Status of the Covered Bonds**

The Covered Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank pari passu without any preference among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer, from time to time outstanding.

An N Covered Bond will not constitute a Covered Bond for the purposes of the Programme (and will not receive the benefit of the Covered Bond Guarantee) until the Issuer has confirmed that it has received the N Covered Bond Confirmation relating to such N Covered Bond duly signed by all parties thereto.

**Covered Bond Guarantee**

Payment of Guaranteed Amounts in respect of the Covered Bonds when Due for Payment are irrevocably guaranteed by the LLP under the Covered Bond Guarantee. The LLP will be under no obligation to make payment in respect of the Guaranteed Amounts when Due for Payment unless (a) an Issuer Event of Default has occurred, an Issuer Acceleration Notice is served on the Issuer and the LLP and a Notice to Pay is served on the LLP or, (b) an LLP Event of Default has occurred and an LLP Acceleration Notice is served on the LLP and the Issuer. The obligations of the LLP under the Covered Bond Guarantee will accelerate against the LLP and the Guaranteed Amounts will become immediately due and payable 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.

**Issuer Events of Default**

As fully set out in Condition 9 (Events of Default and Enforcement – Issuer Events of Default), which broadly includes (where relevant, subject to the applicable grace period):

(a) non-payment of interest or principal in respect of the Covered Bonds;
(b) breach of contractual obligations by the Issuer under the Covered Bonds and the Programme Documents;

(c) insolvency of the Issuer;

(d) if an Asset Coverage Test Breach Notice has been served and not revoked on or before the third Calculation Date after service of such notice; and

(e) breach of Pre-Maturity Test less than six months before the Final Maturity Date of the relevant Series of Hard Bullet Covered Bonds and certain actions have not been taken within the applicable grace periods.

**LLP Events of Default**

As fully set out in Condition 9 (Events of Default and Enforcement – LLP Events of Default), which broadly includes (where relevant, subject to the applicable grace period):

(a) non-payment of Guaranteed Amounts;

(b) breach of contractual obligations by the LLP under the Covered Bonds and the Programme Documents;

(c) insolvency of the LLP; and

(d) breach of Amortisation Test.

**Governing Law**

The Covered Bonds (other than the N Covered Bonds) will be governed by, and construed in accordance with, English law.

N Covered Bonds and the related N Covered Bond Conditions shall be governed by, and construed in accordance with, the laws of the Federal Republic of Germany. Each N Covered Bond Confirmation and N Covered Bond Confirmation Terms (as incorporated by reference therein) shall be governed by, and construed in accordance with, the laws of England and Wales. Each N Covered Bond Assignment Agreement entered into in relation to an N Covered Bond shall be governed by, and construed in accordance with, the laws of the Federal Republic of Germany, except for the clause therein in which the relevant assignee agrees to be bound by the terms of the N Covered Bond Confirmation originally entered into in relation to that N Covered Bond, which shall be governed by, and construed in accordance with, the laws of England and Wales. The English courts shall have exclusive jurisdiction in the event of any dispute arising out of or in connection with each N Covered Bond (including a dispute relating to any non-contractual rights and obligations), each Covered Bond Assignment Agreement, each N Covered Bond Confirmation and each N Covered Bond Confirmation Terms (as incorporated therein) in respect of the N Covered Bonds.
## OVERVIEW OF RIGHTS OF COVERED BONDHOLDERS

*Please refer to the section entitled "Terms and Conditions of the Covered Bonds" for further detail in respect of the rights of Covered Bondholders, conditions for exercising such rights and relationship with other Secured Creditors.*

### Payments

The Covered Bondholders will be entitled to payment of principal upon final redemption in respect of each Covered Bond upon presentation and surrender of the individual certificate representing such Covered Bond.

### Prior to an Issuer Event of Default and LLP Event of Default

Covered Bondholders holding not less than 5% of the Principal Amount Outstanding of the Covered Bonds then outstanding are entitled to convene a Covered Bondholders' meeting and all Covered Bondholders can participate in a Covered Bondholders' meeting convened by the Issuer, LLP or Bond Trustee to consider any matter affecting their interests.

However, so long as no Issuer Event of Default has occurred, the Covered Bondholders are not entitled to instruct or direct the Issuer to take any actions, either directly or through the Bond Trustee, without consent of the Issuer and, if applicable, certain other transaction parties, unless the Issuer has an obligation to take such actions under the relevant Programme Documents.

### Following an Issuer Event of Default or an LLP Event of Default

Following an Issuer Event of Default, the Bond Trustee may at any time take such proceedings against the Issuer and/or the LLP, as the case may be, and/or any other person as it may think fit to enforce the provisions of the Trust Deed, the Covered Bonds, the Receipts and the Coupons, but it shall not be bound to take any such enforcement proceedings in relation to the Trust Deed, the Covered Bonds, the Receipts or the Coupons or any other Programme Document unless (i) it shall have been so directed by an Extraordinary Resolution of all the Covered Bondholders of all Series (with the Covered Bonds of all Series taken together as a single Series as aforesaid) or so requested in writing by the holders of not less than 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (taken together and converted into Sterling at the relevant Swap Rate as aforesaid) and (ii) it shall have been indemnified and/or prefunded and/or secured to its satisfaction and provided that the Bond Trustee shall not be bound to take any enforcement proceedings which may, in the opinion of the Bond Trustee in its absolute discretion, result in the Bond Trustee failing to receive any payment to which it is or would be entitled but for the provisions of the RCB Regulations or otherwise howsoever.

Following an LLP Event of Default, the Security Trustee may at any time, at its discretion and without further notice, take such proceedings against the LLP and/or any other person as it may think fit to enforce the provisions of the Deed of Charge and may, at any time after the Security has become enforceable, take such steps as it may think fit to enforce the Security, but it shall not be bound to take any such steps unless (i) it shall have been so directed by an Extraordinary Resolution of all the Covered Bondholders of all Series (with the Covered Bonds of all Series taken together as a single Series as aforesaid) or a request in writing by the holders of not less than 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (taken together and converted into Sterling at the relevant Swap Rate as aforesaid) and (ii) it shall have been indemnified and/or prefunded and/or secured to its satisfaction and provided that the Security Trustee shall not be bound to take any enforcement proceedings which may, in the opinion of the Security Trustee in its absolute discretion, result in the Security Trustee failing to receive any payment to which it is or would be entitled but for the provisions of the RCB Regulations or otherwise howsoever.

No holder of the Covered Bonds, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer or the LLP or to take any action...
with respect to the Trust Deed, the Covered Bonds, the Receipts, the Coupons, or the Security unless the Bond Trustee or the Security Trustee, as applicable, having become bound so to proceed, fails so to do within a reasonable time and such failure shall be continuing.

Any Extraordinary Resolution to direct the Bond Trustee to accelerate the Covered Bonds pursuant to Condition 9 (Events of Default and Enforcement) or to direct the Bond Trustee or the Security Trustee to take any enforcement action (each a "Programme Resolution") shall only be capable of being passed at a single meeting of the 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 or by 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 Covered Bondholders of all Series, whether or not they are present at the meeting, and on all related Receiptholders and Couponholders in respect of such Series of Covered Bonds.

### Covered Bondholders Meeting provisions

#### Notice Periods

<table>
<thead>
<tr>
<th>Event</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Meeting</td>
<td>21 clear days for the initial meeting.</td>
</tr>
<tr>
<td>Adjourned Meeting</td>
<td>No less than 13 clear days and no more than 42 clear days for the adjourned meeting.</td>
</tr>
</tbody>
</table>

#### Quorum for Extraordinary Resolution

<table>
<thead>
<tr>
<th>Event</th>
<th>Quorum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Meeting</td>
<td>At least a clear majority of the Principal Amount Outstanding of the relevant Series of Covered Bonds for the initial meeting (other than a Series Reserved Matter, which requires not less than two thirds of the Principal Amount Outstanding of the relevant Series of Covered Bonds).</td>
</tr>
<tr>
<td>Adjourned Meeting</td>
<td>Any holding for the adjourned meeting (other than Series Reserved Matter, which requires one third of the Principal Amount Outstanding of the relevant Series of Covered Bonds).</td>
</tr>
</tbody>
</table>

### Required Majorities

However, any Extraordinary Resolution to direct the Bond Trustee to serve an Issuer Acceleration Notice or a Notice to Pay following an Issuer Event of Default, to direct the Bond Trustee to serve an LLP Acceleration Notice following an LLP Event of Default and any direction to the Bond Trustee or Security Trustee to take any enforcement action must be passed at a single meeting of the holders of all Covered Bonds of all Series then outstanding and therefore the holders of a single Series of Covered Bonds may not be able to give any directions to the Bond Trustee or the Security Trustee without the agreement of the holders of other outstanding Series of Covered Bonds.
Ordinary Resolution: At least a clear majority of votes cast for matters requiring ordinary resolution.

Extraordinary Resolution: 75% of votes cast for matters requiring Extraordinary Resolution.

Written Resolution: 75% of the Principal Amount Outstanding of the relevant class of Covered Bonds. A Written Resolution has the same effect as an Extraordinary Resolution.

Matters requiring Extraordinary Resolution

Broadly, the following matters require an Extraordinary Resolution.

(a) any Series Reserved Matter;

(b) any direction to the Bond Trustee to serve an Issuer Acceleration Notice or a Notice to Pay following an Issuer Event of Default, to direct the Bond Trustee to serve an LLP Acceleration Notice following an LLP Event of Default and any direction to the Bond Trustee or Security Trustee to take any enforcement action (these actions require a Programme Resolution); and

(c) approval of the appointment or removal of the Bond Trustee and approval of the appointment or removal of the Security Trustee.

Relationship between Series of Covered Bondholders

In connection with the exercise by it of any of its trusts, powers and discretions, the Bond Trustee and the Security Trustee shall have regard to the general interests of the holders of the Covered Bonds of each Series as a class. An Extraordinary Resolution passed at any meeting of the holders of the Covered Bonds of a Series shall, subject as provided above, be binding on all the holders of the Covered Bonds of such Series, whether or not they are present at the meeting. The Bond Trustee may convene a single meeting of the holders of Covered Bonds of more than one Series if in the opinion of the Bond Trustee there is no conflict between the holders of such Covered Bonds.

Relationship between Covered Bondholders and other Secured Creditors

In exercising any of its powers, trusts, authorities and discretions under the Trust Deed, the Covered Bonds, the Receipts or the Coupons or any other Programme Document, the Bond Trustee shall only have regard to the interests of the holders of the Covered Bonds while any Covered Bonds are outstanding and shall not have regard to the interests of any other Secured Creditors.

In exercising any of its powers, trusts, authorities and discretions under the Deed of Charge, the Security Trustee shall only have regard to the interests of the holders of the Covered Bonds while any Covered Bonds are outstanding and shall not have regard to the interests of any other Secured Creditors.

Provision of Information to the Covered Bondholders

The Cash Manager will provide a monthly report containing, inter alia, selected statistical information in respect of the underlying Mortgage Loan Portfolio as well as information in relation to the Covered Bonds and the Asset Coverage Test. This report will be available to investors at https://live.irooms.net/clydesdalebankplc.

Communication with Covered Bondholders

Any notice to be given by the Issuer or the Bond Trustee to Covered Bondholders shall be given in the following manner:

(a) for Global Covered Bonds, so long as the Covered Bonds are held in the Clearing Systems, by delivering to the relevant Clearing System for communication by it to Covered Bondholders;

(b) for Global Covered Bonds, so long as the Covered Bonds are listed on a stock exchange or admitted to listing by any other relevant authority, by publication of such notice in a daily newspaper in accordance with
the requirements of the relevant stock exchange or relevant authority;

(c) for Bearer Covered Bonds, publication in the Financial Times or any other daily newspaper in London approved by the Bond Trustee or, if this is not possible, in one other English language daily newspaper approved by the Bond Trustee with general circulation in Europe; and

(d) for Registered Covered Bonds, class mail or airmail to the holders at the respective addresses recorded in the Register and, in addition, for so long as any Registered Covered Bonds are listed 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.
CREDIT STRUCTURE AND CASHFLOW

Please refer to the sections entitled "Credit Structure" and "Cashflows" for further detail in respect of the credit structure and cash flow of the transaction.

Credit Support

There are a number of features of the Programme which enhance the likelihood of timely and, as applicable, ultimate payments to holders of the Covered Bonds, as follows:

- the Covered Bond Guarantee provides credit support to the Issuer;
- the Pre-Maturity Test is intended to provide liquidity to the LLP in relation to amounts of principal due on the Final Maturity Date of the Hard Bullet Covered Bonds;
- the Asset Coverage Test is intended to test the asset coverage of the LLP’s assets 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;
- the Yield Shortfall Test is intended to test the weighted average yield on the Mortgage Accounts;
- the Interest Rate Shortfall Test is intended to test the income available to the LLP in respect of each LLP Payment Period;
- a Reserve Fund will be established to trap Available Revenue Receipts following certain rating downgrades of the Issuer;
the GIC Provider has agreed to pay a variable rate of interest on all amounts held by the LLP in the GIC Account at a rate of 0.15% per annum below LIBOR for one month Sterling deposits;

an Account Reserve will be established in certain circumstances to provide collateral in respect of the obligations of the Collection Account Bank and/or the Transaction Account Bank, as applicable; and

any payment of Required Coupon Amounts following the occurrence of a Cash Manager Relevant Event.

Payments by the Issuer

Until a Notice to Pay or an LLP Acceleration Notice is served on the LLP, the Covered Bonds will be obligations of the Issuer only. The Issuer is liable to make payments when due on the Covered Bonds, whether or not it has received any corresponding payment from the LLP.

Available Funds of the LLP

The LLP will have Available Revenue Receipts and Available Principal Receipts available to it. Prior to service of a Notice to Pay on the LLP, Available Revenue Receipts and Available Principal Receipts will be applied by the LLP to make payments of interest and principal payments to the Issuer under the Intercompany Loan Agreement. Following the service of a Notice to Pay on the LLP, Available Revenue Receipts and Available Principal Receipts will be applied by the LLP to meet its payment obligations under the Covered Bonds and the other Programme Documents.

Available Revenue Receipts will, broadly, include the following:

- Mortgage Loan Revenue Receipts received during the immediately preceding Calculation Period (including, where an Insolvency Event has occurred in relation to the Collection Account Bank and/or the Transaction Account Bank, any part of the Account Reserve (if any) designated and allocated as Mortgage Loan Revenue Receipts);
- interest payable to the LLP on its bank accounts and income from any Authorised Investments and/or Substitution Assets during the relevant Calculation Period;
- such part of any contributions made by the Seller to the LLP to fund the application of any Offset Benefit in respect of any Mortgage Loan in the Mortgage Loan Portfolio received on or prior to the relevant Calculation Date and any amounts standing to the credit of the Offset Benefit Reserve Ledger determined as Available Revenue Receipts;
- amounts standing to the credit of the Reserve Fund during the relevant Calculation Period;
- amounts standing to the credit of the Coupon Payment Ledger in excess of the aggregate, calculated in respect of all Term Advances then outstanding, of the Required Coupon Amounts;
- any other net income of the Issuer received during the immediately preceding Calculation Period of a revenue nature;

less:

- Third Party Amounts.

Available Principal Receipts will, broadly, include all Mortgage Loan Principal Receipts received by the LLP during the immediately preceding Calculation Period (including, where an Insolvency Event has occurred in
relation to the Collection Account Bank and/or the Transaction Account Bank, any part of the Account Reserve (if any) designated and allocated as Mortgage Loan Principal Receipts) (including consideration paid by the Seller in respect of the repurchase of the Mortgage Loans and their Related Security, recoveries received by the LLP following the enforcement of the relevant Mortgage Loan, the proceeds of any sale of Selected Mortgage Loans, and receipt of realised proceeds of the Related Security), the proceeds of any Term Advance, any Cash Capital Contributions received from a Member, amounts in respect of principal received by the LLP under the Swap Agreements and the principal amount of any Substitution Assets and/or Authorised Investments.

Breach of the Asset Coverage Test

Following service 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 in accordance with the Pre-Acceleration Revenue Priority of Payments and Pre-Acceleration Revenue Priority of Payments (as applicable) as described below, except that, whilst any Covered Bonds remain outstanding:

(a) in respect of Available Revenue Receipts, no further amounts will be paid to the Issuer under the Intercompany Loan Agreement, into the Reserve Fund, towards any indemnity amount due to the Members pursuant to the LLP Deed, towards any Deferred Consideration 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 GIC Accounts other than payments (if required) in accordance with the relevant Covered Bond Swaps (see "Cashflows" below).
## OVERVIEW OF THE PRIORITIES OF PAYMENTS

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Prior to the occurrence of any of the events in columns B or C:</strong></td>
<td>From (and including) service of a Notice to Pay (prior to service of an LLP Acceleration Notice and/or realisation of the Security and/or commencement of winding-up proceedings against the LLP):</td>
<td>From (and including) service of an LLP Acceleration Notice and/or realisation of the Security and/or the commencement of winding-up proceedings against the LLP:</td>
</tr>
<tr>
<td><strong>Pre-Acceleration Priorities of Payments</strong></td>
<td><strong>Guarantee Priority of Payments</strong></td>
<td><strong>Post-Enforcement Priority of Payments</strong></td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td><strong>Principal</strong></td>
<td></td>
</tr>
<tr>
<td>1. Payment of/provision for any amounts to third parties (not otherwise provided for in the relevant Priorities of Payments)</td>
<td>1. Credit to Pre-Maturity Liquidity Ledger, if the Pre-Maturity Test has been failed</td>
<td>1. Payment of/provision for any amounts to the Bond Trustee and the Security Trustee</td>
</tr>
<tr>
<td>2. Payment of senior expenses, namely Servicer, Cash Manager, Account Banks, Corporate Services Provider, Asset Monitor (excluding indemnity amounts) and FSA fees</td>
<td>2. Acquisition of New Mortgage Loans to ensure compliance with the Asset Coverage Test</td>
<td>2. Payment of/provision for any amounts to Agents and third parties (not otherwise provided for in the relevant Priorities of Payments)</td>
</tr>
<tr>
<td>3. Payment of provision for any amounts to TRS Provider/ (other than Excluded Swap Termination Amounts)</td>
<td>3. Deposit into LLP GIC Account to ensure compliance with the Asset Coverage Test</td>
<td>3. Payment pro rata and pari passu to:</td>
</tr>
<tr>
<td>4. Payment/provision</td>
<td>4. Payment of</td>
<td>(a) the Agents</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(b) the Servicer, Cash Manager, Account Banks, Corporate Services Provider</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(c) TRS Provider</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(d) Covered Bond Swap Providers and Scheduled Interest and Scheduled Principal to the Bond Trustee or the Principal Paying Agent</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4. Payment of Excluded</td>
</tr>
<tr>
<td>A</td>
<td>B</td>
<td>C</td>
</tr>
<tr>
<td>---</td>
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</tr>
<tr>
<td>for any non principal amounts to the Covered Bond Swap Provider and interest on Term Advances</td>
<td>principal amounts to the Covered Bond Swap Provider and payment of principal under the relevant Term Advance under the Intercompany Loan Agreement</td>
<td>for any amounts to TRS Provider (other than Excluded Swap Termination Amounts)</td>
</tr>
<tr>
<td>Swap Termination Amounts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. If a Cash Manager Relevant Event has occurred credit to the Coupon Payment Ledger of an amount up to but not exceeding the amount by which the aggregate of the Required Coupon Amounts which have been calculated in respect of all Term Advances exceeds the amount standing to the credit of the Coupon Payment Ledger</td>
<td>5. Payment of Capital Distribution to Clydesdale as a Member in the LLP</td>
<td>5. Payment of/provision for interest amounts to the Covered Bond Swap Provider and payment of Scheduled Interest in respect of the Covered Bonds</td>
</tr>
<tr>
<td>5. Repayment of amounts outstanding under the Intercompany Loan Agreement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Credit towards Reserve Fund replenishment, if applicable</td>
<td>6. Payment of/provision for principal amounts to the Covered Bond Swap Provider and payment of Scheduled Principal in respect of the Covered Bonds</td>
<td>6. Payment of indemnity amounts due to the Members</td>
</tr>
<tr>
<td>7. Credit to Pre-Maturity Liquidity Ledger, if applicable</td>
<td>7. In or towards payment of Final Redemption Amount for any Extended Covered Bonds</td>
<td>7. Any remaining moneys will be applied towards payment to the Members pursuant to the LLP Deed</td>
</tr>
<tr>
<td>8. Payment into LLP GIC Account, if a Servicer Termination Event has occurred</td>
<td>8. Deposit into the LLP GIC Account to make the above payments on the following LLP Payment Date</td>
<td></td>
</tr>
<tr>
<td>10. Payment of indemnity amounts due to the Members</td>
<td>10. Repayment of advances under the Intercompany Loan</td>
<td></td>
</tr>
</tbody>
</table>

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and the Asset Monitor Agreement (to the extent outstanding and only after the Covered Bonds have been fully repaid or provided for)

11. Repayment to the Seller of any Cash Capital Contribution in respect of any Required Coupon Amount or Reserve Fund Required Amount

11. Payment of indemnity amounts due to the Members and the Asset Monitor

12. Discharge any tax liability of the LLP

12. Discharge any tax liability of the LLP

13. Payment of LLP profit to Members

13. Any moneys left over to be applied in accordance with the LLP Deed

14. Payment of Deferred Consideration to Seller

Collections of revenue and principal in respect of the Mortgage Loans in the Mortgage Loan Portfolio are received by the Seller and YBHL in its Collection Account and swept to the Sterling Transaction Accounts by the end of the London Business Day on which they are deposited into such Collection Account. Such amounts are then required to be transferred to the GIC Account or the All Moneys Mortgage Trust Account, as applicable, by the end of the London Business Day immediately following the day on which they are deposited in the Sterling Transaction Account. On or prior to each LLP Payment Date, amounts will be transferred from the GIC Account to the Transaction Accounts and applied by the Cash Manager in accordance with the relevant Priorities of Payments.

The TRS has the following key commercial terms:

- The LLP will pay the TRS Provider, in respect of each Calculation Period, the Sterling Equivalent of an amount equal to the sum of (i) the total amount of interest paid to the LLP on the outstanding balance of the Mortgage Loans in the Mortgage Loan Portfolio for such Calculation Period, (ii) the total amount of interest paid to the LLP in relation to amounts standing to the credit of the GIC Account(s) which is attributable to such Calculation Period and (iii) the total amount of interest paid to the LLP in respect of any Substitution Assets or any other assets that the LLP may hold from time to time attributable to such Calculation Period.

- The TRS Provider will pay to the LLP, in respect of the corresponding LLP Payment Period, an amount in Sterling calculated by reference to the TRS Provider Notional Amount (see below) and three-month LIBOR plus the TRS Rate.
The TRS Provider Notional Amount in respect of an LLP Payment Period will be an amount (in Sterling) equal to the product of "A" and "B", where "A" is the sum of (i) the total outstanding balance of the Mortgage Loans in the Mortgage Loan Portfolio (including those added to the Mortgage Loan Portfolio during the relevant Calculation Period) as at the Determination Date for the relevant Calculation Period, (ii) the weighted average balance of the amounts standing to the credit of the GIC Accounts for such Calculation Period and (iii) the outstanding principal amount and/or balance of any Substitution Assets or any other assets that the LLP may hold from time to time and where "B" is a fraction with a numerator equal to the sum of (i) the total amount of interest paid to the LLP on the outstanding balance of the Mortgage Loans for such Calculation Period and (ii) the total amount of interest received in relation to amounts standing to the credit of the GIC Account and any Substitution Assets for the relevant Calculation Period and a denominator equal to the sum of (i) the total amount of interest due to the LLP on the outstanding balance of the Mortgage Loans for such Calculation Period and (ii) the total amount of interest received in relation to amounts standing to the credit of the GIC Account and any Substitution Assets for the relevant Calculation Period.

The TRS Provider payments to the LLP and the LLP payments to the TRS Provider will each be made monthly on each LLP Payment Date.

See "Summary of the Principal Documents – The Swap Agreements – Total Return Swap" for further information.

For any Series of Covered Bonds the LLP may enter into a Covered Bond Swap with the Covered Bond Swap Provider. Each such Covered Bond Swap will have the following key commercial terms:

- The LLP will pay an amount in Sterling calculated by reference to a swap notional amount corresponding to the Principal Amount Outstanding of the relevant Covered Bonds (or its Sterling Equivalent) and three-month Sterling LIBOR.

- The Covered Bond Swap Provider will pay an amount in the currency of the related Term Advance or, as applicable, the currency of the relevant Series of Covered Bonds, calculated by reference to a swap notional amount corresponding to the Principal Amount Outstanding of the relevant Covered Bonds (or the outstanding principal amount of the related Term Advance, as the case may be) and a rate corresponding to the interest payable on the related Term Advance or Series of Covered Bonds and in respect of the interest periods applying to the relevant Term Advance or Series of Covered Bonds, which may include interest periods of one, two, three, six or twelve months.

- Payments by the LLP will be made monthly on each LLP Payment Date; payments by the Covered Bond Swap Provider will be made on the date that interest is payable on the related Term Advance or Series of Covered Bonds.

- If a Series of Covered Bonds is not denominated in Sterling but the related Term Advance is, the Covered Bond Swap Provider will: (a) make payments calculated by reference to amounts owed under the Covered Bond Guarantee; and (b) provide for the proceeds of the relevant Series of Covered Bonds to be swapped into Sterling...
on issue and for the exchange of Sterling on the maturity of such Series of Covered Bonds, such amount to be applied towards the redemption of the relevant Series of Covered Bonds.

See "Summary of the Principal Documents – The Swap Agreements – Covered Bond Swap" for further information.
TRIGGERS TABLES

Rating Triggers Table – Transaction Parties

<table>
<thead>
<tr>
<th>Transaction Party</th>
<th>Required Ratings/Triggers</th>
<th>Possible effects of Trigger being breached include the following</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuer</td>
<td>Short term unsecured, unsubordinated and unguaranteed debt obligations cease to be rated at least F1+ by Fitch and P-1 by Moody's</td>
<td>Issuer required to establish and maintain Reserve Fund.</td>
</tr>
<tr>
<td></td>
<td>Short term unsecured debt obligations of the Issuer cease to be rated at least F1 by Fitch and long term unsecured debt obligations of the Issuer cease to be rated at least A by Fitch and A3 by Moody's</td>
<td>(a) Item &quot;V&quot; of Asset Coverage Test increases from zero to 7 per cent. of the aggregate Current Principal Balance of the Mortgage Loans in the Mortgage Loans Portfolio.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(b) Item &quot;W&quot; of Asset Coverage Test increases from zero to the aggregate outstanding principal balance of Re-Draws in respect of Mortgage Loans in the Mortgage Loan Portfolio.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(c) Item &quot;Y&quot; of the Asset Coverage Test increases from zero to 24 per cent. multiplied by the flexible re-draw capacity, being an amount equal to the difference between (a) the maximum amount of cash re-draws that borrowers may make under Flexible Mortgage Loans in the Mortgage Loan Portfolio (whether drawn or not drawn) calculated as of the Determination Date immediately preceding the relevant Calculation Date and (b) the aggregate Current Principal Balance of Cash Re-Draws on Mortgage Loans in the Mortgage Loan Portfolio calculated as of the Determination Date immediately preceding the relevant Calculation Date.</td>
</tr>
</tbody>
</table>

If TRS not in effect or Issuer ceases to have a long-term rating of A3 by Moody's

The Negative Carry Factor forming part of item "Z" of the Asset Coverage Test increases from zero to either: (a) 0.50 per cent. if the then weighted average margin of
<table>
<thead>
<tr>
<th>Transaction Party:</th>
<th>Required Ratings/Triggers:</th>
<th>Possible effects of Trigger being breached include the following:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Long-term ratings fall below Baa3 by Moody's or BBB- by Fitch</td>
<td>the interest rate then payable on the Covered Bonds is less or equal to 0.10 per cent. per annum; or (b) 0.50 per cent. plus such weighted average margin minus 0.10 per cent., if such weighted average margin is greater than 0.10 per cent. per annum</td>
</tr>
<tr>
<td></td>
<td>Long-term credit rating from Moody's falls to below A2 or short-term credit rating from Moody's falls to below P-1; or Short-term credit rating, from Fitch falls to F1 (or lower) or short-term credit rating from Fitch falls to F2 (or lower)</td>
<td>Breach of the Pre-Maturity Test resulting in the Issuer being required to fund the Pre-Maturity Liquidity Ledger and/or leading to the sale of Selected Mortgage Loans</td>
</tr>
<tr>
<td></td>
<td>Short term, unsecured, unsubordinated and unguaranteed debt obligations cease to be rated at least F1 by Fitch</td>
<td>Seller is required to make a Cash Capital Contribution to the LLP within 10 London Business Days in an amount equal to the amount (if any) by which the Reserve Fund Required Amount exceeds the amount standing to the credit of the Reserve Ledger, as at the date of the loss of rating</td>
</tr>
<tr>
<td></td>
<td>Long term, unsecured, unsubordinated and unguaranteed debt obligations cease to be rated at least A by Fitch</td>
<td>Perfection Event takes place and legal title to the Mortgage Loans to be transferred to the LLP</td>
</tr>
<tr>
<td>Seller</td>
<td></td>
<td>The consequences of the relevant required ratings being breached are set out in more detail in &quot;Credit Structure&quot;, &quot;Summary of the Principal Documents – Asset Monitor Agreement&quot; and &quot;Summary of the Principal Documents – LLP Deed&quot;.</td>
</tr>
<tr>
<td>GIC Provider and GIC Account Bank</td>
<td>Short-term unsecured, unguaranteed and unsubordinated debt obligations of the GIC Provider or the GIC Account Bank cease to be rated at least F1 by Fitch and P-1 by Moody's</td>
<td>Within 30 days of the occurrence of such event if:</td>
</tr>
<tr>
<td></td>
<td>Long term unsecured, unsubordinated and unguaranteed debt obligations of the GIC Provider and the GIC Account Bank cease to be rated at least A by Fitch</td>
<td>(a) the Cash Manager does not obtain a guarantee of the obligations of the GIC Provider or the GIC Account Bank under the Account Bank Agreement from a financial institution whose applicable ratings are at least the GIC</td>
</tr>
<tr>
<td>Transaction Party: All Moneys Mortgage Trust Account Bank</td>
<td>Required Ratings/Triggers: Short-term unsecured, unguaranteed and unsubordinated debt obligations of the All Moneys Mortgage Trust Account Bank ceases to be rated at least F1 by Fitch and P-1 by Moody's Long term unsecured, unsubordinated and unguaranteed debt obligations of the All Moneys Mortgage Trust Account Bank cease to be rated at least A by Fitch</td>
<td>Possible effects of Trigger being breached include the following: Account Bank Minimum Ratings; or (b) the Cash Manager does not establish a replacement bank account for the GIC Account and the Swap Collateral Accounts with a new bank which complies with the conditions set out in the Account Bank Agreement, and provided that the Rating Agencies have been provided with notice of such actions and have not provided any indication that the then current ratings of the Covered Bonds would be reduced, qualified or withdrawn as a result of obtaining such guarantee or replacement account bank, the appointment of the GIC Provider and the GIC Account Bank will be required to be terminated in respect of the GIC Account and the Swap Collateral Accounts by the LLP or the Security Trustee and the Cash Manager will be required to use its reasonable endeavours to establish a replacement bank account with a new bank which satisfies the required conditions for the purposes of the GIC Account and the Swap Collateral Accounts. Within 30 days of the occurrence of such event if: (a) the Cash Manager does not obtain a guarantee of the obligations of the All Moneys Mortgage Trust Account Bank under the Account Bank Agreement from a financial institution whose applicable ratings are at least the All Moneys Mortgage Trust Account Bank Minimum Ratings; or</td>
</tr>
<tr>
<td>Transaction Party: Transaction Account Bank</td>
<td>Required Ratings/Triggers: Short-term unsecured, unguaranteed and unsubordinated debt obligations of an Transaction Account Bank cease to be rated at least F1 by Fitch and P-1 by Moody's</td>
<td>Possible effects of Trigger being breached include the following:</td>
</tr>
<tr>
<td>---</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>(b) the Cash Manager does not establish a replacement bank account for the All Moneys Mortgage Trust Account with a new bank which complies with the conditions set out in the Account Bank Agreement, and provided that the Rating Agencies have been provided with notice of such actions and have not provided any indication that the then current ratings of the Covered Bonds would be reduced, qualified or withdrawn as a result of obtaining such guarantee or replacement bank accounts, the appointment of the All Moneys Mortgage Trust Account Bank will be required to be terminated in respect of the All Moneys Mortgage Trust Account by the LLP or the Security Trustee and the Cash Manager will be required to use its reasonable endeavours to establish a replacement bank account with a new bank which satisfies the required conditions for the purposes of the All Moneys Mortgage Trust Account.</td>
</tr>
<tr>
<td></td>
<td>Long term unsecured, unsubordinated and unguaranteed debt obligations of the Transaction Account Bank cease to be rated at least A by Fitch</td>
<td>Within 30 days of the occurrence of such event if:</td>
</tr>
<tr>
<td></td>
<td>(a) the Cash Manager does not obtain a guarantee of the obligations of the Transaction Account Bank under the Account Bank Agreement from a financial institution whose applicable ratings are at least the Transaction Account Bank Minimum Ratings; or</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(b) the Cash Manager does not establish replacement bank accounts for the Transaction Accounts with a new bank which complies with the conditions set out in the Account Bank Agreement; or</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(c) in relation to the Transaction Accounts, the</td>
<td></td>
</tr>
</tbody>
</table>
Possible effects of Trigger being breached include the following:

Seller has not delivered a notice in accordance with the Account Bank Agreement signifying the intention for the crediting of the Account Reserve Required Amount to the Account Reserve (with the first of such payments to be made within 30 days of the date on which the required ratings were no longer satisfied),

and provided that (in relation to Clauses (a) and (b) only) the Rating Agencies have been provided with notice of such actions and have not provided any indication that the then current ratings of the Covered Bonds would be reduced, qualified or withdrawn as a result of obtaining such guarantee or replacement account banks, the appointment of the Transaction Account Bank will be required to be terminated by the LLP or the Security Trustee and the Cash Manager will be required to use its reasonable endeavours to establish replacement bank accounts with new banks that satisfy the required conditions.

Short-term unsecured, unguaranteed and unsubordinated debt obligations of the Transaction Account Bank ceases to be rated at least P-2 by Moody's

Within 30 days of the occurrence of such event if:

(a) the Cash Manager does not obtain a guarantee of the obligations of the Transaction Account Bank under the Account Bank Agreement from a financial institution whose applicable ratings are at least the Transaction Account Bank Minimum Ratings; or

(b) the Cash Manager does not establish replacement bank accounts for the Transaction Accounts with a new bank which complies with the conditions set out in the Account Bank Agreement,
<table>
<thead>
<tr>
<th>Transaction Party:</th>
<th>Required Ratings/Triggers:</th>
<th>Possible effects of Trigger being breached include the following:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Short-term unsecured, unguaranteed and unsubordinated debt obligations of the Collection Account Bank ceases to be rated at least F2 by Fitch and P-1 by Moody's</td>
<td>and provided that the Rating Agencies have been provided with notice of such actions and have not provided any indication that the then current ratings of the Covered Bonds would be reduced, qualified or withdrawn as a result of obtaining such guarantee or replacement account banks, the appointment of the Transaction Account Bank will be required to be terminated by the LLP or the Security Trustee and the Cash Manager will be required to use its reasonable endeavours to establish replacement bank accounts with new banks that satisfy the required conditions.</td>
</tr>
<tr>
<td>Collection Bank</td>
<td>Long term unsecured, unsubordinated and unguaranteed debt obligations of the Collection Account Bank cease to be rated at least A by Fitch</td>
<td>The consequences of the relevant required ratings being breached are set out in more detail in &quot;Summary of the Principal Documents – Account Bank Agreement&quot;</td>
</tr>
<tr>
<td></td>
<td>Within 30 days of the occurrence of such event if:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(a) the Servicer, the LLP and the Collection Account Bank do not obtain a guarantee of the obligations of the Collection Account Bank under the Servicing Agreement from a financial institution whose applicable ratings are at least the Collection Account Bank Minimum Ratings; or</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(b) the Servicer, the LLP and the Collection Account Bank do not establish replacement bank accounts for the Collection Accounts with a new bank which complies with the conditions set out in the Servicing Agreement; or</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(c) in relation to the Collection Accounts, the Seller has not delivered a notice in accordance with the Servicing Agreement signifying the intention for the crediting of the Account Reserve Required Amount to the Account</td>
<td></td>
</tr>
</tbody>
</table>
Possible effects of Trigger being breached include the following:

Reserve (with the first of such payments to be made within 30 days of the date on which the required ratings were no longer satisfied),

and provided that (in relation to Clauses (a) and (b) only) the Rating Agencies have been provided with notice of such actions and have not provided any indication that the then current ratings of the Covered Bonds would be reduced, qualified or withdrawn as a result of obtaining such guarantee or replacement account banks, the appointment of the Collection Account Bank will be required to be terminated by the LLP or the Servicer and the LLP or the Servicer will be required to use its reasonable endeavours to establish replacement bank accounts with new banks that satisfy the required conditions.

Short-term unsecured, unguaranteed and unsubordinated debt obligations of the Collection Account Bank ceases to be rated at least P-2 by Moody's

Within 30 days of the occurrence of such event if:

(a) the Servicer, the LLP and the Collection Account Bank do not obtain a guarantee of the obligations of the Collection Account Bank under the Servicing Agreement from a financial institution whose applicable ratings are at least the Collection Account Bank Minimum Ratings; or

(b) the Servicer, the LLP and the Collection Account Bank do not establish replacement bank accounts for the Collection Accounts with a new bank which complies with the conditions set out in the Servicing Agreement,

and provided that the Rating Agencies have been provided with notice of such actions and have not provided any indication that the
<table>
<thead>
<tr>
<th>Transaction Party</th>
<th>Required Ratings/Triggers</th>
<th>Possible effects of Trigger being breached include the following:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>then current ratings of the Covered Bonds would be reduced, qualified or withdrawn as a result of obtaining such guarantee or replacement account banks, the appointment of the Collection Account Bank will be required to be terminated by the LLP or the Servicer and the LLP or the Servicer will be required to use its reasonable endeavours to establish replacement bank accounts with new banks that satisfy the required conditions.</td>
</tr>
</tbody>
</table>

The consequences of the relevant required ratings being breached are set out in more detail in "Summary of the Principal Documents – Collection Account Declaration of Trust".

**Servicer**

<table>
<thead>
<tr>
<th>Required Ratings/Triggers</th>
<th>Possible effects of Trigger being breached include the following:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term, unsecured, unguaranteed and unsubordinated debt obligations of the Seller rated at least F1 by Fitch and long-term, unsecured, unguaranteed and unsubordinated debt obligations of the Seller rated A- by Fitch</td>
<td>The maximum period within which any money received by the Servicer (in carrying out its functions as Servicer under the Servicing Agreement) which belongs to the LLP and is to be paid to the Collection Account, shall be paid into such Collection Account by the Servicer is decreased from three (3) London Business Days to two (2) London Business Days.</td>
</tr>
<tr>
<td>Short-term, unsecured, unguaranteed and unsubordinated debt obligations of the Seller rated at least F2 by Fitch and long-term, unsecured, unguaranteed and unsubordinated debt obligations of the Seller rated BBB+ by Fitch</td>
<td>The maximum period within which any money received by the Servicer (in carrying out its functions as Servicer under the Servicing Agreement) which belongs to the LLP and is to be paid to the Collection Account, shall be paid into such Collection Account by the Servicer is decreased to one (1) London Business Day.</td>
</tr>
<tr>
<td>Long-term unsecured, unguaranteed and unsubordinated debt obligation cease to be rated at least Baa1 by Moody's and BBB- by Fitch</td>
<td>Servicer to use reasonable endeavours to enter into back-up or master servicing agreement with suitably experienced third party acceptable to the LLP and the Security Trustee (subject to certain criteria) within 60 calendar days of ceasing to be assigned such rating.</td>
</tr>
<tr>
<td>Long-term unsecured, unguaranteed and unsubordinated debt obligation cease to be rated at least Baa3 by Moody's and BBB- by Fitch</td>
<td>Back-up servicer to undertake or delegate the servicing obligations with respect to the Portfolio within 60 calendar days of the Servicer ceasing to be assigned such rating.</td>
</tr>
</tbody>
</table>

The consequences of the relevant required rating being breached are set out in
<table>
<thead>
<tr>
<th>Transaction Party:</th>
<th>Required Ratings/Triggers:</th>
<th>Possible effects of Trigger being breached include the following:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Manager</td>
<td>Long-term ratings of the Cash Manager or the Issuer fall below Baa3 by Moody's or BBB- by Fitch</td>
<td>Asset Monitor required to report on arithmetic accuracy of Cash Manager's calculations more frequently</td>
</tr>
<tr>
<td></td>
<td>If the Issuer is acting as the Cash Manager and long-term unsecured, unguaranteed and unsubordinated debt obligation cease to be rated at least Baa1 by Moody's, BBB+ by Fitch and short-term unsecured, unguaranteed and unsubordinated debt obligation cease to be rated at least F2 by Fitch</td>
<td>The Seller required to make a Cash Capital Contribution within 10 London Business Days in an aggregate amount equal to the Required Coupon Amount in respect of Term Advances calculated depending on whether a Covered Bond Swap is in place or, where in place, whether the Effective Date of such Covered Bond Swap has occurred</td>
</tr>
<tr>
<td></td>
<td>Long-term unsecured, unguaranteed and unsubordinated debt obligation of the Cash Manager cease to be rated at least Baa1 by Moody's and BBB- by Fitch</td>
<td>Cash Manager required to use reasonable endeavours to enter into a back-up cash management agreement with a suitably experienced third party acceptable to the LLP and the Security Trustee (subject to certain criteria) within 30 calendar days of ceasing to be assigned such rating</td>
</tr>
<tr>
<td></td>
<td>Long-term unsecured, unguaranteed and unsubordinated debt obligation of the Cash Manager cease to be rated at least Baa3 by Moody's</td>
<td>Back-up cash manager to undertake the cash management services set out in the Cash Management Agreement within 20 calendar days of the Cash Manager ceasing to be assigned such rating</td>
</tr>
</tbody>
</table>

The consequences of the relevant required ratings being breached are set out in more detail in "Summary of the Principal Documents – Servicing Agreement" and "Summary of the Principal Documents – LLP Deed – Coupon Prefunding".
## Non-Rating Triggers Table

<table>
<thead>
<tr>
<th>Nature of Trigger</th>
<th>Description of Trigger</th>
<th>Consequence of Trigger</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Rate Shortfall Test</td>
<td>The income received by the LLP in a particular LLP Payment Period plus other available funds is less than the amount of interest which would be payable under the Intercompany Loan or, following service of a Notice to Pay, the Covered Bond Guarantee (together with any amounts payable to the Swap Providers under the Swap Agreements in respect of the Covered Bonds) and other senior payment obligations of the LLP on the relevant LLP Payment Date. See &quot;Summary of the Principal Documents – Servicing Agreement&quot; for more information on this.</td>
<td>Seller to use all reasonable efforts to offer to sell further Mortgage Loans and their Related Security may be required to be sold to the LLP which have standard variable rates and/or other discretionary rates and margins sufficient to avoid such shortfall.</td>
</tr>
<tr>
<td>Yield Shortfall Test</td>
<td>After an Issuer Event of Default (which is continuing), interest amounts under the Mortgage Loans and amounts received by the LLP under the Swap Agreements during the relevant LLP Payment Period cease to give a weighted average yield on the Mortgage Loans in the Mortgage Loan Portfolio of at least LIBOR for one-month Sterling deposits plus 0.15 per cent. See &quot;Summary of the Principal Documents – Servicing Agreement&quot; for more information on this.</td>
<td>Servicer to take necessary steps to increase the standard variable rate and/or other discretionary rates or margins to the levels required for no such shortfall to arise.</td>
</tr>
</tbody>
</table>
| Asset Coverage Test               | The Adjusted Aggregate Asset Amount is less than the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds on any Calculation Date. See "Summary of the Principal Documents – LLP Deed – Asset Coverage Test" for more information on this. | (a) The LLP will notify the Members, the Bond Trustee and the Security Trustee and the Members (other than the Liquidation Member) will use all reasonable endeavours to sell sufficient further Mortgage Loans and their Related Security to the LLP, transfer in Substitution Assets or provide Cash Capital Contributions to ensure the Asset Coverage Test is met on the immediately following Calculation Date. *(b)* The Bond Trustee will serve an Asset Coverage
Nature of Trigger: Test Breach Notice on the Issuer and the LLP and shall send notice to the FSA pursuant to the RCB Regulations if on such immediately following Calculation Date the Adjusted Aggregate Asset Amount is less than the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds. The Bond Trustee shall revoke an Asset Coverage Test Breach Notice if, on any Calculation Date falling on or prior to the third Calculation Date following the service of an Asset Coverage Test Breach Notice, the Asset Coverage Test is subsequently satisfied and neither a Notice to Pay nor an LLP Acceleration Notice has been served.

(c) Following service of an Asset Coverage Test Breach Notice (which has not been revoked):

(i) the LLP will be required to sell Selected Mortgage Loans and all Substitution Assets;

(ii) 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; and

(iii) the Issuer will not be permitted to make to the LLP and the LLP will not be permitted to borrow from the Issuer
<table>
<thead>
<tr>
<th>Nature of Trigger:</th>
<th>Description of Trigger:</th>
<th>Consequence of Trigger:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuer Event of Default</td>
<td>Any of the events listed at Condition 9(a) (Events of Default and Enforcement – Issuer Events of Default) occurs. See &quot;Terms and Conditions of the Covered Bonds&quot; for more information.</td>
<td>(a) Bond Trustee may (or, if directed, shall) serve an Issuer Acceleration Notice on the Issuer. (b) Covered Bonds become accelerated as against the Issuer (but not against the LLP). (c) Notice to Pay served on the LLP. (d) Following service of Notice to Pay, LLP starts making payments of Guaranteed Amounts under the Covered Bonds. (e) Excess Proceeds paid by the Bond Trustee to the LLP and will thereafter form part of the Security.</td>
</tr>
<tr>
<td>Amortisation Test</td>
<td>Following service of a Notice to Pay, the Amortisation Test Aggregate Asset Amount is less than the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds on any Calculation Date. See &quot;Summary of the Principal Documents – LLP Deed&quot; for more information.</td>
<td>Breach of the Amortisation Test on any Calculation Date following service of a Notice Pay on the LLP is an LLP Event of Default.</td>
</tr>
<tr>
<td>LLP Event of Default</td>
<td>Any of the events listed at Condition 9(b) (Events of Default and Enforcement – LLP Events of Default) occurs. See &quot;Terms and Conditions of the Covered Bonds&quot; for more information.</td>
<td>(a) Bond Trustee may (or, if directed, shall) serve an LLP Acceleration Notice on the LLP.</td>
</tr>
</tbody>
</table>

Any new Term Advances under the Intercompany Loan Agreement.

(d) If an Asset Coverage Test Breach Notice has been served and not revoked on or before the third Calculation Date after service of such Asset Coverage Test Breach Notice, then an Issuer Event of Default shall occur and the Bond Trustee shall be entitled (and, in certain circumstances may be required) to serve an Issuer Acceleration Notice.
<table>
<thead>
<tr>
<th>Nature of Trigger:</th>
<th>Description of Trigger:</th>
<th>Consequence of Trigger:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Maturity Test</td>
<td>The Issuer's credit ratings fall to a certain level within a certain period prior to the maturity of the relevant Series of Hard Bullet Covered Bonds. See &quot;Credit Structure – Pre-Maturity Liquidity&quot; for more information.</td>
<td>If certain actions are not taken within a specified period the Bond Trustee will serve a Notice to Pay on the LLP following a breach of the Pre-Maturity Test to require it to sell and/or refinance Selected Mortgage Loans.</td>
</tr>
</tbody>
</table>

| (b) | Security enforceable |
| (c) | Covered Bonds will become immediately due and repayable as against the Issuer (if not already immediately due and payable as against the Issuer) and also against the LLP |
| (d) | Moneys received or recovered by the Security Trustee applied in accordance with the Post-Enforcement Priority of Payments |
FEES

The table below sets out the principal on-going transaction fees.

<table>
<thead>
<tr>
<th>Type of Fee</th>
<th>Amount of Fee</th>
<th>Priority in Cashflow</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combined Servicing and Cash Management Fees</td>
<td>£1,950,000 each year (inclusive of VAT)</td>
<td>Ahead of all outstanding Covered Bonds*</td>
<td>Each LLP Payment Date</td>
</tr>
<tr>
<td>Asset Monitor Fees</td>
<td>£8,000 plus VAT per report</td>
<td>Ahead of all outstanding Covered Bonds*</td>
<td>Each LLP Payment Date</td>
</tr>
<tr>
<td>Trustee Fees</td>
<td>An amount per annum as agreed in accordance with a separate fee letter between the Issuer, the Bond Trustee and the Security Trustee</td>
<td>Ahead of all outstanding Covered Bonds*</td>
<td>Each LLP Payment Date</td>
</tr>
<tr>
<td>Other fees and expenses of the LLP</td>
<td>Estimated at £29,000 each year (exclusive of VAT)</td>
<td>Ahead of all outstanding Covered Bonds*</td>
<td>Each LLP Payment Date</td>
</tr>
</tbody>
</table>

* Although post-enforcement these fees will rank pari passu with the Covered Bonds, this does not include any fees payable to a liquidator, administrator, administrative receiver, receiver or manager or to the trustee in connection with the expenses of the winding up, administration, administrative receivership or receivership.
USE OF PROCEEDS

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

(a) to purchase Mortgage Loans and their Related Security; and/or
(b) to invest the same in Substitution Assets up to the prescribed limit (as specified in the LLP Deed) to the extent required to meet the requirements of Regulations 17(2)(b) and 24(1)(a)(ii) of the RCB Regulations and the Asset Coverage Test;

and thereafter the LLP may use such proceeds:

(1) to invest the same in Substitution Assets up to the prescribed limit (as specified in the LLP Deed); and/or
(2) 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
(3) subject to complying with the Asset Coverage Test, to make a Capital Distribution to a Member; and/or
(4) to deposit all or part of the proceeds into the GIC Account (including, without limitation, to fund the Reserve Fund to an amount not exceeding the prescribed limit).
THE ISSUER

Information About The Issuer

History and development of the Issuer

The legal name of the Issuer is Clydesdale Bank PLC and it is a subsidiary of National Australia Group Europe Limited and is a regulated legal entity in the United Kingdom. Clydesdale Bank PLC is registered in Scotland (company number SC001111).

‘Yorkshire Bank’ is a trading name of Clydesdale Bank PLC.

Banking operations in the United Kingdom are carried out under the Clydesdale Bank and Yorkshire Bank brands.

As at the date of this Base Prospectus, the short term unsecured obligations of the Issuer are rated A-2 by S&P, P-1 (negative outlook and on review for downgrade) by Moody's and F1 by Fitch and the long-term obligations of the Issuer are rated BBB+ (positive outlook) by S&P, A2 (negative outlook and on review for downgrade) by Moody's and A by Fitch.

The Issuer was established in 1838 before being incorporated as an unlimited company on 23 December 1862 as The Clydesdale Banking Company before being re-registered as a private limited company on 3 April 1882 as The Clydesdale Bank Limited. National Australia Bank Limited ("NAB") assumed control of the Issuer in 1987. Yorkshire Bank Public Limited Company ("Yorkshire") was incorporated on 25 August 1911 as The Yorkshire Penny Bank Limited. NAB assumed control of Yorkshire in 1990. In December 2004, Yorkshire merged with the Issuer pursuant to the National Australia Group Europe Act 2001, a UK private Act of Parliament (the "Merger"). As a result of the Merger, the Issuer assumed all of the assets, rights, liabilities and obligations of Yorkshire on and from 1st December 2004. The business carried on by Yorkshire prior to the Merger is now carried on by the Issuer under the "Yorkshire Bank" brand.

The Issuer was re-registered as a public limited company on 11 January 1982 and operates under UK legislation including the Companies Acts and the Financial Services and Markets Act 2000. Its registered office is 30 St Vincent Place, Glasgow G1 2HL (telephone number +44 (0)141 248 7070).

Yorkshire Bank Home Loans Limited


YBHL's core business is the provision of residential mortgages.

YBHL is a wholly owned subsidiary of Clydesdale Bank and is authorised and regulated by the FSA.

Business Overview

Principal activities

The Issuer, under its Clydesdale and Yorkshire Bank brands offers access to a comprehensive range of banking and other related services through approximately 337 branches as at 31 March 2012.

The Issuer also offers integrated business and private banking services to small-medium sized and mid-tier corporate business customers. There were 71 Financial Solutions Centres ("FSCs"), which offer and provide integrated business and private banking services to small-medium sized and mid-corporate business customers, as at 31 March 2012.

In the six months to 31 March 2012, average gross loans and acceptances (loans and advances to customers, loans designated at fair value through profit and loss account and amounts due from customers on acceptances) were £33.7 billion and average retail deposit volumes (current accounts, savings accounts, term deposits and business deposits) were £24.2 billion.
Organisational Structure

The ultimate parent company of the Issuer is NAB. The Issuer is a wholly-owned subsidiary of National Australia Group Europe Limited. In turn, National Australia Group Europe Limited is a wholly-owned subsidiary of National Equities Limited (which is registered in Australia). National Equities Limited is a wholly-owned subsidiary of NAB.

The Issuer receives certain shared-group services from a service company, National Australia Group Europe Services Limited, itself a wholly-owned subsidiary of National Australia Group Europe Limited. This service company operates on a full cost-recovery basis. The service company was established to assist with the co-ordination of certain common services such as information technology and other head office activities. Certain shared-group services are also provided by National Australia Group Europe Limited itself.

The Issuer is also dependent on NAB for certain shared-group services and has access to NAB and to National Australia Group Europe Limited for general funding requirements and subordinated debt capital funding, as well as the global capital markets which the Issuer continues to access on an ongoing basis.

Profit Forecasts Or Estimates

The Issuer does not intend to make or imply any profit forecasts or profit estimates in this Base Prospectus. No statement contained in this Base Prospectus should be interpreted as such a forecast or estimate.

Administrative, Management And Supervisory Bodies

The name and function of each of the Directors of the Issuer are listed below. Unless otherwise stated, the business address of each Director is Level 3, 88 Wood Street, London EC2V 7QQ.

- **Sir Malcolm Williamson**

- **David Thorburn**
  - Executive Director and Chief Executive Officer of the Issuer (Clydesdale Bank Exchange, 20 Waterloo Street, Glasgow G2 6DB) and Executive Director of National Australia Group Europe Limited and member of the European Boards’ Risk Committee

- **John Hooper**
  - Executive Director of the Issuer and National Australia Group Europe Limited and member of the European Boards’ Risk Committee

- **Cameron Clyne**
  - Executive Director of the Issuer and National Australia Group Europe Limited

- **Sir David Fell KCB**
  - Non-Executive Director of Clydesdale and National Australia Group Europe Limited and Chairman of the European Boards’ Audit Committee. Other appointments: Chairman, Novenso Ltd and Goldblatt McGuigan. Pro-Chancellor and Chairman of the Senate, Queens University Belfast

- **Richard Gregory OBE**
  - Non-Executive Director of Clydesdale and National Australia Group Europe Limited and member of the European Boards’ Risk Committee and the European Boards’ Audit Committee. Other appointments: Chairman, Science City York and Chesterfield Royal Hospital NHS Foundation Trust. Director, Richard Gregory Consulting Limited, Member of the national board, The Foundation Trust Network. Non-Executive Director of the Issuer and National Australia Group Europe Limited.
Group Europe Limited and member of the European Boards' Risk Committee and the European Boards' Audit Committee

- **Roy Nicolson**
  Non-Executive Director of Clydesdale and National Australia Group Europe Limited and member of the European Boards' Risk Committee and the European Boards' Audit Committee, Non-Executive Director of the Issuer and National Australia Group Europe Limited and member of the European Boards' Risk Committee and the European Boards' Audit Committee

- **Jonathan Dawson**
  Non-Executive Director of Clydesdale and National Australia Group Europe Limited and member of the European Boards' Audit Committee and the European Boards' Risk Committee. Other appointments: Chairman, Royal Albert Hall Pension Scheme. Director, Standard Life Investments (Holdings) Limited, Standard Life Investments Limited, London Philharmonic Orchestra Limited and Next PLC. Founding Partner, Penfida Partners LLP. Chairman of Remuneration Committee, Next PLC

- **Elizabeth Padmore**
  Non-Executive Director of Clydesdale and National Australia Group Europe Limited. Other appointments: Chairman, Basingstoke and North Hampshire NHS Foundation Trust Hospital. Director, Accenture Development Partnerships, and Padmore Associates Limited. Trustee, The Ditchley Foundation, Women for Women International (UK) and The Prince of Wales Youth Business International Limited. Member of the Finance and General Purposes Committee and member of the Investment Committee, The Ditchley Foundation. Chairman of the Accreditation Committee and member of the audit committee, The Prince of Wales Youth Business International Limited

- **David Browne**
  Non-Executive Director of Clydesdale and National Australia Group Europe Limited.

- **David Allvey**
  Non-Executive Director of Clydesdale and National Australia Group Europe Limited. Other appointments: Senior Independent Director and Chair of Audit Committee of Friends Provident Group plc and Chairman (Non Executive) of Costain Group plc

- **Barbara Ridpath**
  Non-Executive Director of Clydesdale and National Australia Group Europe Limited. Other appointments: Chief Executive Officer of the International Centre for Financial Regulation

- **Alex Shapland**
  Non-Executive Director of Clydesdale and National Australia Group Europe Limited

There are no conflicts of interest between any duties of these people to the Issuer and their private interests or their other duties.

The Issuer announced on 28th May 2012 that Sir Malcolm Williamson will retire as a director and Chairman of the Issuer on 26 July 2012. NAB Group Chief Executive Officer Mr Cameron Clyne, who has been a member of the Issuer’s Board for over two years will be appointed Chairman of the Issuer upon the retirement of Sir Malcolm Williamson. As part of the Issuer Board’s ongoing renewal plan the composition of the Board of the Issuer will also change.

Four new UK-based independent Non-Executive Directors were appointed during May to the Board and have received regulatory approval from the Financial Services Authority. They are David Browne (appointed on 2 May 2012), Barbara Ridpath (appointed on 9 May 2012), David Allvey (appointed on 18 May 2012) and Alex Shapland (appointed on 23 May 2012).

With the appointment of these four new directors, three Non-Executive Directors, being Jonathan Dawson, Roy Nicolson and Elizabeth Padmore, will step down as directors with effect from 31 May 2012.

The proposed appointment of two additional members of the NAB Group Executive Committee as directors of the Issuer, are currently before the regulators for approval.
**Major Shareholders**

The Issuer is indirectly wholly owned and controlled by NAB; see "Organisational Structure" above.

**Financial Information Concerning the Issuer's Assets And Liabilities, Financial Position And Profits And Losses**

**Historical financial information**

The Annual Report and Consolidated Financial Statements ("Annual Report") of the Issuer for the year ended 30 September 2011 have been prepared in accordance with International Financial Reporting Standards ("IFRS") in line with the treatment adopted for the Annual Report for the year ended 30 September 2010.

The Annual Reports are incorporated by reference into this Base Prospectus in their entirety and include, without limitation, the following information in relation to the Issuer for its financial years ending 30 September 2010 and 30 September 2011 (at the locations listed):

- the balance sheets (at page 23 of its Annual Report to 30 September 2010 and page 21 of its Annual Report to 30 September 2011);
- the consolidated income statements (at page 21 of its Annual Report to 30 September 2010 and page 19 of its Annual Report to 30 September 2011);
- the cash flow statements (at page 26 of its Annual Report to 30 September 2010 and at page 24 of its Annual Report to 30 September 2011);
- the accounting policies and explanatory notes (at pages 27-120 of its Annual Report to 30 September 2010 and pages 25-115 of its Annual report to 30 September 2011 referred to as the "Notes to the Consolidated Financial Statements");
- the statements of comprehensive income (at page 22 of its Annual Report to 30 September 2010 and at page 20 of its Annual Report to 30 September 2011); and
- the statement of changes in equity (at pages 24-25 of its Annual Report to 30 September 2010 and at pages 22-23 of its Annual Report to 30 September 2011).

The financial statements are consolidated financial statements.

**Auditing of historical annual financial information**

The historical financial information referred to above has been audited; please see the Reports of the Independent Auditors, at pages 18 and 19 of its Annual Report to 30 September 2010 and at pages 16 and 17 of its Annual Report to 30 September 2011.

**Legal and arbitration proceedings**

Except as described below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Clydesdale is aware) in the 12-month period before the date of this Base Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of Clydesdale.

**Financial Services Compensation Scheme contributions**

The Issuer pays levies based on its share of protected depositors to the Financial Services Compensation Scheme (the "FSCS") in respect of claims against the FSCS (as further described in "Risk Factors - Financial Services Compensation Scheme"). The Issuer may from time to time be required to pay further amounts to the FSCS in respect of the compensation to eligible depositors of other authorised financial services firms unable to pay claims against them.
Payment Protection Insurance

Following the investigation by the UK Competition Commission into the sale of Payment Protection Insurance ("PPI"), a report was published on 29 January 2009 which concluded that a lack of competition existed in the UK market as a result of various factors, including lack of transparency and barriers to entry for stand-alone providers. A range of remedies to address the issue have been imposed. Separately, on 10 August 2010, the FSA issued a policy statement in relation to redress for customers who allege that they were sold a PPI policy in circumstances where such a sale was inappropriate. The FSA also requires firms to identify whether an unfair sales practice affected customers who have not complained or whose complaints have been rejected and to award redress to them.

On 8 October 2010, the British Bankers Association ("BBA") filed papers with the High Court asking for a review of proposals by the FSA contained in new rules that are due to be implemented at the end of 2011. These proceedings were also brought against the Financial Ombudsman Service (the Ombudsman). On behalf of the industry, the BBA alleged that the rules require banks to apply sales standards retrospectively to a period before their introduction. The judgment on the judicial review proceedings was announced on 20 April 2011 in favour of the FSA and the Ombudsman. On 9 May 2011, the BBA announced that it would not participate in any application for permission to appeal against the judgment.

As at 31 March 2012, the Issuer held a provision of £169 million to cover potential customer claims for refunds of premiums associated with the alleged mis-selling of PPI. The provision is based upon known pipeline cases and expectations of future claims. It is management’s current best estimate of expected costs. During the half year to 31 March 2012, the provision was increased by an additional £120m. This reflects a marked increase in the level of complaints received in the period January to March 2012 and the impact on the estimate for future complaints that may be received. The provision reflects an assessment of future PPI claims based upon estimates, statistical analysis and assumptions in relation to a wide range of uncertain factors, including how many PPI claims will be made against Clydesdale for what value, and the prospects of mis-selling being established in relation to those claims. The final amount required to settle the potential liability is therefore uncertain. Clydesdale continues to keep the matter under review.

Recent events

There are no recent events particular to the Issuer that are, to a material extent, relevant to the evaluation of its solvency.

NAB Group UK Banking Strategic Review

On 30 April 2012, NAB, the ultimate parent company of the Issuer, announced the outcome of its UK banking strategic review in response to deterioration in the economic and operating conditions in the region.

The main outcomes of the UK banking strategic review, as they relate to the Issuer, are:

• The Issuer will simplify its business model and refocus on its retail operations and small and medium sized enterprise business lending in Scotland and Northern England. Customer service and distribution capabilities will be strengthened, and there will be a significant reduction in the number of FSCs. 29 of the 71 FSCs are planned to be closed, and nine consolidated with retail branches, with the changes predominantly taking place in the south of England. Six back office locations will also be closed. The Issuer’s risk appetite will be modified and will no longer accommodate financing of property development or property investment, where the underlying purpose is to generate rental income and capital gains.

• Effective during the first half of the 2013 financial year, the Issuer will transfer the vast majority of its existing commercial real-estate exposures to NAB, together with some associated loans and other assets. As at 31 March 2012, the portfolio to be transferred has an outstanding balance before provisions of approximately £6.2 billion. This restructure will improve the Issuer’s balance sheet structure, reducing the reliance on wholesale funding which has become more expensive due to the Issuer’s credit rating downgrades, and moving to a more deposit funded base. The transferred portfolio will be run-off as the assets reach maturity, subject to customers’ ability to refinance or repay. It will be managed separately by NAB. The transfer will occur at book value (i.e. net of provisions) and proceeds from the transfer will be used to repay intragroup
funding. Residual Issuer commercial real-estate assets that are impracticable to transfer will be retained by the Issuer. These assets will be run off in a manner similar to the transferred portfolio.

- Provision coverage for the UK commercial real-estate portfolio of the Issuer has been strengthened by £150 million. The Issuer has recorded this as an additional £150 million charge for bad and doubtful debts in its interim accounts for the half year to 31 March 2012. The total provision coverage against the UK commercial real-estate portfolio of the Issuer has increased to 7.5% of commercial real-estate Gross Loans and Advances as at 31 March 2012.

- The Issuer will also reduce its cost base by streamlining operations, technology and support functions to improve efficiency and effectiveness. There is a planned reduction of over 1,400 full time equivalent employees ("FTEs") by the end of the 2015 financial year, relative to September 2011, including a reduction of 205 FTEs in the March 2012 half year and the proposed transfer of 191 FTEs to NAB in the first half of the 2013 financial year, to manage the commercial real-estate run-off.

- An estimated £139 million will be incurred in the half year ending 30 September 2012 relating to redundancy, lease break fees and other costs.

Implementation of the UK banking restructure remains subject to final prudential regulatory approvals.

Issuer’s Interim Financial Statements for the 6 months ended 31 March 2012

On 25 May 2012, the Issuer released its Interim condensed consolidated Financial Statements for the half-year ending 31 March 2012.

Reflecting the United Kingdom’s prolonged economic downturn, the Issuer (on a consolidated basis) incurred a pro forma loss of £176 million for the half compared to a pro forma profit of £45 million in the prior comparable period. The statutory loss was £186 million, compared to a statutory loss of £43 million in the prior comparable period. The pro forma loss for the period reflects the impact of the higher cost of funds incurred following a credit rating downgrade from A+ to BBB+ by S&P (following a change in the way that systemic support for the Issuer is calculated), higher bad and doubtful debts (arising mainly from higher provisioning for corporate real estate related exposures) and certain costs related to the outcomes of the strategic review referred to above.

The statutory loss outcome also reflected the need to increase the provision for Payment Protection Insurance matters by £120 million following higher than expected claims experience in the half year (as has been the case for other UK banks). This was offset by a £130 million benefit arising from the reforms to the Issuer’s defined benefit pension scheme.

Provisioning coverage (total provisions to gross loans and acceptances) has increased to 2.26% (March 2011: 1.56%). The total Tier 1 capital ratio was 10.3% at the end of the period, up from 9.6% at 31 March 2011. The Customer Funding Index rose to 87% (March 2011: 82%) and Stable Funding Index increased to 97% (March 2011: 94%).
THE LLP

Introduction

The LLP was established under the laws of England and Wales on 21 May 2010 as a limited liability partnership (registered number OC 355161) with limited liability under the LLPA 2000 by Clydesdale and the Liquidation Member as its Members. The principal place of business of the LLP is at Level 3, 88 Wood Street, London EC2V 7QQ (telephone number: +44 (0) 20 7710 2100). The LLP has no subsidiaries.

Principal Activities

The principal objects of the LLP are set out in the LLP Deed and include, inter alia, the ability to carry on the business of acquiring the Mortgage Loans and their Related Security pursuant to the terms of the Mortgage Sale Agreement with a view to profit and to do all such things as are incidental or conducive to the carrying on of that business and to borrow money.

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

Members

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Principal Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clydesdale</td>
<td>30 St Vincent Place, Glasgow G1 2HL</td>
</tr>
<tr>
<td>Liquidation Member</td>
<td>Winchester House, 1 Great Winchester Street, London EC2N 2DB</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Name</th>
<th>Business Address</th>
<th>Business Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nick Bland</td>
<td>Winchester House, 1 Great Winchester Street, London EC2N 2DB</td>
<td>Accountant</td>
</tr>
<tr>
<td>Thadeshwar Ashok Fagoo</td>
<td>Winchester House, 1 Great Winchester Street, London EC2N 2DB</td>
<td>Accountant</td>
</tr>
<tr>
<td>Beejadhursingh Mahen Surnam</td>
<td>Winchester House, 1 Great Winchester Street, London EC2N 2DB</td>
<td>Accountant</td>
</tr>
</tbody>
</table>

The directors of Clydesdale are set out under "The Issuer - Business Overview - Administrative, Management and Supervisory Bodies" above.

As at the date hereof, none of the directors of Clydesdale are members of the LLP Management Committee or have otherwise assumed a personal duty of care to the LLP and therefore as at the date
hereof, there is no conflict of interest between their duties to the LLP and their duties to the Member appointing them.

No potential conflicts of interest exist between any duties owed to the LLP by the directors of the Liquidation Member and their private interests or other duties.

There is no potential conflicts of interest between, on the one hand, any duties of the members of the LLP Management Committee to the LLP and, on the other hand, their private interests or other duties.

**LLP Management Committee**

At the date of this Prospectus, the following are the members of the LLP Management Committee:

<table>
<thead>
<tr>
<th>Name</th>
<th>Business Address</th>
<th>Principal Activities outside the LLP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miles Storey</td>
<td>Level 3, 88 Wood Street, London EC2V 7QQ</td>
<td>UK Treasurer, Clydesdale Bank PLC</td>
</tr>
<tr>
<td>Keith J. Malkin</td>
<td>Level 3, 88 Wood Street, London EC2V 7QQ</td>
<td>Head of Finance, London, Clydesdale Bank PLC</td>
</tr>
<tr>
<td>Keith Rhodes</td>
<td>Level 3, 88 Wood Street, London EC2V 7QQ</td>
<td>Head of Non-Traded Market Risk, Clydesdale Bank PLC</td>
</tr>
<tr>
<td>Scott Butterworth</td>
<td>Level 3, 88 Wood Street, London EC2V 7QQ</td>
<td>Chief Financial Officer, Clydesdale Bank PLC</td>
</tr>
<tr>
<td>Michael Webber</td>
<td>Level 3, 88 Wood Street, London EC2V 7QQ</td>
<td>Head of Legal Services, Clydesdale Bank PLC</td>
</tr>
<tr>
<td>Tony Duffy</td>
<td>Level 3, 88 Wood Street, London EC2V 7QQ</td>
<td>Head of Taxation, UK, Clydesdale Bank PLC</td>
</tr>
<tr>
<td>Nick Bland</td>
<td>Winchester House, 1 Great Winchester Street, London EC2N 2DB</td>
<td>Accountant</td>
</tr>
<tr>
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<td>Winchester House, 1 Great Winchester Street, London EC2N 2DB</td>
<td>Accountant</td>
</tr>
</tbody>
</table>

**Capitalisation and Indebtedness Statement**

The LLP has no loan capital, term loans, other borrowings or indebtedness or contingent liabilities or guarantees as at the date of this Base Prospectus other than the Covered Bond Guarantee.
SUMMARY OF THE PRINCIPAL DOCUMENTS

Trust Deed

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

(a) the constitution of the Covered Bonds and the terms and conditions of the Covered Bonds (as more fully set out under "Terms and Conditions of the Covered Bonds" below);

(b) the covenants of the Issuer and the LLP;

(c) the terms of the Covered Bond Guarantee (as described below);

(d) the enforcement procedures relating to the Covered Bonds and the Covered Bond Guarantee; and

(e) the appointment, powers and responsibilities of the Bond Trustee and the circumstances in which the Bond Trustee may resign or retire or be removed.

The Covered Bond Guarantee

Under the terms of the Covered Bond Guarantee, if the Issuer defaults on the payment on the due date (subject to any applicable grace periods) of any moneys due and payable under or pursuant to the Trust Deed or the Covered Bonds or any Receipts or Coupons, or if any other Issuer Event of Default occurs (other than by reason of non-payment) or if an LLP Event of Default occurs, the LLP will (subject as described below) pay or procure to be paid (following service of an Issuer Acceleration Notice on the Issuer and the LLP and a Notice to Pay on the LLP or, if earlier, the service on the Issuer and the LLP of an LLP Acceleration Notice) unconditionally and irrevocably to, or to the order of, the Bond Trustee (for the benefit of the Covered Bondholders), an amount equal to that portion of the Guaranteed Amounts which shall become Due for Payment but would otherwise be unpaid, as of any Original Due for Payment Date or, if applicable, each Interest Payment Date falling after the Final Maturity Date up to, and including, the Extended Due for Payment Date, by the Issuer. Under the Covered Bond Guarantee, the Guaranteed Amounts will become immediately due and payable on the date on which an LLP Acceleration Notice is served.

Service of a Notice to Pay on the LLP will follow the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice. Payment by the LLP of the Guaranteed Amounts pursuant to the Covered Bond Guarantee will be made on the later of (a) the day which is two Business Days following service of a Notice to Pay on the LLP or (b) the day on which the Guaranteed Amounts are otherwise Due for Payment.

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

Under the terms of the Covered Bond Guarantee, the LLP agrees that its obligations under the Covered Bond Guarantee shall be as principal debtor and not merely as surety and shall be absolute and unconditional, irrespective of, and unaffected by, any invalidity, irregularity or unenforceability of, or defect in, any provisions of the Trust Deed or the Covered Bonds or Receipts or Coupons or the absence of any action to enforce the same or the waiver, modification or consent by the Bond Trustee or any of the Covered Bondholders, Receiptsholders or Couponholders in respect of any provisions of the same or the obtaining of any judgment or decree against the Issuer or any action to enforce the same or any other circumstances which might otherwise constitute a legal or equitable discharge or defence of a guarantor.

Subject to the grace periods specified in Condition 9(b) (LLP Events of Default), failure by the LLP to pay the Guaranteed Amounts when Due for Payment will constitute an LLP Event of Default.
The Trust Deed provides that the Excess Proceeds shall be paid by the Bond Trustee on behalf of the Covered Bondholders of the relevant Series to the LLP for its own account, as soon as practicable, and shall be held by the LLP in the GIC Account and the Excess Proceeds shall thereafter form part of the Security and shall be used by the LLP in the same manner as all other moneys from time to time standing to the credit of the GIC Account. Any Excess Proceeds received by the Bond Trustee shall discharge pro tanto the obligations of the Issuer in respect of the Covered Bonds, Receipts and Coupons. However, the obligations of the LLP under the Covered Bond Guarantee are (following service of an Issuer Acceleration Notice and Notice to Pay or, if earlier, service of an LLP Acceleration Notice) unconditional and irrevocable and the receipt by the Bond Trustee of any Excess Proceeds shall not reduce or discharge any of such obligations.

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

Please also see "The Bond Trustee and the Security Trustee: powers, responsibilities and liabilities" below for further information relating to the role of the Bond Trustee.

The Trust Deed and any non contractual obligations arising under it will be governed by English law.

**Intercompany Loan Agreement**

On each Issue Date, the Issuer will lend an amount equal to the proceeds of a Series of the Covered Bonds issued on that Issue Date to the LLP by way of a Term Advance pursuant to the Intercompany Loan Agreement. Each Term Advance will be made in Sterling or in the Specified Currency of the Series or Tranche of Covered Bonds that fund the making of that Term Advance. Where a Series of Covered Bonds issued in a Specified Currency other than Sterling is to be used to fund a Term Advance to be made in Sterling, the proceeds of such Series will be swapped into Sterling by the LLP pursuant to the relevant Covered Bond Swap Agreement. The Sterling Equivalent of each Term Advance will be used by the LLP (i) as consideration in part for the acquisition of Mortgage 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 to the extent required to meet the requirements of Regulations 17(2)(b) and 24(i)(a)(ii) of the RCB Regulations and the Asset Coverage Test and thereafter the LLP may use such proceeds: (i) (subject to complying with the Asset Coverage Test) to make a Capital Distribution to a Member; and/or (ii) 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 (iii) to make a deposit of all or part of the proceeds in the GIC Account (including, without limitation, to fund the Reserve Fund to an amount not exceeding the prescribed limit).

The Issuer will not be relying on repayment of any Term Advance in order to meet its repayment obligations under the Covered Bonds. The LLP will pay amounts due in respect of Term Advances in accordance with the relevant Priorities of Payment. 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 Term Advances(s) will be paid by the LLP to, or as directed by, the Issuer on each Interest Payment Date, subject to paying all higher ranking amounts in the Pre-Acceleration Revenue Priority of Payments or, as applicable, the Pre-Acceleration Principal Priority of Payments. The Issuer may (but is not required to) use the repayments received on 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. See further "Cashflows – Allocation and Distribution of Available Revenue Receipts and Available Principal Receipts following service of an Asset Coverage Test Breach Notice".

The amounts owed by the LLP to the Issuer under the Term Advances will be treated as satisfied, in whole or in part, by (i) any amounts paid by the LLP under the terms of the Covered Bond Guarantee to repay the Covered Bonds (the proceeds of which were originally applied to make such Term Advances); and/or (ii) the Principal Amount Outstanding of any Covered Bonds (the proceeds of which were originally applied to make such Term Advances) purchased by the LLP and cancelled in accordance with Condition 6(j) (Cancellation).
Any amounts paid or provided for by the LLP from the Coupon Payment Ledger to the Principal Paying Agent shall be treated as a payment of interest under each Term Advance and shall satisfy, in whole or in part, the obligation of the LLP to pay interest on such Term Advances to the Issuer under the terms of the Intercompany Loan Agreement. Where a Covered Bond Swap is in place and, pursuant to the LLP Deed, the LLP has directed the Covered Bond Swap Provider to make the Party A Payment in respect of such Covered Bond Swap to an account specified by the Principal Paying Agent, such payment shall be treated as a payment of interest under the Term Advance and shall satisfy, in whole or in part, the obligation of the LLP to pay interest on such Term Advance to the Issuer under the terms of the Intercompany Loan Agreement.

The Intercompany Loan Agreement and any non contractual obligations arising under it will be governed by English law.

**Mortgage Sale Agreement**

**The Seller**

Mortgage Loans and their Related Security will be sold to the LLP from time to time pursuant to the terms of the Mortgage Sale Agreement entered into on the Programme Date between Clydesdale (in its capacity as Seller), YBHL, the LLP and the Security Trustee.

**Sale by the Seller of Mortgage Loans and Related Security**

The Mortgage Loan Portfolio will consist of Mortgage Loans and their Related Security sold from time to time by the Seller to the LLP in accordance with the terms of the Mortgage Sale Agreement. The types of Mortgage Loans forming part of the Mortgage Loan Portfolio will vary over time provided that, at the time the relevant Mortgage Loans are sold to the LLP, the Eligibility Criteria (as described below) in respect of such Mortgage Loans are met on the relevant Transfer Date. Accordingly, New Mortgage Loans sold by the Seller to the LLP on a Transfer Date may have characteristics that differ from Mortgage Loans already in the Mortgage Loan Portfolio as at that date.

Prior to the occurrence of an Issuer Event of Default or an LLP Event of Default, the LLP will acquire Mortgage Loans and their Related Security from the Seller in the three circumstances described below:

(a) **first**, in relation to the issue of Covered Bonds from time to time in accordance with the Programme, the Issuer will make Term Advances to the LLP, the proceeds of which may be applied in whole or in part by the LLP to acquire Mortgage Loans and their Related Security from the Seller;

(b) **second**, prior to the service of an Asset Coverage Test Breach Notice on the LLP and the Issuer (which has not been revoked) and subject to the Pre-Acceleration Principal Priority of Payments, the LLP may use the Available Principal Receipts to acquire New Mortgage Loans and their Related Security from the Seller and/or Substitution Assets (in respect of any Substitution Assets, up to the prescribed limit and to the extent required to meet the requirements of Regulations 17(2)(b) and 24(i)(a)(ii) of the RCB Regulations and the Asset Coverage Test); and

(c) **third**, the LLP and the Seller are required to ensure that the Mortgage Loan Portfolio is maintained at all times in compliance with the Asset Coverage Test (as determined by the Cash Manager on each Calculation Date). If on any Calculation Date there is a breach of the Asset Coverage Test the Seller will use all reasonable efforts to offer to sell sufficient New Mortgage Loans and their Related Security to the LLP (in consideration of the Seller being treated as having made a Capital Contribution (in an amount equal to the Current Principal Balance of the New Mortgage Loans) sold by the Seller as at the relevant Transfer Date and in consideration of the right to receive the Deferred Consideration) to ensure that the Asset Coverage Test is met on or before the next following Calculation Date.

In exchange for the sale of the Mortgage Loans and their Related Security to the LLP, the Seller will receive an amount equal to the Current Principal Balance of those Mortgage Loans sold by it as at the Transfer Date, which will be satisfied by a combination of:

(a) a cash payment (if any) to be made by the LLP from the proceeds of the relevant Term Advance and/or from Available Principal Receipts; and/or
(b) the Seller being treated as having made a Capital Contribution in Kind in an amount equal to the
difference between the Current Principal Balance of the Mortgage Loans sold by the Seller as at the
relevant Transfer Date and the cash payment (if any) made by the LLP,

((a) and (b) above being the "Initial Consideration"); and

c) Deferred Consideration.

If Selected Mortgage Loans and their Related Security are sold by or on behalf of the LLP as described
below under "LLP Deed —Sale of Selected Mortgage Loans and their Related Security following service
of an Asset Coverage Test Breach Notice— Sale of Selected Mortgage Loans and their Related Security if
the Pre-Maturity Test is breached — Sale of Selected Mortgage Loans and their Related Security
following Service of a Notice to Pay", the obligations of the Seller insofar as they relate to those Selected
Mortgage Loans and their Related Security will cease to apply.

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

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

**Eligibility Criteria**

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

(a) no Issuer Event of Default or LLP Event of Default under the Programme Documents shall have
occurred which is continuing as at the relevant Transfer Date;

(b) the LLP, acting on the advice of the Cash Manager, is not aware, and could not reasonably be
expected to be aware, that the purchase of the Mortgage Loans and their Related Security, would
adversely affect the then current ratings by Moody's or Fitch of the Covered Bonds;

(c) the weighted average yield on the Mortgage Loans in the Mortgage Loan Portfolio (including the
Mortgage Loans to be sold to the LLP on such Transfer Date) is at least 0.15 per cent. greater
than LIBOR for one-month Sterling deposits after taking into account (i) the average yield on the
Mortgage Loans and (ii) the margins on the TRS and (iii) the average yield on any Substitution
Assets held by the LLP;

(d) no Mortgage Loan has a Current Principal Balance of more than £1.5 million;

(e) no Mortgage Loan relates to a Property which is not a residential Property;

(f) no Mortgage Loan is in arrears for a period equal to or in excess of 3 months; and

(g) no Mortgage Loan constitutes a New Product Type unless a Rating Agency Confirmation has
been received in relation to such sale, in accordance with the terms of the Mortgage Sale
Agreement.

On each Transfer Date, the Representations and Warranties (described below in "Representations and
Warranties") will be given by the Seller in respect of the Mortgage Loans and their Related Security sold
by the Seller to the LLP on that Transfer Date.

**Transfer of Title to the Mortgage Loans to the LLP**

English Mortgage Loans will be sold by the Seller to the LLP by way of equitable assignment. Scottish
Mortgage Loans will be sold by the Seller by way of a Scottish Declaration of Trust by the Seller (in the
case of Scottish Mortgage Loans originated by the Seller) or by YBHL (in the case of Scottish Mortgage
Loans originated by YBHL and sold by YBHL to the Seller). In relation to Scottish Mortgage Loans,
references in this document to a sale of Mortgage Loans or to Mortgage Loans having been sold are to be
read as references to the making of such Scottish Declarations of Trust. Such beneficial interest (as
opposed to the legal title) cannot be registered or recorded in the Land Register of Scotland or, as
appropriate, the General Register of Sasines (the two Scottish property registers). As a result, legal title to Mortgage Loans and their Related Security will remain with the Seller or YBHL (as appropriate) until such time as certain additional steps have been taken, including the giving of notices of the assignment or assignation to the Borrowers.

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

(a) the occurrence of an Issuer Event of Default and service on the Issuer and the LLP 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 the offer set out in the Selected Mortgage Loan Offer Notice within the prescribed time in relation to all the Mortgage Loans in the Mortgage Loan Portfolio and their Related Security owned by the LLP);

(b) in respect of Selected Mortgage Loans and their Related Security only, at the request of the LLP following the acceptance of any offer to sell the Selected Mortgage Loans and their Related Security to any person who is not the Seller;

(c) the Seller and/or YBHL and/or the LLP being required to perfect legal title to the Mortgage Loans and their Related Security by an order of a court of competent jurisdiction, or by a regulatory authority of which the Seller or YBHL, as applicable, is a member or any organisation whose members comprise (but are not necessarily limited to) mortgage lenders with whose instructions it is customary for the Seller or YBHL, as applicable, to comply, to perfect the transfer of legal title to the Mortgage Loans and their Related Security;

(d) it becoming necessary by law to take any or all such actions;

(e) the security under the Deed of Charge or any material part of that security being, in the opinion of the Security Trustee, in jeopardy and the Security Trustee determining or being required by the Secured Creditors to take that action to reduce that jeopardy;

(f) the termination of the Seller's role as Servicer under the Servicing Agreement, unless

   (i) as at the relevant date of termination any substitute servicer is a member of the NAB Group; or

   (ii) the Security Trustee otherwise agrees (such agreement to be given following receipt of a Rating Agency Confirmation in relation to such termination),

(g) the Seller calling for perfection by serving notice in writing to that effect on the LLP and the Security Trustee;

(h) the Seller requesting a transfer by way of assignment or assignation (as appropriate) by giving notice in writing to the LLP and the Security Trustee;

(i) the occurrence of an Insolvency Event in relation to the Seller; and

(j) the Seller has been downgraded below Baa2 by Moody's or BBB- by Fitch.

Pending completion of the transfer, the right of the LLP to exercise the powers of the legal owner of, or (in Scotland) the heritable creditor under, the Mortgages will be secured by, or (in Scotland) supported by, an irrevocable power of attorney granted by YBHL in favour of the Seller and the LLP (in relation to the Mortgage Loans originated by YBHL) and by the Seller in favour of the LLP and the Security Trustee (in relation to the Mortgage Loans assigned to the LLP pursuant to the terms of the Mortgage Sale Agreement).

The title deeds and Mortgage Loan Files relating to the Mortgage Loans in the Mortgage Loan Portfolio will be held by or to the order of the Seller or the Servicer, as the case may be, or by solicitors, licensed conveyancers or (in Scotland) qualified conveyancers acting for the Seller in connection with the creation of the Mortgage Loans and their Related Security. The Seller or the Servicer, as the case may be, will
undertake that all the title deeds and Mortgage Loan Files relating to the Mortgage Loans in the Mortgage Loan Portfolio which are at any time in their possession or under their control or held to their order will be held to the order of the Security Trustee or as the Security Trustee may direct.

**Representations and warranties**

None of the LLP, the Security Trustee or the Bond Trustee has made or has caused to be made on its behalf any enquiries, searches or investigations in respect of the Mortgage Loans and their Related Security to be sold to the LLP. Instead, each will rely entirely on the Representations and Warranties contained in the Mortgage Sale Agreement and made by the Seller to the LLP and the Security Trustee, in relation to each Mortgage Loan and its Related Security on the date of the service of the relevant New Mortgage Loan Portfolio Notice which includes such Mortgage Loan and on the relevant Transfer Date on which such Mortgage Loan and its Related Security are sold by the Seller to the LLP. The parties to the Mortgage Sale Agreement may, with the prior written consent of the Security Trustee (which shall be given following receipt of a Rating Agency Confirmation), amend the Representations and Warranties in the Mortgage Sale Agreement. The Seller’s material Representations and Warranties in relation to a Mortgage Loan assigned or to be assigned to the LLP will include, *inter alia*, substantially the following:

(a) **Legal and beneficial owner**

Subject to the completion of any registration or recording which may be pending at the Land Registry (in England and Wales) or Registers of Scotland (in Scotland), the Seller is the absolute legal and beneficial owner of the Mortgage Loan, the Related Security and all other property to be sold by the Seller to the LLP pursuant to the terms of the Mortgage Sale Agreement (except, where the Mortgage Loan is a Mortgage Loan, where legal title to the Mortgage Loan and Related Security, is held by YBHL (a "YHBL Mortgage Loan").)

(b) **Legal valid and binding obligation**

The Mortgage Loan and its related Mortgage constitute the legal, valid and binding obligations of the relevant Borrower enforceable in accordance with their Mortgage Conditions and are non-cancellable and such related Mortgage secures the repayment of all advances, interest, costs and expenses payable by the relevant Borrower to the Seller or to YBHL, as applicable, under the Mortgage Loan.

(c) **First ranking Mortgage Loan**

Subject to completion of any registration or recording which may be pending at the Land Registry (in England and Wales) or Registers of Scotland (in Scotland), the related Mortgage Loan constitutes a first ranking charge by way of legal mortgage (in England and Wales) or a first ranking standard security (in Scotland) over the relevant Mortgaged Property, and there is nothing to prevent such registration or recording being effected with absolute title (or the relevant equivalent) in due course. For the avoidance of doubt, the fact of the existence of a second ranking charge, or in Scotland, a second ranking standard security over the relevant Mortgaged Property does not render this warranty untrue *provided that* the Seller or YBHL, as applicable, has first priority for all advances, interest, costs and expenses payable by the relevant Borrower under the Mortgage Loan.

(d) **Lending criteria**

(i) The Mortgage Loan was originated by the Seller or by YBHL, as applicable, in accordance with its Lending Criteria in force at the time of origination of the Mortgage Loan (or with material variations from such Lending Criteria *provided that* such variations have been notified to the Rating Agencies and a Rating Agency Confirmation has been received in relation thereto) and the exercise of any discretion by the Seller or by YBHL, as applicable, in making the Mortgage Loan was consistent with the practice of a Prudent Mortgage Lender.

(ii) Immediately prior to making the Mortgage Loan, the nature and amount of the Mortgage Loan and its Related Security and the circumstances of the relevant Borrower and the relevant Mortgaged Property satisfied the Lending Criteria in all material respects (or with material variations from such Lending Criteria *provided that* such variations have
been notified to the Rating Agencies and a Rating Agency Confirmation has been received in relation thereto).

(iii) The Lending Criteria of each of the Seller and YBHL, as applicable, are in line with those of a Prudent Mortgage Lender.

c) **No adverse effect of assignment**

Neither the entry by the Seller or YBHL into the Mortgage Sale Agreement or YBHL into the YBHL Mortgage Sale Agreement nor the sale, assignment, assignation or any declaration of trust in relation to the rights, title, interests and benefits in the Mortgage Loans and their Related Security contemplated by the Mortgage Sale Agreement, the YBHL Mortgage Sale Agreement and their related agreements will have a material adverse effect on any Mortgage Loan or its Related Security and the Seller and, where the Mortgage Loan is a YBHL Mortgage Loan, YBHL may freely sell, assign or declare a trust over its rights, title, interests and benefits in, such Mortgage Loan and its Related Security without breaching any term or condition applying to the Mortgage Loan or its Related Security.

(f) **Approvals and consents**

All formal approvals, consents and other steps necessary to permit the sale of the Mortgage Loan and its Related Security have been obtained or taken.

(g) **No Borrower right of set off**

No lien or right of set off, retention, compensation, rescission, defence or counterclaim has been created or has arisen between each of the Seller and YBHL, as applicable, and the relevant Borrower which would entitle the relevant Borrower to reduce the amount of any payment otherwise due in respect of the Mortgage Loan and to the best of the Seller's knowledge, no such lien or right has been asserted by the relevant Borrower.

(h) **Searches and insurance as to title**

(i) Save where the Mortgage Loan is a refinancing (of a loan originated by a third party) originated since April 2004 through the intermediary/broker network of the relevant Originator or originated since October 2006 using the panel solicitors of the relevant Originator (a "Third Party Refinancing"), prior to making the Mortgage Loan, the Seller or YBHL, as applicable, instructed, or required to be instructed on its behalf, solicitors, licensed conveyancers or, in Scotland, qualified conveyancers to carry out, in relation to the relevant Mortgaged Property, all investigations, searches and other actions and enquiries which a reasonable and prudent mortgage lender or its solicitors, licensed conveyancers or qualified conveyancers normally would have made when lending to an individual an amount equal to the amount advanced on the security of residential property in England and Wales or Scotland, as applicable, as permitted under the Lending Criteria, and received a report on title or certificate of title which, either initially or after further investigation, revealed no material matter which would have caused a Prudent Mortgage Lender to decline the Mortgage Loan, having regard to the Lending Criteria.

(ii) Where the Mortgage Loan is a Third Party Refinancing (A) where the related Mortgage is not covered by a valid title and/or local search insurance policy prior to making the Mortgage Loan, then the relevant Originator instructed, or required to be instructed on its behalf, solicitors, licensed conveyancers or, in Scotland, qualified conveyancers to carry out, in relation to the relevant Mortgaged Property, a limited form of investigation of title for residential property in England and Wales or Scotland, as applicable, as permitted under the Lending Criteria, and received a report on title or certificate of title which, either initially or after further investigation, revealed no material matter which would have caused a Prudent Mortgage Lender to decline the Mortgage Loan, having regard to the Lending Criteria.

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Date have been paid in full and the Seller is not aware of any circumstances giving the insurer under the policy the right to avoid or terminate such policy.

(i) **Valuation**

Prior to making the Mortgage Loan, and where required under the relevant Lending Criteria the relevant property was valued in accordance with the Lending Criteria by an independent qualified surveyor (MRICS or FRICS or equivalent qualification) from the panel of valuers from time to time appointed by the Seller or by YBHL, as applicable, or as otherwise permitted under the Lending Criteria, and the results of each such valuation would be acceptable to a Prudent Mortgage Lender.

(j) **Waiver of rights against solicitors, licensed conveyancers, qualified conveyancers or valuers**

Neither the Seller nor YBHL, as applicable, has agreed to waive any of its rights against any valuer, solicitor, licensed conveyancer, qualified conveyancer or other professional who has provided information, carried out work or given advice in connection with the Mortgage Loan or its Related Security.

(k) **Further advances**

Except in the case of Cash Re-Draws, there is no obligation on the Seller and/or, where the Mortgage Loan is a YBHL Mortgage Loan, on YBHL, under the Mortgage Loan to make any Further Advance to the relevant Borrower.

(l) **Registration**

If the registration or recording of the related Mortgage is pending at the Land Registry (in England and Wales) or Registers of Scotland (in Scotland), so far as the Seller is aware, there is no caution, notice, inhibition, restriction or other matter which would prevent the registration or recording of the Mortgage as a first priority charge or, in Scotland, first ranking standard security and application has been made, in the case of English Mortgages, to the Land Registry (in England and Wales) within the applicable priority period or, in the case of Scottish Mortgages, to Registers of Scotland.

(m) **Standard documentation**

The Mortgage Loan and its Related Security have been made on the terms of, or on terms not materially different from, documents forming part of the standard mortgage documentation of the Seller or YBHL, as applicable, and such documents have not been varied in any material respect since the date of completion of the Mortgage Loan, other than as required to comply with any applicable law or regulation.

Each of the Seller and/or YBHL, as applicable, has complied with its material obligations under the Mortgage Loan.

(n) **RCB Regulations**

The Mortgage Loan and its Related Security will constitute "Eligible Property" as set out in Regulation 2 (*Eligible Property*) of the RCB Regulations.

(o) **Consumer Credit Act**

The agreement for the Mortgage Loan or variation of such agreement is not and does not include a regulated consumer credit agreement (as defined in Section 8 of the CCA) or constitute any other agreement regulated or partly regulated by the CCA (other than Sections 140A and 140B of the CCA) or, to the extent that it is so regulated or partly regulated, all the requirements of the CCA have been met in full (or to the extent of any non-compliance, such non-compliance would not be such as to prevent enforcement of the Mortgage Loan or any of its material terms by the Seller or (where the Mortgage Loan is a YBHL Mortgage Loan) YBHL).
(p) **Distance Marketing Regulations**

To the extent that the Mortgage Loan qualifies as a "distance contract" (as defined by the Financial Services (Distance Marketing) Regulations 2004), each of the Seller and YBHL, as applicable, has complied with the provisions of such regulations in respect of the Mortgage Loan.

(q) **Unfair Terms in Consumer Contracts Regulations**

To the extent that the agreement for the Mortgage Loan was not "individually negotiated" between the Seller or YBHL, as applicable, and the relevant Borrower, so far as the Seller is aware, none of the terms of the agreement for the Mortgage Loan and its related Mortgage have been found by a court to be unfair terms within the meaning of the Unfair Terms in Consumer Contracts Regulations 1999 in any material respect.

(r) **Unfair Contract Terms Act**

The limitations or exclusions of the liability of the Seller and/or YBHL, as applicable, contained in the agreement relating to the Mortgage Loan are fair and reasonable having regard to the circumstances of the relevant Borrower for the purposes of the Unfair Contract Terms Act 1977, as amended or re-enacted from time to time.

(s) **MCOB**

To the extent that the Mortgage Loan constitutes a regulated mortgage contract for the purposes of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 at the time it was made or varied, the origination, variation and documentation of the Mortgage Loan complied with and, since the time it was made or varied, any such Mortgage Loan has been administered in compliance with all applicable provisions of MCOB and any other applicable rules and guidance of the FSA.

(t) **Consumer Credit Act authorisation**

Where necessary, each of the Seller and/or YBHL, as applicable, has held, at all relevant times in relation to the Mortgage Loan and currently, holds a subsisting licence under the Consumer Credit Act.

(u) **Data Protection Act registration**

Each of the Seller and/or YBHL, as applicable, was, at all relevant times in relation to the Mortgage Loan, and is, registered as a data controller with the Information Commissioner's Office under the provisions of the Data Protection Act 1998 and all subordinate legislation made pursuant to that Act.

(v) **FSA authorisation**

(i) At all times after 31 October 2004, if the Mortgage Loan was originated or varied by the Seller or by YBHL, as applicable, on or after such date (other than Buy-to-Let Mortgage Loans, which are not regulated by the FSA) each of the Seller and YBHL, as applicable, has been authorised by the FSA and has maintained all requisite FSA permissions required pursuant to the FSMA in relation to the origination and (in the case of the Seller only) the administration of the Mortgage Loan as well as any advisory activities undertaken in respect of the Mortgage Loan. Further, at all times after 31 October 2004, YBHL has not undertaken the regulated activity of "advising on regulated mortgage contracts", as such term is defined in Article 53A of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, in respect of the relevant Borrower in connection with the origination or variation of the Mortgage Loan.

(ii) If the Mortgage Loan was introduced to the relevant Originator by an intermediary, at the time that such intermediary submitted the relevant mortgage application form for such Mortgage Loan to the Originator, such intermediary was registered with the Mortgage Code Compliance Board or, as applicable, authorised by the FSA to carry on its mortgage intermediary business.
(iii) Each of the Seller and YBHL have complied and will comply, in all material respects, with all applicable laws and regulations including, without limitation, the FSMA.

(w) **Dealing with the Mortgage Loan**

(i) So far as the Seller is aware, the relevant Borrower is not in material breach of the terms of the Mortgage Loan.

(ii) The scheduled payments due from the relevant Borrower in the first month following the date of origination of the Mortgage Loan have been paid in full.

(iii) No representation or warranty has been made to the relevant Borrower (whether prior to the execution of the agreement for the Mortgage Loan or at any time thereafter) which is inconsistent with the terms and provisions set out in the relevant agreement.

(iv) None of the provisions of the agreement in respect of the Mortgage Loan were (at the time any such agreement was entered into) or have since been waived, altered or modified except a change to the terms of the Mortgage Loan to which a reasonable and prudent mortgage lender would have agreed.

(x) **Insurance**

Each of the Seller or YBHL, as applicable, has taken such steps as a Prudent Mortgage Lender would take to ensure that, at the date of completion of the Mortgage Loan, the relevant Mortgaged Property was insured under a policy with an insurance company against fire and other commercial risks usually covered by a Prudent Mortgage Lender for an amount not less than the full reinstatement value of the Mortgaged Property at or around the time that the mortgaged loan was made, or in the case of leasehold properties, the relevant property was insured by the relevant landlord or, in respect of Scottish leasehold properties, by the relevant leaseholder.

(y) **The insurance policies**

So far as the Seller or YBHL, as applicable, is aware, each insurance policy arranged by the Seller or YBHL, as applicable, in respect of any Mortgaged Property has been issued by a reputable insurance company, is in full force and effect, and the Seller or YBHL, as applicable, is not aware of any circumstance giving the insurer under the insurance policy the right to avoid or terminate the insurance policy in relation to the Mortgage Loan and its Related Security.

(z) **Origination date**

The Mortgage Loan was originated in or after October 2002.

(aa) **Loan term**

The Mortgage Loan has a remaining term of less than 40 years as at the relevant Transfer Date.

(bb) **Property deeds and loan files**

Except where lodged with the relevant registry in relation to any registration or recording which may be pending at the Land Registry (in England and Wales) or Registers of Scotland (in Scotland), all property deeds and loan files in respect of the Mortgage Loan are in the Seller's possession or held to its order.

(cc) **Balance**

The Mortgage Loan does not have a Current Principal Balance outstanding of greater than £1,500,000.

(dd) **The relevant Borrower**

The relevant Borrower is an individual, was 18 years or over at the time of completion of the Mortgage Loan.
(cc) **Property type and location**

The relevant Mortgaged Property is a residential property situated in England or in Wales or Scotland.

(ff) **Currency**

The Mortgage Loan was originated by the Seller or by YBHL, as applicable, in sterling and is denominated in sterling (or was originated and denominated in euro at any time after the date on which the euro is adopted as the lawful currency of the UK) and is currently repayable in sterling.

(gg) **Ordinary course**

Each Mortgage Loan was originated in the ordinary course of the residential secured lending activities of the Seller or YBHL, as applicable.

(hh) **No stock or marketable securities or chargeable securities or chargeable interest**

Neither the Related Security nor any Related Property to the Mortgage Loan consists of stock or marketable securities (in either case for the purposes of Section 122 of the Stamp Act 1891), chargeable securities (for the purposes of Section 99 of the Finance Act 1986) or a "chargeable interest" (for the purposes of Section 48 of the Finance Act 2003).

(ii) **Interest rate determination**

The Mortgage Loan is (or is a combination of) a Fixed Rate Mortgage Loan, a Standard Variable Rate Mortgage Loan, a Variable Rate Mortgage Loan, a Capped Rate Mortgage Loan, a Discount Rate Mortgage Loan or a Tracker Rate Mortgage Loan. If it is a Tracker Rate Mortgage Loan, the rate of interest in respect of the Mortgage Loan is a rate set at a fixed margin above the Bank of England base rate. If it is a Capped Rate Mortgage Loan, the rate of interest in respect of the Mortgage Loan is subject to a maximum rate of interest being the lesser of the Seller's Standard Variable Rate or the specified capped rate. If it is a Discount Rate Mortgage Loan, the rate of interest in respect of the Mortgage Loan is a rate set at a specified discount to the Seller's Standard Variable Rate for a specified time or for the life of the Mortgage Loan. If it is a Standard Variable Rate Mortgage Loan, the rate of interest in respect of the Mortgage Loan is set at the Seller's Standard Variable Rate (together with, in various Mortgage Loans, a fixed margin above or below the Seller's Standard Variable Rate) and the terms of the Mortgage Loan allow the relevant Originator to change its standard variable rate to reflect any changes in the Bank of England base rate.

(jj) **Administration**

Since the creation of the Mortgage Loan, full and proper accounts, books and records have been kept showing clearly all material transactions, payments, receipts, notices and proceedings relating to the Mortgage Loan and its Related Security and all such accounts, books and records are up to date, accurate in all material respects and have been kept to standards acceptable to a Prudent Mortgage Lender and are in the possession of the Seller or (where the Mortgage Loan is a YBHL Mortgage Loan) YBHL or held to its order.

(kk) **No fraud**

So far as the Seller is aware, no fraud has been perpetrated by the relevant Borrower or other person (whether or not an agent or staff member of the Seller or YBHL, as applicable, or otherwise) in or in relation to or in connection with the origination or completion of the Mortgage Loan or its Related Security and none of the documents, reports, applications, forms and deeds given, made, drawn up or executed in relation to such origination or completion has been given, made, drawn up or executed in a fraudulent manner.
(ll) **Title**

If the related Mortgage is an English Mortgage and the relevant Mortgaged Property is not registered, the relevant Borrower has a good and marketable title to the fee simple absolute in possession or a term of years absolute in the relevant property; and if the relevant Mortgaged Property is registered, it has been or is in the course of registration with title absolute in the case of freehold property or absolute or good leasehold title in the case of leasehold property and, if in the course of registration, there is nothing to prevent such registration being effected with such title and the relevant Borrower registered as proprietor of such title in due course.

If the related Mortgage is a Scottish Mortgage, the Borrower has a good and marketable heritable or long leasehold title to the relevant property duly registered or recorded at Registers of Scotland (with, in the case of titles registered in the Land Register of Scotland, no exclusions of indemnity) or is in the process of being so registered or recorded.

If the relevant Mortgaged Property has joint legal owners, all of such joint legal owners have joined in the related Mortgage.

(mm) **Occupiers**

In relation to English Mortgages only, to the best of the Seller's knowledge having made due enquiry in accordance with the Lending Criteria, save where the related Mortgage is covered by a valid defective title indemnity policy which covers failure to obtain a licence or waiver of any rights in a property from an adult occupier under the age of 25 who is the child or grandchild of the relevant Borrower, every person who, at the date upon which the related Mortgage was granted had attained the age of 17 and was in or about to be in actual occupation of the relevant property, is either named as the relevant Borrower or has signed a deed of consent in the form of the proforma contained in the standard mortgage documentation which was applicable at the time the related Mortgage was executed and which has the effect of postponing any present or future rights or interests as he or she may have or acquire over or in respect of the relevant property, and make such interests subject to the rights, interests and remedies of the Seller or YBHL, as applicable, under the related Mortgage or, in the case of Buy-To-Let Mortgage Loans, is a party to a current assured shorthold tenancy agreement with the Borrower.

(nn) **Pending litigation or claims**

Neither the Seller nor (where the Mortgage Loan is a YBHL Mortgage Loan) YBHL has received written notice of any litigation or claim calling into question in any material way the title of the Seller or YBHL to the Mortgage Loan and/or the Related Security.

(oo) **Complaints**

Neither the Seller nor (where the Mortgage Loan is a YBHL Mortgage Loan) YBHL has been notified:

(i) by the Office of Fair Trading, that it is considering a complaint within regulation 10 of the Unfair Terms in Consumer Contracts Regulations 1999 in relation to any term of the Mortgage Loan; or

(ii) by any qualifying body within the meaning of the Unfair Terms in Consumer Contracts Regulations 1999, that such qualifying body is considering a complaint within regulation 11 of the Unfair Terms in Consumer Contracts Regulations 1999 in relation to any term of the Mortgage Loan.

Neither the Seller nor (where the Mortgage Loan is a YBHL Mortgage Loan) YBHL has given any undertaking to the Office of Fair Trading or to any such qualifying body in relation to any term of an agreement for a Mortgage Loan (other than the undertaking given in January 2009 by National Australia Group Europe Limited to the FSA in relation to YBHL's terms and conditions) nor has any injunction (or interdict in Scotland) been granted or applied for under regulation 12 of the Unfair Terms in Consumer Contracts Regulations 1999 in relation to any term of an agreement for a Mortgage Loan.
Arrears

The aggregate amount overdue in respect of the Mortgage Loan does not exceed an amount equal to the aggregate of the scheduled payments due in 3 calendar months.

Staff Mortgage Loans

The Mortgage Loan is not a Staff Mortgage Loan.

Buy-to-Let

No more than 15 per cent. of the Mortgage Loans in the Mortgage Loan Portfolio (as calculated by reference to the then applicable aggregate Current Principal Balances as at the time of (and after taking into account) any sale of such Buy-to-Let Mortgage Loans into the Mortgage Loan Portfolio) are Buy-to-Let Mortgage Loans.

If New Product Types are to be sold to the LLP (subject to receipt of a Rating Agency Confirmation in relation thereto), then the Representations and Warranties in the Mortgage Sale Agreement will be modified as required to accommodate these New Product Types. The prior consent of the Covered Bondholders to the requisite amendments will not be required to be obtained.

All Moneys Mortgage Trust

The Mortgage in respect of a Mortgage Loan in the Mortgage Loan Portfolio may constitute an "all money charge" in that such Mortgage purports to secure the repayment of indebtedness which a Borrower owes, or may owe, to the Seller and/or YBHL, as applicable, from time to time that is not assigned to the LLP (such as business loans) ("Associated Debt") as well as securing the repayment of the Mortgage Loan (each, an "All Moneys Mortgage"). Pursuant to a trust to be established on the date that an All Moneys Mortgage is assigned by the Seller to the LLP (each such trust, an "All Moneys Mortgage Trust"), the LLP will hold the beneficial interest in such All Moneys Mortgage and the proceeds of enforcements of such All Moneys Mortgage on trust for the benefit of itself and the Seller or YBHL, as applicable, (such property being the "All Moneys Mortgage Trust Property"). Each of the LLP and the Seller or YBHL, as applicable, will have an interest in the trust property, but in the event that enforcement proceedings are instituted against a relevant Borrower under the terms of the All Moneys Mortgage, any proceeds therefrom which are available to be distributed will be distributed under the terms of the All Moneys Mortgage Trust, first to the LLP (in an amount up to, but not to exceed, the then Current Principal Balance together with Accrued Interest and Arrears of Interest of the related Mortgage Loan) and thereafter, to the Seller or YBHL, as applicable, (in an amount up to, but not to exceed, the related Associated Debt (including Accrued Interest and any other amounts due in respect thereof).

An All Moneys Mortgage may be enforceable on the occurrence of a default by the relevant Borrower of the terms of the Mortgage Loan or of the terms of the Associated Debt.

Repurchase by the Seller

If the Seller receives a Repurchase Notice from the LLP identifying a Mortgage Loan or its Related Security in the Mortgage Loan Portfolio which did not, as at the relevant Transfer Date or relevant Calculation Date (in the case of a Product Switch or Further Advance), materially comply with the Representations and Warranties set out in the Mortgage Sale Agreement, then the Seller will be required to repurchase (i) any such Mortgage Loan and its Related Security and (ii) any other Mortgage Loans secured by the same Related Security or secured on the same Mortgaged Property that are included in the Mortgage Loan Portfolio. The repurchase price payable for each Mortgage Loan will be an amount (not less than zero) equal to the Current Principal Balance on such Mortgage Loan at the date of repurchase plus all unpaid interest (including any Accrued Interest and Arrears of Interest) and expenses payable thereon as at the date of such repurchase. The repurchase proceeds received by the LLP will be applied (other than Accrued Interest and Arrears of Interest and expenses payable) in accordance with the Pre-Acceleration Principal Priority of Payments (see "Cashflows" below).

As described in "Product Switches and Further Advances", it is the current intention of the Seller to repurchase Mortgage Loans from the LLP that become subject to Further Advances and Product Switches and it does not currently intend to transfer to the LLP Mortgage Loans with Flexible Loan Reserves.
**Product Switches and Further Advances**

Pursuant to the terms of the Mortgage Sale Agreement, the Servicer will not, on behalf of the Seller or YBHL, as applicable, be permitted to accept from, or issue to, a Borrower an application form or an offer for a Further Advance or a Product Switch in relation to a Mortgage Loan in the Mortgage Loan Portfolio without first having received confirmation from the Seller that it intends to purchase the relevant Mortgage Loan together with its Related Security in accordance with the terms of the Mortgage Sale Agreement. The Servicer, upon receipt of such confirmation and on behalf of the relevant Originator, may then issue an offer for a Further Advance or a Product Switch and accept the mortgage documentation duly completed by the Borrower. The LLP will not be permitted to offer or make any Product Switch or Further Advance.

A Mortgage Loan in the Mortgage Loan Portfolio will be subject to a Product Switch if there is any variation of the financial terms and conditions of the Mortgage Loan other than:

(a) a change which was previously agreed with the Borrower at the time of the origination of the Mortgage Loan (for example, the relevant originator and the Borrower may agree at the time of origination of a Mortgage Loan that a fixed rate Mortgage Loan may become a standard variable rate Mortgage Loan at a specified time in the future);

(b) a change between an Interest Only Mortgage Loan and a Repayment Mortgage Loan;

(c) a transfer of equity;

(d) a release of a party to a Mortgage Loan or a release of part of the land subject to the Mortgage;

(e) any variation agreed with Borrowers to control or manage arrears on a Mortgage Loan;

(f) any variation which extends the maturity date of the Mortgage Loan unless, as at the date on which such variation takes effect and while any Term Advance under the Intercompany Loan Agreement is outstanding, it is extended beyond a remaining term of less than 40 years;

(g) any variation imposed by statute; and/or

(h) any variation of the interest rate payable in respect of Mortgage Loans in the Mortgage Loan Portfolio where that rate is offered to the Borrowers of more than 10% by aggregate Current Principal Balance of the Mortgage Loans in the Mortgage Loan Portfolio in any interest period.

The Seller currently intends to purchase Mortgage Loans from the LLP that become subject to a Product Switch. However, in the future, such Mortgage Loans may, as applicable, remain within the LLP but only if, amongst other things, a Rating Agency Confirmation has been received in relation thereto and the making of such Product Switch would not require the LLP to be authorised under FSMA to carry on activities with respect to regulated mortgage contracts.

A Mortgage Loan in the Mortgage Loan Portfolio will be subject to a Further Advance if an existing Borrower requests further monies to be advanced to him or her under the relevant Mortgage Loan in circumstances which do not amount to a Re-Draw or Flexible Loan Reserve Advance under a Flexible Mortgage Loan and such request is granted.

If the Servicer is notified or is otherwise aware that a Borrower in relation to a Mortgage Loan in the Mortgage Loan Portfolio has requested a Further Advance or a Product Switch and the LLP has received confirmation of the Seller's intention to purchase the Mortgage Loan and its Related Security, the LLP shall, at any time upon receipt of a notice from the Seller, assign to the Seller, and the Seller shall purchase from the LLP such Mortgage Loan together with its Related Security in accordance with the terms of the Mortgage Sale Agreement at a price not less than the Current Principal Balance on such Mortgage Loan as of the date of completion of such purchase (including all unpaid interest (including all Accrued Interest and Arrears of Interest) and expenses payable on such Mortgage Loan to the date of purchase).

The Seller currently intends to purchase Mortgage Loans from the LLP that become subject to Further Advances and does not intend to transfer to the LLP Mortgage Loans with Flexible Loan Reserves. However, in the future, such Mortgage Loans may, as applicable, remain within or be assigned to the LLP.
(and the Further Advances and Flexible Loan Reserve Advances may be assigned and form part of the Mortgage Loan Portfolio) but only if, amongst other things, a Rating Agency Confirmation has been received in relation thereto and the making of the Further Advance or Flexible Loan Reserve Advance would not require the LLP to be authorised under FSMA to carry on activities with respect to regulated mortgage contacts.

**Defaulted Mortgage Loans**

If a Mortgage Loan becomes a Defaulted Mortgage Loan, then that Defaulted Mortgage Loan will be attributed a reduced weighting in the calculation of the Asset Coverage Test and the Amortisation Test on the relevant Calculation Date. In addition, the Seller may, at its option, repurchase a Defaulted Mortgage Loan for an amount equal to its Current Principal Balance plus Accrued Interest and Arrears of Interest and expenses payable 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 Mortgage Loan and its Related Security from the LLP for a purchase price of not less than the aggregate Current Principal Balance plus Accrued Interest and Arrears of Interest and expenses payable of the relevant Mortgage Loan. The LLP may accept such offer at its discretion.

**Right of Pre-emption**

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

The LLP will serve on the Seller a Selected Mortgage Loan Offer Notice offering to sell those Selected Mortgage Loans and their Related Security for an offer price in aggregate equal to (i) either (a) where the Selected Mortgage Loans are offered for sale following the service of an Asset Coverage Test Breach Notice (which has not been revoked) but prior to service of a Notice to Pay, not less than the amount equal to the sum of (1) the then aggregate Current Principal Balance of the Selected Mortgage Loans and (2) the aggregate of the swap termination amounts payable under the TRS by the LLP (if any) in respect of such Selected Mortgage Loans which are to be sold; or (b) where the Selected Mortgage Loans are offered for sale following a breach of the Pre-Maturity Test or the service of a Notice to Pay, the greater of the then Current Principal Balance of the Selected Mortgage Loans and the Adjusted Required Redemption Amount and (ii) all other amounts (including interest) which are due and accrued (whether or not due) in respect of the Mortgage Loan and which have not been paid by the relevant Borrower and have not been capitalised, in each case subject to the offer being accepted by the Seller within ten Business Days of the date of the Selected Mortgage Loan Offer Notice. 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 Mortgage Loans and their Related Security to other Purchasers (as described under "LLP Deed – Sale of Selected Mortgage Loans and their Related Security following the occurrence of an Issuer Event of Default", below).

If the Seller validly accepts the LLP's offer to sell the Selected Mortgage Loans and their Related Security in accordance with the foregoing, the LLP will, within three Business Days of such acceptance, serve a Selected Mortgage Loan Repurchase Notice on the Seller. The Seller will sign and return a duplicate copy of the Selected Mortgage 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 Mortgage Loans and their Related Security (and any other Mortgage Loan secured or intended to be secured by that Related Security or any part of it) referred to in the relevant Selected Mortgage Loan Repurchase Notice. Completion of the purchase of the Selected Mortgage Loans and their Related Security by the Seller will take place on the LLP Payment Date after receipt of the Selected Mortgage Loan Repurchase Notice(s) or such date as the LLP may direct in the Selected Mortgage Loans Repurchase Notice (provided that such date is not later than the earlier to occur of the date which is (a) ten Business Days after returning the Selected Mortgage Loan Repurchase Notice to the LLP and (b) the Final Maturity Date of the Earliest Maturing Covered Bonds).
Further drawings under the Mortgage Loans

The Seller will be solely responsible for funding all further drawings, if any, in respect of Mortgage Loans in the Mortgage Loan Portfolio (including, but not limited to, Further Advances, Re-Draws and Flexible Loan Reserve Advances). The amount of the Seller's Capital Contribution will increase by the amount of the funded further drawing as set out in the LLP Deed. It is the current intention of the Seller to repurchase Mortgage Loans from the LLP that become subject to Further Advances and it does not currently intend to transfer to the LLP Mortgage Loans with Flexible Loan Reserves.

The Mortgage Sale Agreement and any non contractual obligations arising under it will be governed by English law and has been entered into by way of deed. Any terms of the Mortgage Sale Agreement which are particular to the laws of Scotland shall be construed in accordance with Scots law.

New Sellers

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

(a) each New Seller accedes to the terms of the LLP Deed as a Member (with such subsequent amendments as may be agreed by the parties thereto) so that it has, in relation to those New Mortgage 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 Mortgage Loans and their Related Security comprised in the Initial Mortgage Loan Portfolio under the LLP Deed;

(b) each New Seller accedes to the terms of the Mortgage Sale Agreement (with such subsequent amendments as may be agreed by the parties hereto) 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 Mortgage 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 Mortgage Loans and their Related Security comprised in the Initial Mortgage Loan Portfolio under the Mortgage Sale Agreement;

(c) each New Seller accedes to the Programme Agreement and enters into such other documents as may be required by the Security Trustee and/or the LLP (acting reasonably) to give effect to the addition of a New Seller to the transactions contemplated under the Programme;

(d) any New Mortgage Loans and their Related Security sold by a New Seller to the LLP comply with the Eligibility Criteria set out in the Mortgage Sale Agreement;

(e) either the Servicer services the New Mortgage 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 Mortgage 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 Mortgage Loans and their Related Security would be determined on the date of the accession of the New Seller to the Programme); and

(f) a Rating Agency Confirmation has been obtained in relation thereto.

If the above conditions are met, the consent of the Covered Bondholders will not be required for the accession of a New Seller to the Programme.

Servicing Agreement

Pursuant to the terms of the Servicing Agreement entered into on the Programme Date between the LLP, Clydesdale (in its separate capacities as Servicer and as Seller) and the Security Trustee, the Servicer agrees to service on behalf of the LLP the Mortgage Loans and their Related Security to be sold by the Seller to the LLP.
In particular, the Servicer agrees with the LLP and the Seller on behalf of the LLP, to perform the day-to-day servicing of the Mortgage Loans, including monitoring compliance with and administering the Mortgage Loan features and facilities applicable to the Mortgage Loans, responding to customer enquiries and managing Mortgage Loans that are in arrears.

The Servicer will continue to administer Mortgage Loans which are not subject to the Programme. The Servicer agrees to administer the Mortgage Loans in the Mortgage Loan Portfolio in the same manner as it administers Mortgage Loans which are not subject to the Programme but remain on the books of the Seller or of YBHL.

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

The Servicer agrees to administer and service the Mortgage Loans in the Mortgage Loan Portfolio and their Related Security in accordance with:

(a) the Mortgage Conditions of the Mortgage Loans and the Mortgages from time to time in force;

(b) the Servicer's Servicing Procedures. The Servicer's "Servicing Procedures" are the administration, arrears and enforcement policies and procedures adopted from time to time in line with the policies and procedures which would be adopted by a Prudent Mortgage Lender pursuant to which the Servicer administers and enforces Mortgage Loans and their Related Security which are beneficially owned by the Seller or by YBHL; and

(c) the terms and provisions of the Servicing Agreement.

Undertakings of the Servicer

Pursuant to the terms of the Servicing Agreement, the Servicer undertakes in relation to those Mortgage Loans and their Related Security that it is servicing, inter alia, to:

(a) determine and set the interest rates applicable to the Mortgage Loans in the Mortgage Loan Portfolio including the standard variable rate, except in the limited circumstances set out in the Servicing Agreement when the LLP and/or the Security Trustee will be entitled to do so. The Servicer may not at any time, without the prior written consent of the LLP and/or the Security Trustee and subject to the terms of the Servicing Agreement, set or maintain the standard variable rate (and other discretionary rates) for Mortgage Loans in the Mortgage Loan Portfolio at rates which are higher than the then prevailing rates for mortgage loans which are beneficially owned by the Seller or by YBHL outside of the LLP structure;

(b) take all reasonable steps necessary under the Mortgage Conditions and applicable law to notify Borrowers of each change in interest rates, whether due to a change in the standard variable rate (including any such change effected at the request of the LLP and/or the Security Trustee) or as a consequence of the Mortgage Conditions. The Servicer will also notify the LLP and/or the Security Trustee of any change in the standard variable rate;

(c) maintain such records as are necessary to enforce each Mortgage Loan and its Related Security in the Mortgage Loan Portfolio and to keep and maintain, on a loan by loan basis, records and accounts on behalf of the LLP in relation to the Mortgage Loans in the Mortgage Loan Portfolio;

(d) keep or cause to be kept the Mortgage Loan Files and title deeds in safe custody and to the order of the LLP and the Security Trustee and in such a manner that they are readily identifiable and accessible;

(e) provide the LLP and the Security Trustee and their agents and employees with access to the Mortgage Loan Files and access to the title deeds, at all reasonable times;

(f) make available to the LLP and the Security Trustee a report on a monthly basis containing information about the Mortgage Loans and their Related Security comprised in the Mortgage Loan Portfolio;
(g) assist the Cash Manager in the preparation of a monthly asset coverage report in accordance with the Cash Management Agreement;

(h) take all reasonable steps to recover all sums due to the LLP, including instituting proceedings and enforcing any relevant Mortgage Loan, Mortgage and other Related Security in the Mortgage Loan Portfolio in accordance with the Servicing Procedures but having regard to the Borrower's circumstances in each case;

(i) enforce any Mortgage Loan in the Mortgage Loan Portfolio which is in default in accordance with the Seller's enforcement procedures or, to the extent that such enforcement procedures are not applicable having regard to the nature of the default in question, with the usual procedures that would be undertaken by a Prudent Mortgage Lender;

(j) provide to the FSA such information about the Mortgage Loans and their Related Security contained in the Mortgage Loan Portfolio and/or any other information as the FSA may require in accordance with the RCB Regulations; and

(k) not knowingly fail to comply with any legal requirements in the performance of its obligations under the Servicing Agreement.

Arrears and default procedures

The Servicer collects all payments due under or in connection with Mortgage Loans in accordance with its administration procedures in force from time to time, but having regard to the circumstances of the relevant Borrower in each case.

The Servicer identifies a Mortgage Loan as being "In Arrears" when, on any date which is five or more days past the relevant due date, any amount owed by the Borrower is overdue.

After a Mortgage Loan is identified as being In Arrears, the Borrower is contacted and asked for payment of the arrears. The Servicer will continue to contact the Borrower asking for payment of the arrears. The Servicer classifies a Mortgage Loan that is In Arrears as a "Non-Performing Mortgage Loan" if the related Borrower has not made any payment within any period of three consecutive calendar months.

In seeking to control and manage arrears, the Servicer from time to time enters into arrangements with Borrowers regarding the arrears, including:

(a) arrangements to make each weekly, fortnightly or monthly payment as it falls due plus an additional amount to pay the arrears over a period of time;

(b) arrangements to pay only a portion of each weekly, fortnightly or monthly payment as it falls due; and/or

(c) in exceptional circumstances, a deferment for a period of time (not to exceed three months) of all payments, including interest and principal or parts of any of them.

Such arrangements will generally be agreed to apply for a maximum period of 3 months, after which they are subject to review, the primary aim being to rehabilitate the Borrower and recover the arrears.

Legal proceedings do not usually commence until the arrears are overdue for a period of more than 75 days. However, in many cases legal proceedings may commence later than this. Once legal proceedings have commenced, the Servicer may still enter into an arrangement with a Borrower at any time prior to a court hearing, or it may request an adjournment of a court hearing. If the Servicer (on behalf of the mortgagee) applies to the court for an order for possession following a default of the Borrower, the court has discretion as to whether it will grant the order requiring the Borrower to vacate the Mortgaged Property, and discretion as to the terms upon which the order is granted. If, after the possession order has been granted, the Borrower does not voluntarily vacate the Mortgaged Property, then the Servicer will be required to request a warrant for execution by a court officer of the possession order. On average, the equivalent of nine monthly payments may have been missed prior to the Servicer obtaining possession, assuming no prior mortgage or the imposition of defences. Where a court order for possession is deferred to allow time for payment and the Borrower subsequently defaults in making the payment, the Servicer
may take any action it considers appropriate, including entering into an arrangement with the Borrower. In all cases, the Servicer has a duty of care to the Borrower to act reasonably and fairly.

The Servicer has discretion to deviate from these arrears procedures. In particular, the Servicer may deviate from these procedures for vulnerable Borrowers (e.g. where a Borrower suffers from a mental or physical infirmity) or is deceased or where the Borrower is otherwise prevented from making payment due to causes beyond the Borrower's control. This is the case for both sole and joint Borrowers. After the mortgagor has obtained possession, the Servicer (on behalf of the mortgagor) may take any action it considers appropriate, subject to any fiduciary duties which the mortgagor may owe to the Borrower, including but not limited to:

(a) securing, maintaining or protecting the property and putting it into a suitable condition for sale;
(b) creating (other than in Scotland) any estate or interest on the property, including a leasehold; and/or
(c) disposing of the property (in whole or in parts) or of any interest in the property, by auction, private sale or otherwise, for a price it considers appropriate.

Subject as provided above, the Servicer (on behalf of the mortgagor) has discretion as to the timing of any of these actions, including whether to postpone the action for any period of time. The Servicer (on behalf of the mortgagor) may also carry out works on the property as it considers appropriate, including the demolition of the whole or any part of it.

The period between the Servicer (on behalf of the mortgagor) obtaining possession and sale of a mortgaged property is generally an average of six months.

However, you should note that the Servicer's ability to exercise its power of sale in respect of a Mortgaged Property is dependent upon mandatory legal restrictions as to notice requirements. In addition, there may be factors outside the Servicer's control, such as whether the Borrower contests the sale and the market conditions at the time of sale, that may affect the length of time between the Servicer's decision (on behalf of the mortgagor) to exercise the power of sale and final completion of the sale.

The Servicer will apply the net proceeds of sale of the mortgaged property against the sums owed by the Borrower to the extent necessary to discharge the Mortgage Loan including any accumulated fees and interest. Where those proceeds are insufficient to cover all amounts owing under the Mortgage Loan, the Servicer will make a claim under the MIG policy, if appropriate. Where the funds arising from application of these procedures are insufficient to pay all amounts owing in respect of a Mortgage Loan, the funds are applied first in paying costs (other than interest), secondly, in paying principal and thirdly in paying interest.

At this point the Servicer will close the Borrower's account. However, the Borrower remains liable for any deficit remaining after the mortgaged property is sold but before the proceeds of any MIG insurance are applied. The Servicer may pursue the Borrower to the extent of any deficiency resulting from the sale if the Servicer deems it appropriate to do so.

The terms of the Related Security are also intended to secure other indebtedness to Clydesdale, referred to as "associated Debt". To the extent that any such provision is enforced the Seller will agree to subordinate its rights in respect of any associated debt to the rights of the LLP under the Mortgage Loan and any proceeds of such legal proceedings will be applied firstly in repayment of all amounts outstanding under the Mortgage Loan.

These arrears and security enforcement procedures may change over time as a result of, amongst other things, a change in the Servicer's business practices, a change in the identity of the Servicer or a change in any relevant business codes of practice or any legislative or regulatory changes.

**Determinations by the Servicer**

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

(a) the income which the LLP would expect to receive during the next succeeding LLP Payment Period (the "relevant LLP Payment Period");
the standard variable rate and any other discretionary rate or margin in respect of the Mortgage Loans in the Mortgage Loan Portfolio 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 Swap Agreements and the Reserve Fund,

whether the LLP would receive an amount of income during the relevant LLP Payment Period which, when aggregated with the funds otherwise available to it, is less than the amount which is the aggregate of

(1) the amount of interest which would be payable (or provisioned to be paid) by the LLP under the Intercompany Loan Agreement or, if a Notice to Pay has been served on the LLP, the Covered Bond Guarantee on the LLP Payment Date falling at the end of the relevant LLP Payment Period and relevant amounts payable (or provisioned to be paid) to the Swap Providers under the Swap Agreements in respect of all Covered Bonds on the LLP Payment Date falling at the end of the relevant LLP Payment Period and

(2) the other senior expenses payable (or provisioned to be paid) by the LLP on each LLP Payment Date falling at the end of the relevant LLP Payment Period ranking in priority thereto in accordance with the relevant Priority of Payments applicable prior to an LLP Event of Default (the "Interest Rate Shortfall Test").

If the Servicer determines that there will be a shortfall in the foregoing amounts, it will give written notice to the LLP and the Security Trustee, within five Business Days of the relevant Calculation Date, 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 Mortgage 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 efforts to offer to sell New Mortgage Loans and their Related Security to the LLP on or before the next following Calculation Date which have a standard variable rate and/or other discretionary rates or margins sufficient to avoid such shortfall on such next following Calculation Date. In consideration of such sale, the Seller will be treated as having made a Capital Contribution (in an amount equal to the Current Principal Balance of the New Mortgage Loans sold by the Seller as at the relevant Transfer Date) and will be entitled to receive the Deferred Consideration in relation thereto.

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

(a) the standard variable rate and any other discretionary rate or margin, in respect of the Mortgage Loans in the Mortgage Loan Portfolio which the Servicer proposes to set under the Servicing Agreement for the relevant LLP Payment Period; and

(b) the resources available to the LLP under the Swap Agreements,

whether the LLP would receive an aggregate amount of interest from the Mortgage Loans in the Mortgage Loan Portfolio and amounts under the Swap Agreements during the relevant LLP Payment Period which would give a weighted average yield on the Mortgage Loans in the Mortgage Loan Portfolio of at least LIBOR for one-month Sterling deposits plus 0.15 per cent. (the "Yield Shortfall Test").

If the Servicer determines that the Yield Shortfall Test will not be met, it will give written notice to the LLP and the Security Trustee, within one Business Day of the relevant Calculation Date, of the amount of the shortfall and the standard variable rate and the other discretionary rates or margins in respect of the Mortgage Loans in the Mortgage Loan Portfolio 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 standard variable rate and the other discretionary rates or margins would take effect and at all times acting in accordance with the standards of a Prudent Mortgage Lender. If the LLP or the Security Trustee notifies the Servicer that, having regard to the obligations of the LLP, the standard variable rate and/or the other discretionary rates or margins should be increased, the Servicer will take all steps which are necessary to increase the standard variable rate and/or any other discretionary rates or margins including publishing any notice which is required in accordance with the Mortgage Conditions.

Transfers from the Collection Accounts

Subject to the terms of the Collection Account Declaration of Trust and the Servicing Agreement, amounts standing to the credit of the Collection Accounts are required to be transferred to the Sterling Transaction Accounts by the end of the London Business Day on which they are credited to the
Collection Accounts. Such amounts are then required to be transferred to the GIC Account or, as applicable, to the All Moneys Mortgage Trust Account by the end of the London Business Day immediately following the day on which they are credited to the Sterling Transaction Accounts and the Servicer has agreed to use its reasonable endeavours to credit any payment made by a Borrower to the relevant Collection Account within the following time limits:

- in the case of direct debit or automated debit payment, within one London Business Day of receipt (and in any event within three London Business Days of receipt) into the relevant Collection Account;

- in the case of standing order, by close of business on the second London Business Day following the day on which such amounts are received or credited by the Servicer;

- in the case of payment by cash, transfer payment from another account of the Seller or YBHL or cheque where reference to the relevant Borrower is provided or payment made by way of paying-in book, by close of business on the London Business Day which immediately follows the day on which such amounts are received or credited by the Servicer; and

- in the case of any payment by cheque where a reference to the relevant Borrower is not provided, by close of business on the next London Business Day after notification to the Servicer by the Collection Account Bank of the identity of the Borrower, provided, however, that in any event the Servicer has agreed to procure that scheduled payments made by a Borrower under an alternative payment arrangement are credited to the relevant Collection Account within three London Business Days of receiving that scheduled payment.

If the Servicer, in carrying out its functions as Servicer under the Servicing Agreement, receives (including in its capacity as agent for the LLP for itself and All Moneys Mortgage Trustee) any money whatsoever arising from the Mortgage Loans and their Related Security, which money belongs to the LLP (for itself and All Moneys Mortgage Trustee) and is to be paid to the relevant Collection Account pursuant to the Servicing Agreement or any of the other Programme Documents or otherwise, it will hold such monies on trust for the LLP and shall keep such money separate from all other monies held by the Servicer and shall, as soon as reasonably practicable and in any event within three London Business Days of receipt (where the Servicer is rated F1 by Fitch), two London Business Days of receipt (upon the downgrade of the Servicer to F2 by Fitch) or promptly upon receipt (upon the downgrade of the Servicer to F3 or below by Fitch) of the same, pay the monies into the GIC Account. All other sums received by the Servicer in respect of the Mortgage Loans and their Related Security shall be held by the Servicer for itself.

Compensation

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

Back-Up Servicer

In the event that the Servicer ceases to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa1 or by Fitch of at least BBB-, it will be required to use reasonable endeavours to enter into a back-up or master servicing agreement with a suitably experienced third party acceptable to the LLP and the Security Trustee, subject to the criteria set out in the Servicing Agreement, within 60 calendar days of the Servicer ceasing to be assigned such rating. Such back-up or master servicing agreement will be required to provide for, amongst other things, the third party servicer to undertake or delegate (under a master servicing agreement) the servicing obligations substantially on the same terms as set out in the Servicing Agreement within 60 days of the Servicer ceasing to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa3 or by Fitch of at least BBB-. 
Removal or resignation of the Servicer

The LLP (with the consent of 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" occurs:

(a) the Servicer fails to pay any amount due and payable by it to the LLP under the Servicing Agreement and such failure is not remedied for a period of five Business Days after becoming aware of the default;

(b) subject as provided further in the Programme Documents, 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 Secured Creditors and such failure is not remedied or waived within a period of 20 London Business Days after the Servicer becomes aware of such failure;

(c) if at any time required under any UK mortgage regulatory regime the Servicer fails to obtain the necessary licence or regulatory approval or authorisation enabling it to continue administering Mortgage Loans;

(d) an Insolvency Event occurs in relation to the Servicer;

(e) the LLP resolves that the appointment of the Servicer should be terminated; or

(f) a third party (including, if applicable, any delegate appointed (under a master servicing agreement) to undertake the servicing obligations) has assumed the servicing of the Mortgage Loans in the Mortgage Loan Portfolio pursuant to any back-up servicing agreement.

In addition, subject to the fulfilment of a number of conditions, including, without limitation, that a replacement servicer has been appointed, the Servicer may voluntarily resign by giving not less than 12 months' notice to the Security Trustee and the LLP. Any such replacement servicer must have experience of administering Mortgage Loans secured on residential mortgaged properties in England, Wales, and Scotland has been appointed and must have entered into an agreement with the LLP substantially on the same terms as the Servicing Agreement. In addition, 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 (if any), the Mortgage Loan Files and all books of account and other records maintained by the Servicer that relate to the Mortgage Loans in the Mortgage Loan Portfolio and/or the Related Security administered by it to, or at the direction of, the LLP and the Servicer shall take such further action as the LLP shall require and shall co-operate with, consult and assist the LLP and the Security Trustee or its nominees.

The Servicing Agreement will terminate automatically at such time as the LLP has no further interest in any of the Mortgage Loans that have been comprised in the Mortgage Loan Portfolio or their Related Security.

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. The Servicer remains responsible for the performance of any of its servicing function so delegated.

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

The Servicing Agreement and any non contractual obligations arising under it will be governed by English law and has been entered into by way of deed.

Asset Monitor Agreement

Under the terms of the Asset Monitor Agreement entered into on the Programme Date between the Asset Monitor, the LLP, the Cash Manager 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 and the Amortisation Test, as applicable, on that Calculation Date.

If the long-term ratings of the Cash Manager or the Issuer fall below Baa3 by Moody's or BBB- by Fitch (and for as long as they remain below such ratings) 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.

Following a determination by the Asset Monitor of any errors in the calculations performed by the Cash Manager such that the Asset Coverage Test has been failed on the applicable Calculation Date (where the Cash Manager had recorded it as being satisfied) or the Adjusted Aggregate Mortgage Loan Amount or the Amortisation Test Aggregate Mortgage Loan Amount is mis-stated by an amount exceeding one per cent. of the Adjusted Aggregate Mortgage Loan Amount or the Amortisation Test Aggregate Mortgage 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 report on the arithmetic accuracy in respect of such tests following each Calculation Date for a period of six months thereafter.

The Asset Monitor will be entitled, in the absence of manifest error, to assume that all information provided to it by the Cash Manager for the purpose of reporting on the arithmetic accuracy is true and correct and not misleading, and is not required to report as such or otherwise take steps to verify the accuracy of any such information. The Asset Monitor Report will be delivered to the Cash Manager, the LLP, the Issuer, the Bond Trustee and the Security Trustee.

The LLP will pay to the Asset Monitor a fee of up to £8,000 per report (exclusive of VAT) for the performance by the Asset Monitor of its obligations under the Asset Monitor Agreement.

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

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

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

The Asset Monitor Agreement and any non contractual obligations arising under it will be governed by English law.

**LLP Deed**

The Members of the LLP have agreed to operate the business of the LLP in accordance with the terms of a limited liability partnership deed entered into on the Programme Date between the LLP, Clydesdale, the Liquidation Member, the Bond Trustee and the Security Trustee (the "LLP Deed").

**Members**

As at the date of this Base Prospectus, each of Clydesdale 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. Clydesdale and the Liquidation Member will also be the designated members (each a "Designated Member" and, together with any other designated members from time to time, the "Designated
Members”) of the LLP. The Designated Members shall have such duties as are specified in the LLPA 2000 or otherwise at law and in the LLP Deed. The LLP Deed requires that there will at all times be at least two Designated Members of the LLP.

For so long as Covered Bonds are outstanding, if an administrator or a liquidator is appointed to Clydesdale, the Liquidation Member may, by written notice to the LLP, appoint another Member as a Designated Member or may, at its sole discretion (acting on behalf of itself and the other Members), admit a New Member to the LLP (in each case with the prior written consent of the Security Trustee).

No New Member may be otherwise appointed without the consent of the Security Trustee and the receipt by the Issuer or the Security Trustee of a Rating Agency Confirmation in relation thereto.

**Capital Contributions**

From time to time Clydesdale (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 sale of Mortgage Loans to the LLP in accordance with the terms of the Mortgage Sale Agreement). The Capital Contribution Balance of Clydesdale will be an amount calculated in Sterling on each Calculation Date (and to the extent that any amount denominated in a currency other than Sterling, converted into Sterling at the relevant Swap Rate) as follows:

\[ A – B – C + D + E + F \]

Where,

- **A** = the Capital Contribution Balance of Clydesdale on the immediately preceding Calculation Date (or in the case of the first Calculation Date in relation to Clydesdale, the Capital Contribution Balance on the Programme Date);
- **B** = the amount of any Capital Distribution to be paid to Clydesdale on the next following LLP Payment Date (including any Capital Distribution to be made pursuant to item (xi) of the Pre-Acceleration Revenue Priority of Payments);
- **C** = the amount of any Losses on the Mortgage Loans in the immediately preceding Calculation Period that are attributable to Mortgage Loans sold in return for a Capital Contribution in Kind by Clydesdale to the LLP and which have not been or will not be repurchased by Clydesdale on or before the next following LLP Payment Date;
- **D** = any increase in the Current Principal Balance of Mortgage Loans in the immediately preceding Calculation Period due to Capitalised Interest accruing on that Mortgage Loan, where that Mortgage Loan was sold by Clydesdale to the LLP;
- **E** = any increase in the Current Principal Balance of Mortgage Loans in the immediately preceding Calculation Period due to Clydesdale making a Further Advance or Re-Draw to a Borrower, where that Mortgage Loan was sold by Clydesdale to the LLP; and
- **F** = the amount of any Capital Contributions made by Clydesdale to the LLP in the immediately preceding Calculation Period (excluding any contributions constituting the payment of the Offset Benefit Contribution Amount).

Any Cash Capital Contributions credited to the Capital Account Ledger of Clydesdale shall not be a debt owed by the LLP to Clydesdale but shall increase its Capital Contribution Balance in the LLP (other than any contributions consisting of the payment of the Offset Benefit Contribution Amount). Clydesdale and each other Member will amend the above calculation if Capital Contributions are made or deemed to be made by any Members other than Clydesdale.

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

Capital Contributions or returns on Capital Contributions shall only be repaid or paid to Members after the LLP has paid or, as applicable, provided for all higher ranking amounts in the relevant Priority of Payments.
If at any time, the Issuer is acting as the Cash Manager and a Cash Manager Relevant Event occurs and is continuing the Seller, as a Member, will be required to make a Cash Capital Contribution to the LLP within 10 London Business Days of the occurrence of that Cash Manager Relevant Event in an aggregate amount, calculated in respect to all Term Advances then outstanding, equal to (i) in the case of each Term Advance where a Covered Bond Swap is not in place or where a Covered Bond Swap is in place but the Effective Date of such Covered Bond Swap has not occurred, the Required Coupon Amount calculated in respect of the Interest Payment Date for each such Term Advance immediately following the occurrence of the Cash Manager Relevant Event, and (ii) in the case of each Term Advance where a Covered Bond Swap is in place and the Effective Date of such Covered Bond Swap has occurred, the Required Coupon Amount calculated in respect of the Party B Payment Date for each such Covered Bond Swap immediately following the occurrence of the Cash Manager Relevant Event. Thereafter, and not later than 3 London Business Days after receipt by the Seller of notification from the LLP (or the Cash Manager on its behalf) (such notice being required to be delivered within one London Business Day of each Interest Payment Date, or Party B Payment Date, as applicable) of a Required Coupon Amount Shortfall in respect of the Term Advance (i) in respect of the next following Interest Payment Date in the case of a Term Advance where a Covered Bond Swap is not in place or where a Covered Bond Swap is in place, but the Effective Date of such Covered Bond Swap has not occurred and (ii) for the next following Party B Payment Date in the case of a Term Advance where a Covered Bond Swap has occurred, the Seller shall in its capacity as a Member, make a Cash Capital Contribution to the LLP in an amount equal to such Required Coupon Amount Shortfall (or where more than one Required Coupon Amount Shortfall has been notified to the Seller, the aggregate of such amounts). Not later than one London Business Day prior to (i) each Interest Payment Date in the case of a Term Advance where a Covered Bond Swap is not in place or where a Covered Bond Swap is in place, but the Effective Date of such Covered Bond Swap has not occurred and (ii) each Party B Payment Date in the case of a Term Advance where a Covered Bond Swap has occurred, the LLP is required to provide an irrevocable payment instruction so as to ensure that an amount equal to such Required Coupon Amount (to the extent there are sufficient funds standing to the credit of the Coupon Payment Ledger) is transferred from the relevant LLP Account on the immediately following Interest Payment Date or Party B Payment Date, as applicable, for the applicable Term Advance to the Principal Paying Agent or the relevant Covered Bond Swap Provider.

A "Cash Manager Relevant Event" will occur when, if the Issuer is acting as the Cash Manager, the Cash Manager's long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's falls below Baa1, or by Fitch falls below BBB+ or the Cash Manager's short-term unsecured, unguaranteed and unsubordinated debt obligation rating by Fitch falls below F2.

"Required Coupon Amount" means, (i) in respect of a Term Advance where a Covered Bond Swap is not in place or where a Covered Bond Swap is in place but the Effective Date of such Covered Bond Swap has not occurred and on any Interest Payment Date in respect of such Term Advance, an aggregate amount equal to the Sterling Equivalent of interest due from the LLP on that Term Advance on that Interest Payment Date and (ii) in respect of a Term Advance where a Covered Bond Swap is in place and the Effective Date of such Covered Bond Swap has occurred, and on any Party B Payment Date in respect of such Covered Bond Swap, an aggregate amount equal to the Sterling Equivalent of the net amount due from the LLP to the relevant Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement on such Party B Payment Date (other than, where such Party B Payment Date is an Interim Exchange Date or Final Exchange Date (as each of those terms is defined in the relevant Covered Bond Swap Agreement) those amounts due in respect of such Interim Exchange Date or such Final Exchange Date);

"Required Coupon Amount Shortfall" means, in respect of a Required Coupon Amount calculated in respect of a Term Advance (for the purposes of this definition, the "Relevant Required Coupon Amount") and on any date, the amount by which:

(a) the Relevant Required Coupon Amount,

exceeds

(b) the amount standing to the credit of the Coupon Payment Ledger after deducting the Required Coupon Amounts in respect of all Term Advances calculated for Interest Payment Dates (in the
case of Term Advances where a Covered Bond Swap is not in place or where a Covered Bond Swap is in place, but the Effective Date of such Covered Bond Swap has not occurred) or Party B Payment Dates (in the case of Term Advances where a Covered Bond Swap is in place and the Effective Date of such Covered Bond Swap has occurred) occurring prior to or on the same date as the Interest Payment Date or Party B Payment Date, as applicable, for which the Relevant Required Coupon Amount has been calculated,

and after taking into account (without double counting) amounts to be credited to or debited from the Coupon Payment Ledger on such date of calculation.

For the avoidance of doubt, (i) a Term Advance where a Covered Bond Swap is not in place refers to a Term Advance where a Covered Bond Swap has not been entered into with respect of the Series of Covered Bonds which funded the making of such Term Advance and (ii) a Term Advance where a Covered Bond Swap is in place refers to a Term Advance where a Covered Bond Swap has been entered into with respect to the Series of Covered Bonds which funded the making of such Term Advance.

**Cash Capital Contributions to fund the Reserve Fund Required Amount**

If the Issuer's short term, unsecured, unsubordinated and unguaranteed debt obligations are not rated at least F1 by Fitch or the Issuer's long term, unsecured, unsubordinated and unguaranteed debt obligations are not rated at least A by Fitch, the Seller, as a Member, will be required to make a Cash Capital Contribution to the LLP within 10 London Business Days of the occurrence of such loss of rating in an aggregate amount equal to the amount (if any) by which the Reserve Fund Required Amount exceeds the amount standing to the credit of the Reserve Ledger, in each case, as at the date of the occurrence of such loss of rating.

**Asset Coverage Test**

Under the terms of the LLP Deed, the LLP and the Members (other than the Liquidation Member) must ensure that on each Calculation Date prior to the service of a Notice to Pay on the LLP, the Adjusted Aggregate Mortgage 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 Mortgage 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 LLP (or the Cash Manager on its behalf) will notify the Members, the Bond Trustee and the Security Trustee thereof and the Members (other than the Liquidation Member) will use all reasonable endeavours to sell sufficient further Mortgage Loans and their Related Security to the LLP in accordance with the Mortgage Sale Agreement (see "Summary of the Principal Documents – Mortgage Sale Agreement – Sale by the Seller of Mortgage Loans and Related Security") or provide Cash Capital Contributions to ensure that the Asset Coverage Test is met on the immediately following Calculation Date (by reference to the Adjusted Aggregate Mortgage Loan Amount and the Sterling Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds, in each case as calculated on such date).

If the Adjusted Aggregate Loan Amount is less than the aggregate Principal Amount Outstanding of all Covered Bonds on the next following Calculation Date, the Asset Coverage Test will be breached and the Bond Trustee will serve an Asset Coverage Test Breach Notice on the Issuer and the LLP and shall send notice of the same to the FSA pursuant to the RCB Regulations. The Bond Trustee shall revoke an Asset Coverage Test Breach Notice if, on any Calculation Date falling on or prior to the third Calculation Date following the service of an Asset Coverage Test Breach Notice, the Asset Coverage Test is subsequently satisfied and neither a Notice to Pay nor an LLP Acceleration Notice has been served.

Following service of an Asset Coverage Test Breach Notice (which has not been revoked):

(a) the LLP will be required to sell Selected Mortgage Loans and all Substitution Assets (as described further under "LLP Deed – Sale of Selected Mortgage Loans and their Related Security following service of an Asset Coverage Test Breach Notice – Limit on Investing in Substitution Assets and Authorised Investments");
prior to the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice
or, if earlier, the occurrence of an LLP Event of Default and service of an LLP Acceleration
Notice, the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal
Priority of Payments will be modified as more particularly described in "Cashflows – Allocation
and distribution of Available Revenue Receipts and Available Principal Receipts following
service of an Asset Coverage Test Breach Notice" below; and

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

If an Asset Coverage Test Breach Notice has been served and not revoked on or before the third
Calculation Date after service of such Asset Coverage Test Breach Notice, then an Issuer Event of
Default shall occur and the Bond Trustee shall be entitled (and, in certain circumstances may be required)
to serve an Issuer Acceleration Notice. On the occurrence of an Issuer Event of Default, the Bond Trustee
shall give notice of the same to the FSA 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 Mortgage Loan Amount" means the amount calculated on each Calculation Date
as follows:

\[
(A + B + C + D + E) - (V + W + X + Y + Z)
\]

where,

\[A = \text{the lower of (a) and (b), where:}\]

(a) equals the aggregate of the First Adjusted Mortgage Loan Balance Amounts of the Mortgage
Loans in the Mortgage Loan Portfolio as at such Calculation Date (excluding, for the avoidance
of doubt, any Mortgage Loans being repurchased by the Seller on such Calculation Date).

The "First Adjusted Mortgage Loan Balance Amount" shall be calculated for a Mortgage
Loan, on the relevant Calculation Date, as the lower of:

(i) the outstanding Current Principal Balance of the relevant Mortgage Loan as at the
Determination Date immediately preceding the relevant Calculation Date; and

(ii) the then Indexed Valuation multiplied by M for that Mortgage Loan

where:

\[(A) \ \text{for all Mortgage Loans in the Mortgage Loan Portfolio that are not then}\n\text{Defaulted Mortgage Loans, } M = 0.75;\]

\[(B) \ \text{for all Mortgage Loans in the Mortgage Loan Portfolio that are then Defaulted}\n\text{Mortgage Loans and that have an outstanding Current Principal Balance to}\n\text{Indexed Valuation ratio of less than or equal to 75\%, } M = 0.4; \text{ and}\]

\[(C) \ \text{for all Mortgage Loans in the Mortgage Loan Portfolio that are then Defaulted}\n\text{Mortgage Loans and that have an outstanding Current Principal Balance to}\n\text{Indexed Valuation ratio of greater than 75\%, } M = 0.25, \text{ and}\]

less:

\[(1) \ \text{where a Mortgage Loan in the Mortgage Loan Portfolio or its Related}\n\text{Security was, in the immediately preceding Calculation Period, known}\n\text{to be in breach of the Representations and Warranties contained in the}\n\text{Mortgage Sale Agreement as at the date of its sale to the LLP, or}\n\text{subject to any other obligation of the Seller to repurchase the relevant}\n\text{Mortgage Loan and its Related Security, and in each case the Seller has}\n\text{not repurchased the Mortgage Loan or Mortgage Loans of the relevant}\]
Borrower and its or their Related Security (to the extent required by the terms of the Mortgage Sale Agreement); an amount equal to the lower of (i) and (ii) above (as calculated on the relevant Calculation Date) for each Mortgage Loan to which this paragraph (1) applies; and

(2) where the Seller, in any preceding Calculation Period, was in material breach of any other warranty under the Mortgage Sale Agreement and/or the Servicer was, in any preceding Calculation Period, in material breach of a term of the Servicing Agreement; 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 or by the Servicer (as applicable) to indemnify the LLP for such financial loss);

(b) equals the Asset Percentage (as defined below) multiplied by the aggregate of the Second Adjusted Mortgage Loan Balance Amounts of the Mortgage Loans in the Mortgage Loan Portfolio.

The "Second Adjusted Mortgage Loan Balance Amount" shall be calculated for a Mortgage Loan, on the relevant Calculation Date, as the lower of:

(i) the outstanding Current Principal Balance of the Mortgage Loan as at the Determination Date preceding the relevant Calculation Date; and

(ii) the Indexed Valuation multiplied by M for that Mortgage Loan as at the Determination Date preceding the relevant Calculation Date

where:

(A) for all Mortgage Loans in the Mortgage Loan Portfolio that are not then Defaulted Mortgage Loans, M = 1;

(B) for all Mortgage Loans in the Mortgage Loan Portfolio that are then Defaulted Mortgage Loans and that have an outstanding Current Principal Balance to Indexed Valuation ratio of less than or equal to 75%, M = 0.4; and

(C) for all Mortgage Loans in the Mortgage Loan Portfolio that are then Defaulted Mortgage Loans and that have an outstanding Current Principal Balance to Indexed Valuation ratio of greater than 75%, M = 0.25,

less

(1) where a Mortgage Loan in the Mortgage Loan Portfolio or its Related Security was, in the immediately preceding Calculation Period, known to be in breach of the Representations and Warranties contained in the Mortgage Sale Agreement as at the date of its sale to the LLP, or subject to any other obligation of the Seller to repurchase the relevant Mortgage Loan and its Related Security, and in each case the Seller has not repurchased the Mortgage Loan or Mortgage Loans of the relevant Borrower and its or their Related Security to the extent required by the terms of the Mortgage Sale Agreement Mortgage: an amount equal to the lower of (i) and (ii) above (as calculated on the relevant Calculation Date) for each Mortgage Loan to which this paragraph (1) applies; and

(2) where the Seller, in any preceding Calculation Period, was in material breach of any other warranty under the Mortgage Sale Agreement and/or the Servicer was, in any preceding Calculation Period, in material breach of a term of the Servicing Agreement: 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 or by the Servicer (as applicable) to indemnify the LLP for such financial loss;

\[ B = \text{the aggregate amount of any Cash Capital Contributions made by the Members (as recorded in the Capital Account Ledger of the LLP in relation to each Member but excluding any Cash Capital Contributions which are required to be credited to the Coupon Payment Ledger or to the Reserve Ledger) or proceeds of Term Advances, in each case, which have not been applied as at the relevant Calculation Date;} \]

\[ C = \text{the aggregate outstanding principal balance of any Substitution Assets as at the relevant Calculation Date;} \]

\[ D = \text{the amount of any Principal Receipts standing to the credit of the GIC Account as at the relevant Calculation Date but excluding (i) any amounts due to be applied in accordance with the terms of the Programme Documents (including any Capital Distributions to be made on the immediately following LLP Payment Date) and (ii) an amount equal to the balance of the Account Reserve Ledger;} \]

\[ E = \text{the amount of any Sale Proceeds standing to the credit of the Pre-Maturity Liquidity Ledger as at the relevant Calculation Date (without double counting any amounts already covered under D above);} \]

\[ V = 0, \text{ provided that if the unsecured debt obligations of the Issuer are downgraded below any of the ACT Referred Ratings, } V \text{ shall be 7 per cent. (such percentage to be reviewed by the Issuer from time to time (and on at least an annual basis) and which may be altered by the Issuer subject to the receipt of a Rating Agency Confirmation in relation to such alteration, provided that no such review may be undertaken and no alteration may be made to the then percentage amount in the event that (and for so long as) the Covered Bonds are not rated Aaa by Moody's) of the aggregate Current Principal Balance of the Mortgage Loans in the Mortgage Loan Portfolio, calculated as of the Determination Date immediately preceding the relevant Calculation Date;} \]

\[ W = 0, \text{ provided that if the unsecured debt obligations of the Issuer are downgraded below any of the ACT Referred Ratings, } W \text{ shall be the aggregate outstanding principal balance of Re-Draws in respect of Mortgage Loans in the Mortgage Loan Portfolio, calculated as of the Determination Date immediately preceding the relevant Calculation Date;} \]

\[ X = p \text{ per cent. of the sum of the aggregate cleared credit balance of all applicable accounts linked to the Offset Mortgage Loans in the Mortgage Loan Portfolio in respect of each Calculation Period or part of any such Calculation Period where } p \text{ equals 100 per cent. in all circumstances;} \]

\[ Y = 0, \text{ provided that if the unsecured debt obligations of the Issuer are downgraded below any of the ACT Referred Ratings, } Y \text{ shall be 24 per cent. multiplied by the flexible re-draw capacity, being an amount equal to the difference between (a) the maximum amount of cash re-draws that borrowers may make under Flexible Mortgage Loans in the Mortgage Loan Portfolio (whether drawn or not drawn) calculated as of the Determination Date immediately preceding the relevant Calculation Date and (b) the aggregate Current Principal Balance of Cash Re-Draws on Mortgage Loans in the Mortgage Loan Portfolio calculated as of the Determination Date immediately preceding the relevant Calculation Date; and} \]

\[ Z = \text{the weighted average remaining maturity of all Covered Bonds then outstanding calculated by the Cash Manager as at such date multiplied by the Sterling Equivalent of the then aggregate Principal Amount Outstanding of the Covered Bonds all multiplied by the then Negative Carry Factor where the "Negative Carry Factor" is (i) zero, for so long as the TRS is in effect in accordance with the terms thereof and the Issuer has a long term rating by Moody's of at least A3; or (ii) if the TRS is not in effect in accordance with the terms thereof or if the Issuer ceases to have a long-term rating of at least A3 by Moody's, then either: (a) 0.50 per cent. if the then weighted average margin} \]
of the interest rate then payable on the Covered Bonds is less or equal to 0.10 per cent. per annum; or (b) 0.50 per cent. plus such weighted average margin minus 0.10 per cent., if such weighted average margin is greater than 0.10 per cent. per annum (provided that if the weighted average remaining maturity of all Covered Bonds then outstanding is less than one, such weighted average remaining maturity shall be deemed, for the purposes of this calculation, to be one).

"ACT Referred Ratings" means a short-term unsecured debt obligation rating of at least F1 by Fitch and a long-term unsecured debt obligation rating of at least A by Fitch and at least A3 by Moody's, or such other ratings as may be agreed with the Rating Agencies from time to time.

"Asset Percentage" means, on any Calculation Date, save where otherwise agreed, the lowest of:

(i) 90 per cent; and

(ii) such percentage figure as selected at the option of the LLP by the LLP (or the Cash Manager acting on its behalf) that is necessary to ensure that the Covered Bonds maintain the then current ratings assigned to them by Fitch; and

(iii) such percentage figure as may be selected by the LLP (or the Cash Manager acting on its behalf) from time to time, in accordance with the terms of the LLP Deed, and notified to Moody's and the Security Trustee on the Calculation Date, or if no notification is made to Moody's and the Security Trustee on such Calculation Date, on the last date of such notification. This percentage figure will be the difference between 100 and the percentage amount of credit enhancement that is necessary to ensure that there is sufficient credit enhancement for the Covered Bonds to achieve an Aaa rating by Moody's using Moody's expected loss methodology (regardless of the actual Moody's rating of the Covered Bonds at the time).

The Asset Percentage may not, at any time, exceed 90 per cent. unless otherwise agreed with the Rating Agencies.

There is no obligation on the LLP to ensure that an Aaa rating is maintained by Moody's and the LLP is under no obligation to change the figure selected by it and notified to Moody's and the Security Trustee in line with the level of credit enhancement required to ensure an Aaa rating by Moody's using Moody's expected loss methodology.

Amortisation Test

The LLP and the Members (other than the Liquidation Member) must ensure that on each Calculation Date following service of a Notice to Pay on the LLP (but prior to service of an LLP Acceleration Notice on the LLP and the Issuer and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security) the Amortisation Test Aggregate Mortgage Loan Amount will be in an amount at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date.

Following service of Notice to Pay on the LLP, if on any Calculation Date the Amortisation Test Aggregate Mortgage Loan Amount is less than the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date, then the Amortisation Test will be breached and an LLP Event of Default will occur. The LLP or the Cash Manager, as the case may be, will immediately notify the Members, the Security Trustee and (whilst Covered Bonds are outstanding) the Bond Trustee of any breach of the Amortisation Test and the Bond Trustee shall be entitled (and, in certain circumstances, may be required) to serve an LLP Acceleration Notice on the LLP and the Issuer in accordance with the Conditions.

The "Amortisation Test Aggregate Mortgage Loan Amount" will be calculated on each Calculation following a the service of a Notice to Pay on the LLP as follows:

A + B + C – Z

Where,
A = the aggregate of the "Amortisation Test Current Principal Balance" of each Mortgage Loan, which shall be the product of:

(x) the lower of:

(1) the outstanding Current Principal Balance of the relevant Mortgage Loan as calculated on the Determination Date immediately preceding the relevant Calculation Date; and

(2) the then Indexed Valuation for that Mortgage Loan; and

(y) M, where:

(1) for all the Mortgage Loans that are not Defaulted Mortgage Loans M = 1.0; or

(2) for all the Mortgage Loans that are Defaulted Mortgage Loans, M = 0.7;

B = the sum of the amount of any cash standing to the credit of the GIC Account(s) and the principal amount of any Authorised Investments (excluding (i) any Revenue Receipts received in the immediately preceding Calculation Period and any amounts due to be applied in accordance with the terms of the Programme Documents and (ii) an amount equal to the balance of the Account Reserve Ledger);

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

Z = the weighted average remaining maturity of all Covered Bonds then outstanding multiplied by the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds multiplied by the Negative Carry Factor.

**Offset Mortgage Loans**

If the Current Principal Balance of any Offset Mortgage Loan in the Mortgage Loan Portfolio is reduced by the application of the amount of any Offset Benefit to such Offset Mortgage Loan, then pursuant to the terms of the LLP Deed, the Seller will agree to make a contribution to the LLP on each Calculation Date of an amount equal to the Offset Benefit Contribution Amount as calculated on such date. The Capital Contribution Balance will not increase by the amount of the Offset Benefit Contribution Amount.

In respect of the Offset Mortgage Loans in the Mortgage Loan Portfolio, on each Calculation Date, the Seller shall make payment of a contribution to the LLP in an amount equal to the Offset Benefit Contribution Amount as calculated on such Calculation Date. The "Offset Benefit Contribution Amount" will be determined on each Calculation Date (referred to as the "Relevant Calculation Date") and calculated in accordance with the following formula:

\[ A - B \]

where:

A = the aggregate amount of the Offset Benefit applied during the Calculation Period immediately preceding the relevant Calculation Date in reduction of the Current Principal Balance of the Offset Mortgage Loans in the Mortgage Loan Portfolio; and

B = the amount (if any) standing to the credit of the Offset Benefit Reserve Ledger on the Relevant Calculation Date (not including any Offset Benefit Contribution Amount paid by the Seller on such date).

The Offset Benefit Contribution Amount paid by the Seller to the LLP will be credited to the Offset Benefit Reserve Ledger.

In determining the Available Revenue Receipts on a Calculation Date, the Cash Manager will include an amount equal to the lesser of (a) the amount calculated in accordance with item "A" above for the relevant Calculation Date, and (b) the aggregate amount (if any) standing to the credit of the Offset Benefit Reserve Ledger.
Benefit Reserve Ledger on the relevant Calculation Date (including any Offset Benefit Contribution Amount paid by the Seller on such date).

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

The LLP Deed provides for the sale of Selected Mortgage Loans and their Related Security in circumstances where the Pre-Maturity Test has been breached in relation to a Series of Hard Bullet Covered Bonds. The Pre-Maturity Test will be breached in relation to a Series of Hard Bullet Covered Bonds if the ratings of the Issuer fall below a specified level and such Series of Hard Bullet Covered Bonds is due for repayment within a specified period of time thereafter. The LLP will be obliged to sell or refinance the Selected Mortgage Loans and their Related Security, subject to the rights of pre-emption enjoyed by the Seller to buy the Selected Mortgage Loans and their Related Security pursuant to the terms of the Mortgage Sale Agreement and subject to any Cash Capital Contribution made by the Members (other than the Liquidation Member). The proceeds from any such sale will be credited to the GIC Account. If the Issuer fails to repay any Series of Hard Bullet Covered Bonds on the Final Maturity Date, then, following the service of a Notice to Pay on the LLP, the proceeds from any sale of Selected Mortgage Loans or the Cash Capital Contributions standing to the credit of the Pre-Maturity Liquidity Ledger will be applied to repay such Series of Hard Bullet Covered Bonds. Otherwise, the proceeds will be applied as set out in "Credit Structure" below.

For a description of the Pre-Maturity Test, see "Credit Structure – Pre-Maturity Liquidity" below.

**Sale of Selected Mortgage 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) but prior to the service of a Notice to Pay and prior to service of an LLP Acceleration Notice, the LLP will be obliged to sell Selected Mortgage Loans and their Related Security in the Mortgage Loan Portfolio in accordance with the LLP Deed (as described below), subject to the rights of pre-emption enjoyed by the Seller to buy the Selected Mortgage Loans and their Related Security pursuant to the Mortgage Sale Agreement and subject to any Cash Capital Contribution made by the Members. The proceeds from any such sale or refinancing will be credited to the GIC Account and applied as set out in the Priorities of Payments (see "Cashflows – Allocation and distribution of Available Revenue Receipts and Available Principal Receipts following service of an Asset Coverage Test Breach Notice" below).

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

After a Notice to Pay has been served on the LLP following the occurrence of an Issuer Event of Default, the LLP will be obliged to sell Selected Mortgage Loans and their Related Security in the Mortgage Loan Portfolio in accordance with the LLP Deed (as described below), subject to the rights of pre-emption enjoyed by the Seller to buy the Selected Mortgage Loans and their Related Security pursuant to the Mortgage Sale Agreement. The proceeds from any such sale will be credited to the GIC Account and applied as set out in the Guarantee Priority of Payments.

**Method of Sale of Selected Mortgage Loans**

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

(a) the Selected Mortgage Loans have been selected from the Mortgage Loan Portfolio on a random basis as described in the LLP Deed; and

(b) the Selected Mortgage Loans have an aggregate Current Principal Balance in an amount (the "Required Current Principal Balance Amount") which is as close as possible to the amount calculated as follows:

(i) following the service of an Asset Coverage Test Breach Notice (which has not been revoked) but prior to service of a Notice to Pay, such amount that would ensure that, if the Selected Mortgage Loans were sold at an amount at least equal to the sum of (A) their aggregate Current Principal Balance; and (B) the aggregate of the swap termination
amounts payable under the TRS by the LLP (if any) in respect of such Selected Mortgage Loans which are to be sold, the Asset Coverage Test would be satisfied on the next Calculation Date taking into account the payment obligations of the LLP on the LLP Payment Date immediately following that Calculation Date (assuming for this purpose that the Asset Coverage Test Breach Notice is not revoked on or before the next Calculation Date);

(ii) following a breach of the Pre-Maturity Liquidity Test or service of a Notice to Pay:

\[
\text{aggregate Current Principal Balance for all Mortgage Loans in the Mortgage Loan Portfolio} \\
\times \frac{N}{\text{the Sterling Equivalent of the Required Redemption Amount in respect of each Series of Covered Bonds then outstanding}}
\]

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

(A) in respect of Selected Mortgage Loans and their Related Security being sold following a breach of the Pre-Maturity Test in respect of a Series of Hard Bullet Covered Bonds, the Required Redemption Amount of the relevant Series of Hard Bullet Covered Bonds less amounts standing to the credit of the relevant Pre-Maturity Liquidity Ledger that are not otherwise required to provide liquidity for any Series of Hard Bullet Covered Bonds which mature prior to or on the same date as the relevant series of Hard Bullet Covered Bonds; or

(B) in respect of Selected Mortgage Loans and their Related Security being sold following the service of a Notice to Pay on the LLP, the Required Redemption Amount of the Earliest Maturing Covered Bonds less amounts standing to the credit of the GIC Account and the principal amount of any Authorised Investments (excluding all amounts to be applied on the next following LLP Payment Date to repay higher ranking amounts in the Guarantee Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds).

For the avoidance of doubt, the entire Mortgage Loan Portfolio may comprise Selected Mortgage Loans.

The LLP will offer the Selected Mortgage Loans and their Related Security for sale to Purchasers for the best price reasonably available but in any event an amount that is not less than the sum of:

(a) either:

(i) following the service of an Asset Coverage Test Breach Notice (but prior to the service of a Notice to Pay), an amount equal to the sum of (A) the Current Principal Balance of the Selected Mortgage Loans; and (B) the aggregate of the swap termination amounts payable under the TRS by the LLP (if any) in respect of such Selected Mortgage Loans which are to be sold; or

(ii) following a breach of the Pre-Maturity Test or the service of a Notice to Pay, for an amount not less than the Adjusted Required Redemption Amount for the relevant Series of Covered Bonds, and

(b) all other amounts (including interest) which are due or accrued (whether due or not) in respect of the Mortgage Loan and which have not been paid by the relevant Borrower and have not been capitalised.

Following the service of a Notice to Pay if the Selected Mortgage Loans and their Related Security have not been sold (in whole or in part) in an amount at least equal to the Adjusted Required Redemption Amount by the date which is six months prior to, either: (i) if the Covered Bonds are Hard Bullet Covered Bonds, the Final Maturity Date in respect of the Earliest Maturing Covered Bonds; or (ii) if the Covered Bonds are Extendable Maturity Covered Bonds, the Extended Due for Payment Date in respect of the Earliest Maturing Covered Bonds (after taking into account all payments, provisions and credits to be made in priority thereto), then the LLP will offer the Selected Mortgage Loans for sale for the best price
reasonably available notwithstanding that such amount may be less than the Adjusted Required Redemption Amount.

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

The LLP will also be permitted to offer for sale to Purchasers a Partial Portfolio. Except in circumstances where the portfolio of Selected Mortgage Loans is being sold within six months of, as applicable, the Final Maturity Date for a Series of Hard Bullet Covered Bonds or, the Extended Due for Payment Date in respect of a Series of Extendable Maturity Covered Bonds to be repaid from such proceeds, the sale price of the Partial Portfolio (as a proportion of the Adjusted Required Redemption Amount) shall be at least equal to the proportion that the aggregate Current Principal Balance of the Mortgage Loans in the Partial Portfolio bears to the aggregate Current Principal Balance of the Mortgage Loans in the relevant portfolio of Selected Mortgage Loans.

If the LLP is obliged or elects to sell Selected Mortgage 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 Mortgage Loans (if such terms are commercially available in the market) to advise it in relation to the sale of the Selected Mortgage Loans to purchasers (except where the Seller is buying the Selected Mortgage Loans in accordance with their right of pre-emption in the Mortgage Sale Agreement). The terms of the agreement giving effect to the appointment in accordance with such tender shall be approved by the Security Trustee and the Bond Trustee.

In respect of any sale of Selected Mortgage Loans and their Related Security following service of an Asset Coverage Test Breach Notice (which has not been revoked), a breach of the Pre-Maturity Test or service of a Notice to Pay, the LLP will instruct the portfolio manager to use all reasonable endeavours to procure that Selected Mortgage Loans are sold as quickly as reasonably practicable (in accordance with the recommendations of the portfolio manager) taking into account the market conditions at that time and the scheduled repayment dates of the Covered Bonds and the terms of the LLP Deed.

The terms of any sale and purchase agreement with respect to the sale of Selected Mortgage Loans (which shall give effect to the recommendations of the portfolio manager) will be subject to the prior written approval of the Security Trustee and the Bond Trustee. The Security Trustee will not be required to release the Selected Mortgage Loans from the Security unless the conditions relating to the release of the Security (as described under "– Deed of Charge – Release of Security", below) are satisfied.

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

Any sale of Selected Mortgage Loans and their Related Security will not include any representations or warranties from the LLP or the Seller in respect of the Selected Mortgage Loans and the Related Security unless expressly agreed by the Security Trustee or otherwise agreed with the Seller.

**Covenants of the LLP and the Members**

Each of the Members will covenant that, subject to the terms of the Programme 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 will undertake not to terminate or purport to terminate the LLP or institute any winding-up, administration, insolvency or similar proceedings against the LLP.
The LLP will covenant that it will not, save with the prior written consent of the LLP Management Committee (and, for so long as any Covered Bonds are outstanding, the consent of the Security Trustee) or as envisaged by the Programme Documents:

(a) create or permit to subsist any security interest over the whole or any part of its assets or undertakings, present or future;

(b) dispose of, deal with or grant any option or present or future right to acquire any of its assets or undertakings or any interest therein or thereto;

(c) have an interest in a bank account other than as set out in the Programme Documents;

(d) incur any indebtedness or give any guarantee or indemnity in respect of any such indebtedness;

(e) consolidate or merge with or transfer any of its property or assets to another person;

(f) have any employees, premises or subsidiaries;

(g) acquire assets other than pursuant to the Mortgage Sale Agreement, the Cash Management Agreement and the LLP Deed;

(h) engage in any activities or derive income from any activities within the United States or hold any property if doing so would cause it to be engaged or deemed to be engaged in a trade or business within the United States;

(i) enter into any contracts, agreements or other undertakings;

(j) compromise, compound or release any debt due to it;

(k) commence, defend, settle or compromise any litigation or other claims relating to it or any of its assets; or

(l) be a member of any VAT group.

The LLP and each of the Members will further covenant that it will:

(i) ensure that the Asset Pool is composed of assets which comply with Regulation 3(1) \((\text{Asset Pool})\) of the RCB Regulations;

(ii) keep a record of those assets that form part of the Asset Pool (which, for the avoidance of doubt, shall not include Swap Collateral); and

(iii) comply with its obligations under the RCB Regulations and the RCB Sourcebook at all times, including providing to the FSA all the required information on the composition of the Asset Pool and any other notifications and confirmations required under the RCB Regulations and the RCB Sourcebook.

**Limit on Investing in Substitution Assets and Authorised Investments**

Prior to the service of an Asset Coverage Test Breach Notice (which has not been revoked) on the Issuer and the LLP or the service of a Notice to Pay on the LLP, the LLP will be permitted to invest Available Revenue Receipts, Available Principal Receipts and the proceeds of Term Advances standing to the credit of the GIC Account in Substitution Assets, **provided that** (i) the aggregate amount so invested in Substitution Assets does not exceed 15 per cent. of the total assets of the LLP at any one time, and (ii) such investments are made in accordance with the terms of the Cash Management Agreement and the LLP Deed.

Following the service of an Asset Coverage Test Breach Notice (which has not been revoked) on the Issuer and the LLP or the service of a Notice to Pay on the LLP, all Substitution Assets must be sold by the LLP (or the Cash Manager on its behalf) as quickly as reasonably practicable and the proceeds of such sale credited to the GIC Account after which the LLP will be permitted to invest all available monies in Authorised Investments, **provided that** such sales or investments are made in accordance with the terms of the Cash Management Agreement and the LLP Deed.
There is no limit on the amounts that the LLP shall be entitled to invest in Authorised Investments.

Other Provisions

The allocation and distribution of Mortgage Loan Revenue Receipts, Mortgage Loan Principal Receipts and all other amounts received by the LLP is described under "Cashflows" below.

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

For so long as any Covered Bonds are outstanding, each Member will agree that it will not terminate or purport to terminate the LLP or institute any winding-up, administration, insolvency or other similar proceedings against the LLP. Furthermore, the Members will agree 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 in respect of any liabilities which they incur as a result of the relevant Member's non-payment.

Following the appointment of a liquidator to any Member (other than the Liquidation Member), any decisions of the LLP that are reserved to the Members in the LLP Deed shall be made by the Liquidation Member only.

The LLP Deed and any non contractual obligations arising under it will be governed by English law.

Cash Management Agreement

The Cash Manager provides certain cash management services to the LLP pursuant to the terms of the Cash Management Agreement entered into on the Programme Date between the LLP, Clydesdale (in its capacity as the Cash Manager) and the Security Trustee.

The Cash Manager's services will include but will not be limited to:

(a) maintaining the Ledgers on behalf of the LLP;
(b) distributing the Mortgage Loan Revenue Receipts and the Mortgage Loan Principal Receipts in accordance with the Priorities of Payment described under "Cashflows", below;
(c) determining whether the Asset Coverage Test is satisfied on each Calculation Date in accordance with the LLP Deed, as more fully described under "Credit Structure – Asset Coverage Test" below;
(d) determining whether the Amortisation Test is satisfied on each Calculation Date in accordance with the LLP Deed, as more fully described under "Credit Structure – Amortisation Test", below;
(e) on each Business Day, determining whether the Pre-Maturity Test for each Series of Hard Bullet Covered Bonds is satisfied, as more fully described under "Credit Structure – Pre-Maturity Liquidity" below;
(f) maintaining records of all Authorised Investments and Substitution Assets, as applicable;
(g) on behalf of the LLP providing the FSA with information on the Authorised Investments and/or Substitution Assets comprised in the assets of the LLP and/ or any other information as the FSA may require from the LLP in accordance with the RCB Regulations; and
In certain circumstances the LLP and/or the Security Trustee will each have the right to terminate the appointment of the Cash Manager, in which event the LLP will use its reasonable endeavours to appoint a substitute (the identity of which will be subject to the Security Trustee's prior written approval). Any substitute cash manager will have substantially the same rights and obligations as the Cash Manager (although the fee payable to the substitute cash manager may be higher).

**Back-Up Cash Manager**

In the event that the Cash Manager ceases to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa1, it will be required to use reasonable endeavours to enter into a back-up cash management agreement with a suitably experienced third party acceptable to the LLP and the Security Trustee, subject to the criteria set out in the Cash Management Agreement, within 30 calendar days of the Cash Manager ceasing to be assigned such ratings. Such back-up cash management agreement will be required to provide for, amongst other things, the third party cash manager to undertake the cash management services substantially on the same terms as set out in the Cash Management Agreement within 20 days of the Cash Manager ceasing to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa3.

The Cash Management Agreement and any non contractual obligations arising under it will be governed by English law.

**The Swap Agreements**

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

Each such swap transaction (including, without limitation, the TRS and each Covered Bond Swap) (the "Swaps") will be between a swap provider (the "Swap Provider") and the LLP and will be governed by, and subject to, the 1992 ISDA Master Agreement (Multicurrency-Cross Border) as published by the International Swaps & Derivatives Association, Inc. ("ISDA") and Schedule and Credit Support Annex thereto, (such Credit Support Annex to be in the form of the 1995 Credit Support Annex (English Law) published by ISDA) and each Confirmation evidencing the relevant swap transaction (together, the "Swap Agreements").

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

**Total Return Swap**

On the First Issue Date, NAB in its capacity as a Swap Provider will enter into a total return swap transaction (the "TRS") with the LLP and the Security Trustee. Under the TRS, the LLP will pay to NAB (the "TRS Provider"), in respect of each Calculation Period, the Sterling Equivalent of an amount equal to the sum of (i) the total amount of interest paid to the LLP on the outstanding balance of the Mortgage Loans in the Mortgage Loan Portfolio for such Calculation Period, (ii) the total amount of interest paid to the LLP in relation to amounts standing to the credit of the GIC Account(s) which is attributable to such Calculation Period and (iii) the total amount of interest paid to the LLP in respect of any Substitution Assets or any other assets that the LLP may hold from time to time attributable to such Calculation Period. Such payments by the LLP to the TRS Provider under the TRS will be made monthly on the LLP Payment Date falling immediately after the end of that relevant Calculation Period.

In return, the TRS Provider will pay to the LLP, in respect of the corresponding LLP Payment Period, an amount in Sterling calculated by reference to the TRS Provider Notional Amount (see below) and three-month LIBOR plus a margin (the "TRS Rate"). The three-month LIBOR rate will be set quarterly. Such payments by the TRS Provider to the LLP will be made monthly on each LLP Payment Date.
The TRS Provider Notional Amount in respect of an LLP Payment Period will be an amount (in Sterling) equal to the product of "A" and "B", where "A" is the sum of (i) the total outstanding balance of the Mortgage Loans in the Mortgage Loan Portfolio (including those added to the Mortgage Loan Portfolio during the relevant Calculation Period) as at the Determination Date for the relevant Calculation Period, (ii) the weighted average balance of the amounts standing to the credit of the GIC Accounts for such Calculation Period and (iii) the outstanding principal amount and/or balance of any Substitution Assets or any other assets that the LLP may hold from time to time and where "B" is a fraction with a numerator equal to the sum of (i) the total amount of interest paid to the LLP on the outstanding balance of the Mortgage Loans for such Calculation Period and (ii) the total amount of interest received in relation to amounts standing to the credit of the GIC Account and any Substitution Assets for the relevant Calculation Period and a denominator equal to the sum of (i) the total amount of interest due to the LLP on the outstanding balance of the Mortgage Loans for such Calculation Period and (ii) the total amount of interest received in relation to amounts standing to the credit of the GIC Account and any Substitution Assets for the relevant Calculation Period.

The TRS Agreement provides that in case of a sale or refinancing of Selected Mortgage Loans and their Related Security, the prospective purchaser (if such purchaser has been approved by the TRS Provider) has the option to purchase such Selected Mortgage Loans and their Related Security with the corresponding part of the TRS. If the prospective purchaser of the Selected Mortgage Loans and their Related Security elects to purchase such Selected Mortgage Loans and their Related Security with the corresponding part of the TRS, the TRS Agreement will permit the LLP to transfer the corresponding rights and obligations thereunder to such purchaser. If the Selected Mortgage Loans and their Related Security are, or part thereof is, purchased or refinanced without the corresponding (part of the) TRS, the TRS Provider Notional Amount will be reduced in relation to such (part of the) Selected Mortgage Loans and their Related Security. In such circumstances, the LLP or the TRS Provider may be liable to make a termination payment to the other party in accordance with the provisions of the TRS Agreement.

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

Covered Bond Swaps

On any Issue Date, the LLP may enter into one or more forward starting or non-forward starting swap transactions with Swap Providers (the "Covered Bond Swap Providers" and each one a "Covered Bond Swap Provider") and the Security Trustee with respect to the Series of Covered Bonds issued by the Issuer on that date (the "Covered Bond Swaps" and each one a "Covered Bond Swap"). A Covered Bond Swap entered into by the LLP in respect of a Series of Covered Bonds will be on terms, in the opinion of the LLP (following consultation with the Rating Agencies and the relevant Dealer(s) (as applicable)) that are appropriate to hedge the interest rate, currency or other risks related to the relevant Series of Covered Bonds.

The LLP may elect, in consultation with the Ratings Agencies and the relevant Dealer(s), as applicable, for a Covered Bond Swap to be either forward starting or non-forward starting. Forward starting Covered Bond Swaps will have an effective date commencing on the date of the service of a Notice to Pay or (if earlier) an LLP Acceleration Notice while non-forward starting Covered Bond Swaps will have an effective date that corresponds to the Issue Date of the relevant Series of Covered Bonds.

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

In return, the Covered Bond Swap Provider will be obligated to pay an amount in the currency of the related Term Advance or, as applicable, the currency of the relevant Series of Covered Bonds, calculated by reference to a swap notional amount corresponding to the Principal Amount Outstanding of the relevant Covered Bonds (or the outstanding principal amount of the related Term Advance, as the case may be) and a rate corresponding to the interest payable on the related Term Advance or Series of Covered Bonds and in respect of the interest periods applying to the relevant Term Advance or Series of Covered Bonds, which may include interest periods of one, two, three, six or twelve months. Such payments will be made by the Swap Provider on the dates that interest is payable on the related Term
Advance or Series of Covered Bonds. In certain circumstances, including where a Covered Bond Swap Provider no longer has the ratings specified in the relevant Swap Agreement, the Covered Bond Swap Provider will be required to make payments at more frequent intervals as specified in the relevant confirmation relating to such Covered Bond Swap and as may be agreed between the LLP, the Covered Bond Swap Provider and the Rating Agencies.

If a Series of Covered Bonds (and the related Term Advance) is denominated in a currency other than Sterling, the relevant Covered Bond Swap may contain provisions allowing the related Term Advance received by the LLP to be swapped into Sterling on a date corresponding to the Issue Date of the relevant Series of Covered Bonds. On a date corresponding to the maturity date of the relevant Series of Covered Bonds, an amount equal to the Sterling Equivalent of the outstanding amount of the Term Advance (where there has not been a 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) or the Sterling Equivalent of the redemption amount of the relevant Series of Covered Bonds (where there has been service of a Notice to Pay or (in circumstances where the Covered Bond Swap has not otherwise been terminated) an LLP Acceleration Notice and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP) may be swapped for such amount in the currency of the relevant Series of Covered Bonds. Any amounts payable by the LLP under the related Term Advance or the Covered Bond Guarantee prior to the maturity date of the relevant Series of Covered Bonds may be swapped from Sterling into the currency of the relevant Series of Covered Bonds and will reduce the amount payable by each party on the relevant termination date.

If a Series of Covered Bonds and/or a Term Advance is not denominated in Sterling, the relevant Covered Bond Swap will contain appropriate provisions to hedge any mismatch between (i) the currency of the Series of Covered Bonds and/or the currency of the Term Advance, as applicable, and (ii) the interest and principal receipts received from the Mortgage Loan Portfolio.

**Rating Downgrade Event**

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

(a) providing collateral for its obligations under the Swap Agreement, or

(b) arranging for its obligations under the relevant Swap Agreement to be transferred to a replacement entity **provided that** either (i) such entity is an entity with the ratings required by the relevant Rating Agency or (ii) such entity is acceptable to the relevant Rating Agency or has such lower rating that is commensurate with the rating assigned to the Covered Bonds, or

(c) procuring another entity to become co-obligor or guarantor in respect of its obligations under the Swap Agreement **provided that** either (i) such entity is an entity with the ratings required by the relevant Rating Agency or (ii) such co-obligor or guarantor is acceptable to the relevant Rating Agency or has such lower rating that is commensurate with the rating assigned to the Covered Bonds, or

(d) taking such other action as may be acceptable to the relevant Rating Agency following discussions with the relevant Rating Agency.

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

**Other Termination Events**

The Swap under a Swap Agreement may also be terminated early in certain other circumstances, including:
(a) at the option of the LLP or the relevant Swap Provider, as applicable, if there is a failure by the other party to pay any amounts due under such Swap Agreement and such failure is not remedied within 7 days of the notification of such failure;

(b) upon the occurrence of an insolvency event in relation to the Swap Provider, or the LLP, or the merger of the LLP or the relevant Swap Provider without an assumption of the obligations under such Swap Agreement (except in respect of a transfer by the LLP to the Security Trustee in its fiduciary capacity);

(c) there is a change of law or change in application of the relevant law which results in the LLP or the Swap Provider (or both) being obliged to make a withholding or deduction on account of a tax on a payment to be made by such party to the other party under such Swap Agreement and the Swap Provider thereby being required under the terms of such Swap Agreement to gross up payments made to the LLP, or to receive net payments from the LLP (who is not required under the terms of such Swap Agreement to gross up payments made to the Swap Provider) provided that, in the case of the Swap Provider, the Swap Provider has used reasonable efforts to transfer its obligations to an affiliate or to another office of the Swap Provider in accordance with the terms of the relevant Swap Agreement;

(d) there is a change in law which results in the illegality of the obligations to be performed by the LLP or the relevant Swap Provider under the Swap Agreement;

(e) following the service of an LLP Acceleration Notice on the LLP by the Bond Trustee;

(f) in relation to the TRS only, if any Selected Mortgage Loans are sold without the corresponding portion of the TRS (but only to the extent of such corresponding portion);

(g) in relation to a Covered Bond Swap only, in certain circumstances where the corresponding Series of Covered Bonds are redeemed or cancelled in whole or in part (but only to the extent of such partial redemption or cancellation); and

(h) the making of an amendment (without the consent of the Swap Provider) to the Priorities of Payment which has a material adverse effect on the amounts paid to the Swap Provider under the Priorities of Payment.

Upon the termination of a Swap Agreement (in whole or in part), the LLP or the Swap Provider may be liable to make a termination payment to the other party in accordance with the provisions of the relevant Swap Agreement. The amount of this termination payment will be calculated and made in Sterling (in respect of the TRS Agreement) and in the currency of the relevant Series of Covered Bonds (in respect of the Covered Bond Swap Agreement).

**Swap Agreement Credit Support Annex**

The LLP and each Swap Provider will also enter into a credit support document in the form of the ISDA 1995 Credit Support Annex (Transfer-English Law) to the ISDA Master Agreement (the "Swap Agreement Credit Support Annex"). The Swap Agreement Credit Support Annex will provide that, from time to time, if required to do so following its downgrade and subject to the conditions specified in the Swap Agreement Credit Support Annex, the relevant Swap Provider will make transfers of collateral to the LLP in support of its obligations under the relevant Swap Agreement (the "Swap Collateral") and the LLP will be obliged to return equivalent collateral in accordance with the terms of the Swap Agreement Credit Support Annex. The Swap Agreement Credit Support Annex and any non contractual obligations arising under it will be governed by English Law.

Swap Collateral required to be posted by the relevant Swap Provider pursuant to the terms of the Swap Agreement Credit Support Annex may be delivered in the form of cash or certain types of securities. Cash amounts will be paid into an account designated as a "Swap Collateral Cash Account" and securities will be transferred to an account designated as a "Swap Collateral Custody Account". References to a Swap Collateral Cash Account or to a Swap Collateral Custody Account and to payments from such accounts are deemed to be a reference to payments from such accounts as and when opened by the LLP.
If a Swap Collateral Cash Account and/or a Swap Collateral Custody Account are opened, cash and securities (and all income in respect thereof) transferred as collateral will only be available to be used in accordance with the terms of the Swap Agreement Credit Support Annex.

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

**Withholding Tax**

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

**Transfer of Obligations**

A Swap Provider may, at its own discretion and at its own expense, transfer its rights and obligations under the relevant Swap Agreement to any third party with the appropriate ratings in accordance with the terms of the relevant Swap Agreement, provided that, amongst other things, such third party swap provider agrees to be bound by a swap agreement on the same terms (save for any amendments that are necessary to reflect, or are a natural consequence of, the fact that the third party swap provider is to replace the relevant Swap Provider) or on terms that are, in all material respects, no less beneficial to the LLP than the terms of the relevant Swap Agreement.

**Limited Recourse**

Pursuant to the terms of the relevant Swap Agreement, all obligations of the LLP to the relevant Swap Provider under the Swap Agreements are limited in recourse to the Charged Property.

**Governing Law**

The Swap Agreements and any non contractual obligations arising under them will be governed by English law.

**Collection Account Declaration of Trust**

Payments from Borrowers under Mortgage Loans originated by the Originators are paid into and flow through the Collection Accounts. The Collection Accounts are operated by the Collection Account Bank in accordance with the Collection Account Declaration of Trust. Under the Collection Account Declaration of Trust, the Collection Account Bank has agreed to operate the Collection Accounts in accordance with, inter alios, the instructions of the Servicer.

Amounts paid into the Collection Accounts are held on trust by the Seller for, inter alios, itself and the LLP under the Collection Account Declaration of Trust. The trusts in favour of the LLP are in respect of all amounts credited to the Collection Accounts which represent receipts, inter alia, in respect of Mortgage Loans which have been assigned to the LLP and included in the Mortgage Loan Portfolio.

If the Collection Account Bank (or any entity guaranteeing the obligations of the Collection Account Bank with respect to the Collection Accounts) no longer meets the Collection Account Bank Minimum Ratings, then the Seller may, in its absolute discretion, and by written notice to the LLP, the Cash Manager, the Servicer and the Security Trustee and provided that such notice is delivered within 30 days of the date on which such ratings were no longer satisfied, elect to make payments to the LLP to ensure that the Account Reserve Required Amount is credited to the Account Reserve (the first of such payments to be made within 30 days of the date on which the Collection Account Bank Minimum Ratings were no longer satisfied).
If:

- the Seller does not deliver such notice, then as soon as practicable but in any event within 30 days of the date on which such Collection Account Bank Minimum Ratings were no longer satisfied; or
- the Seller delivers such notice and an Insolvency Event subsequently occurs in relation to the Collection Account Bank, then as soon as practicable but in any event within 14 days of the date on which such Insolvency Event occurred; or
- if the Collection Account Bank's (or any entity guaranteeing the obligations of the Collection Account Bank with respect to the Collection Accounts or any replacement collection account bank) short-term unguaranteed unsubordinated debt obligations cease to be rated at least P-2 by Moody's, then as soon as practicable but in any event within 30 days of such date,

the Servicer, the LLP and the Collection Account Bank will be required either to:

(i) procure the credit balance on such accounts to be transferred to another bank which has the Collection Account Bank Minimum Ratings; or

(ii) procure the obtaining of a guarantee of the obligations of the Collection Account Bank from a financial institution that satisfies the Collection Account Bank Minimum Ratings.

In the event that the Servicer, the LLP and the Collection Account Bank are unable to procure either (i) or (ii) above, then they will use reasonable commercial efforts to procure the transfer of the Collection Accounts to another bank or to procure a guarantee from another financial institution, provided that such transfer or guarantee would not cause the then current ratings of the Covered Bonds to be reduced, qualified or withdrawn.

The establishment, allocation and distribution of the Account Reserve is described under "Account Reserve".

**Account Bank Agreement**

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

(a) the Sterling Transaction Accounts into which (i) all amounts transferred from the Collection Accounts in respect of amounts received from Borrowers in respect of Mortgage Loans in the Mortgage Loan Portfolio and (ii) moneys standing to the credit of the GIC Account will be transferred on each LLP Payment Date and applied by the Cash Manager in accordance with the Priorities of Payments described below under "Cashflows";

(b) the GIC Account into which amounts may be deposited by the LLP. On each LLP Payment Date as applicable, amounts required to meet the LLP's various creditors and amounts to be distributed to the Members under the LLP Deed will be transferred to the relevant Transaction Account;

(c) the Euro Transaction Account; and

(d) the Dollar Transaction Account.

If the Transaction Account Bank (or any entity guaranteeing the obligations of the Transaction Account Bank with respect to the Transaction Accounts) no longer meets the Transaction Account Bank Minimum Ratings, then the Seller may, in its absolute discretion, and by written notice to the LLP, the Cash Manager, the Transaction Account Bank and the Security Trustee and provided that such notice is delivered within 30 days of the date on which such ratings were no longer satisfied, elect to make payments to the LLP to ensure that the Account Reserve Required Amount is credited to the Account Reserve (the first of such payments to be made within 30 days of the date on which the Transaction Account Bank Minimum Ratings were no longer satisfied).
• the Seller does not deliver such notice, then as soon as practicable but in any event within 30 days of the date on which such Transaction Account Bank Minimum Ratings were no longer satisfied; or

• the Seller delivers such notice and an Insolvency Event subsequently occurs in relation to the Transaction Account Bank, then as soon as practicable but in any event within 14 days of the date on which such Insolvency Event occurred; or

• if the Transaction Account Bank’s (or any entity guaranteeing the obligations of the Transaction Account Bank with respect to the Transaction Accounts or any replacement transaction account bank) short-term unguaranteed unsubordinated debt obligations cease to be rated at least P-2 by Moody’s, then as soon as practicable but in any event within 30 days of such date,

the Cash Manager, the LLP and the Transaction Account Bank will be required either to:

(i) procure the credit balance on such accounts to be transferred to another bank which has the Transaction Account Bank Minimum Ratings; or

(ii) procure the obtaining of a guarantee of the obligations of the Transaction Account Bank from a financial institution that satisfies the Transaction Account Bank Minimum Ratings.

In the event that the Cash Manager, the LLP and the Transaction Account Bank are unable to procure either (i) or (ii) above, then they will use reasonable commercial efforts to procure the transfer of the Transaction Accounts to another bank or to procure a guarantee from another financial institution, provided that such transfer or guarantee would not cause the then current ratings of the Covered Bonds to be reduced, qualified or withdrawn.

The establishment, allocation and distribution of the Account Reserve is described under "– Account Reserve".

If the GIC Account Bank ceases to be rated at least the GIC Account Bank Minimum Ratings then, within 30 days of the date on which the GIC Account Bank no longer satisfies the GIC Account Bank Minimum Required Ratings, either:

(a) the GIC Account will be closed and all amounts standing to the credit thereof shall be transferred to an account held with a satisfactorily rated bank; or

(b) the GIC Account Bank will obtain an unconditional and unlimited guarantee of its obligations under the Account Bank Agreement from a satisfactorily rated financial institution.

Pursuant to the terms of the Account Bank Agreement, the LLP will maintain in its name, but in its capacity as All Moneys Mortgages Trustee, with the GIC Account Bank a further bank account (the "All Moneys Mortgage Trust Account") Amounts (if any) standing to the credit of the Transaction Accounts that represent the proceeds of the enforcement of an All Moneys Mortgage subject to an All Moneys Mortgage Trust will be transferred to the All Moneys Mortgage Trust Account every London Business Day. Amounts standing to the credit of the All Moneys Mortgage Trust Account which are available to be distributed to the LLP (in its capacity as a beneficiary of the All Moneys Mortgage Trust) will be transferred by the Cash Manager to the GIC Account. The Cash Manager will direct and monitor the deposits and withdrawals to and from the All Moneys Mortgage Trust Account.

If the All Moneys Mortgage Trust Account Bank ceases to be rated at least the All Moneys Mortgage Trust Account Bank Minimum Ratings then, within 30 days of the date on which the All Moneys Mortgage Trust Account Bank Minimum Required Ratings, either:

(a) the All Moneys Mortgage Trust Account will be closed and all amounts standing to the credit thereof shall be transferred to an account held with a satisfactorily rated bank; or

(b) the All Moneys Mortgage Trust Account Bank will obtain an unconditional and unlimited guarantee of its obligations under the Account Bank Agreement from a satisfactorily rated financial institution.
The Account Bank Agreement and any non contractual obligations arising under it will be governed by English law.

Account Reserve

Pursuant to the terms of the LLP Deed, the LLP will establish a reserve fund (the "Account Reserve") in the event that (i) the short term, unsecured, unguaranteed and unsubordinated debt obligations of the Collection Account Bank or the Transaction Account Bank (or any entity guaranteeing the obligations of the Collection Account Bank with respect to the Collection Account or the Transaction Account Bank with respect to the Transaction Accounts) are not rated at least the Collection Account Bank Minimum Ratings or the Transaction Account Bank Minimum Ratings (respectively) and, (ii) within 30 days of the date on which such ratings were no longer satisfied, the Seller delivers notice (in accordance with the terms of the Servicing Agreement with respect to the Collection Account Bank or the Account Bank Agreement with respect to the Transaction Account Bank) that it will make payments to the LLP in the amounts necessary to ensure the Account Reserve Required Amount is credited to the Account Reserve.

If established, the Account Reserve will be initially funded by a payment, to be made by the Seller to the LLP within 30 days of the date on which the Collection Account Bank no longer satisfied the Collection Account Bank Minimum Ratings or the Transaction Account Bank no longer satisfied the Transaction Account Bank Minimum Ratings, in an amount equal to the Account Reserve Required Amount as at the date on which the Collection Account Bank no longer satisfied the Collection Account Bank Minimum Ratings or the Transaction Account Bank no longer satisfied the Transaction Account Bank Minimum Ratings. The amount of such payment, which will not form part of Available Revenue Receipts or Available Principal Receipts, will be credited to the GIC Account and the Account Reserve Ledger.

The "Account Reserve Required Amount" will be determined as at the date on which the Collection Account Bank Minimum Ratings were no longer satisfied and as at the date on which the Transaction Account Bank Minimum Ratings were no longer satisfied and on each Account Reserve Recalculation Date (as at such date) and will be the amount determined by the Cash Manager in accordance with the following formula:

\[ A \times B \times C \]

where:

\( A = \) the highest aggregate amount paid into the Collection Accounts in respect of the Mortgage Loans in the Mortgage Loan Portfolio on any London business day in the twelve month period ending on (but excluding) the relevant calculation date, expressed as a percentage of the Current Principal Balance of the Mortgage Loans in the Mortgage Loan Portfolio as at the date such highest amount was paid into the Collection Accounts;

\( B = \) the Current Principal Balance of the Mortgage Loans in the Mortgage Loan Portfolio as at the calculation date (after giving effect to any assignment of Mortgage Loans into or any disposal of Mortgage Loans from the Mortgage Loan Portfolio on such date); and

\( C = \) (i) where:

(1) the Seller has delivered a notice in accordance with the Servicing Agreement and has delivered a notice in accordance with the Account Bank Agreement; and

(2) the Collection Account Bank does not satisfy the Collection Account Bank Minimum Ratings and the Collection Accounts are not held with a bank which satisfies such required ratings; and

(3) the Transaction Account Bank does not satisfy the Transaction Account Bank Minimum Ratings and the Transaction Accounts are not held with a bank which satisfies such required ratings;

two; or

(ii) in all other circumstances, one.
On each LLP Payment Date and each date on which the LLP acquires Mortgage Loans in accordance with the terms of the Mortgage Sale Agreement or sells or otherwise disposes of Mortgage Loans, in each case, with an aggregate Current Principal Balance of more than £10,000,000, in each case, falling in the period from (and excluding) the date of the first payment by the Seller to fund the Account Reserve to (and excluding) the earlier to occur of (a) the Collection Account Bank Minimum Ratings and the Transaction Account Bank Minimum Ratings being satisfied in relation to the Collection Account Bank and the Transaction Account Bank provided (in each case) the relevant notice has been delivered (or the Collection Accounts and the Transaction Accounts being held with banks which satisfy such Collection Account Bank Minimum Ratings or, as applicable, Transaction Account Bank Minimum Ratings) and (b) the date on which all amounts outstanding under the Intercompany Loan have been repaid in full shall constitute an "Account Reserve Recalculation Date".

If, on an Account Reserve Recalculation Date:

- the Account Reserve Required Amount for such date exceeds the then balance of the Account Reserve Ledger, the Seller will make payment to the LLP of an amount equal to such excess, which amount will be credited to the GIC Account and the Account Reserve Ledger; or

- the then balance of the Account Reserve Ledger for such date exceeds the Account Reserve Required Amount for such date, the Cash Manager shall debit an amount equal to such excess to the Account Reserve Ledger and pay on such date an amount equal to such excess out of the GIC Account to the Seller.

Each payment made by the Seller to the LLP to fund the Account Reserve shall constitute a rebate of Purchase Price on the Mortgage Loans.

On the occurrence of an Insolvency Event (if any) in relation to the Collection Account Bank or the Transaction Account Bank then providing the relevant notices have been served and where the Account Reserve has a credit balance, then on or before the LLP Payment Date following the date of occurrence of the Insolvency Event, the Cash Manager shall allocate the balance of the Account Reserve Ledger in the following manner and order of priority:

(a) \( \text{firstly, an amount equal to the lesser of (i) (x) (providing the relevant notice has been served and an Insolvency Event has occurred in relation to the Collection Account Bank) the amount determined by the Cash Manager as the amount of Mortgage Loan Revenue Receipts which belong to the LLP standing to the credit of the Collection Accounts on the date of the occurrence of the Insolvency Event which were not transferred on such date to the LLP in accordance with the provisions of the Servicing Agreement and such failure is continuing as at the LLP Payment Date immediately following the end of the Calculation Period in which the Insolvency Event occurred (all such non-transferred Collection Account amounts being the "Unpaid Collection Account Amounts") together with (y) (providing the relevant notice has been served and an Insolvency Event has occurred in relation to the Transaction Account Bank), the amount determined by the Cash Manager as the amount of Revenue Receipts standing to the credit of the Transaction Accounts on the date of the occurrence of the Insolvency Event which were not transferred on such date to the GIC Account in accordance with the provisions of the Account Bank Agreement and such failure is continuing at the LLP Payment Date immediately following the end of the Calculation Period in which the Insolvency Event occurred (all such non-transferred amounts being the "Unpaid Transaction Account Amounts") and (ii) the amount standing to the credit of the Account Reserve Ledger shall constitute Available Revenue Receipts for the relevant Calculation Period and such amount shall be debited to the Account Reserve Ledger and credited to the Revenue Ledger;}

(b) \( \text{secondly, an amount equal to the lesser of (i) (x) (providing the relevant notice has been served and an Insolvency Event has occurred in relation to the Collection Account Bank) the amount (if any) determined by the Cash Manager as the amount of Mortgage Loan Principal Receipts forming part of the Unpaid Collection Account Amounts together with (y) (providing the relevant notice has been served and an Insolvency Event has occurred in relation to the Transaction Account Bank) the amount (if any) determined by the Cash Manager as the amount of Principal Receipts forming part of the Unpaid Transaction Account Amounts and (ii) the amount standing to the credit of the Account Reserve Ledger (after taking into account any amount debited to such ledger in accordance with item (a) above) shall constitute Available} \)
Principal Receipts for the relevant Calculation Period and such amount shall be debited to the Account Reserve Ledger and credited to the Principal Ledger;

(c) **thirdly**, where an Insolvency Event has not occurred in relation to the Transaction Account Bank or the Collection Account Bank an amount equal to the lesser of (i) the Account Reserve Required Amount and (ii) the amount standing to the credit of the Account Reserve Ledger (after taking into account any amounts debited to such ledger in accordance with items (a) and (b) above;

(d) **fourthly**, the balance of the Account Reserve Ledger (after taking into account any amount debited to such ledger in accordance with items (a), (b) and (c) above) shall be debited to the Account Reserve Ledger and shall be paid out of the GIC Account on such date to the Seller.

Subsequent to the allocation and distribution of the Account Reserve in accordance with the above, where on any date the aggregate Unpaid Collection Account Amounts (if any) received or recovered by or on behalf of the LLP from the Collection Account Bank exceeds an amount equal to (a) the aggregate of all Unpaid Collection Account Amounts less (b) the aggregate of the amounts debited to the Account Reserve Ledger in accordance with items (a) and (b) above, the Cash Manager shall pay out of the Transaction Account any amount forming part of such excess following its receipt or recovery (which shall not form part of Available Revenue Receipts or Available Principal Receipts) to the Seller.

Following the establishment of the Account Reserve, if:

(a) the Collection Account Bank subsequently satisfies or re-satisfies the Collection Account Bank Minimum Ratings (or if the Collection Accounts are otherwise held with a bank which satisfies such Collection Account Bank Minimum Ratings) provided the relevant notice in relation to making payments to the Account Reserve has been provided; and

(b) the Transaction Account Bank subsequently satisfies or re-satisfies the Transaction Account Bank Minimum Ratings (or if the Transaction Accounts are otherwise held with a bank which satisfies such Transaction Account Bank Minimum Ratings) provided the relevant notice in relation to making payments to the Account Reserve has been provided,

or following the date of repayment in full of all amounts outstanding under the Intercompany Loan Agreement, the Cash Manager shall debit an amount equal to the then balance of the Account Reserve Ledger (if any) to the Account Reserve Ledger and pay on such date an amount equal to the then balance of the Account Reserve Ledger out of the GIC Account to the Seller.

**Corporate Services Agreement**

The Liquidation Member entered into a Corporate Services Agreement with, *inter alios*, Deutsche Bank AG, London Branch (as Corporate Services Provider), on the Programme Date, pursuant to which the Corporate Services Providers has agreed to provide corporate services to the Liquidation Member.

The Corporate Services Agreement and any non contractual obligations arising under it will be governed by English law.

**Deed of Charge**

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

(a) a first fixed charge (which may take effect as a floating charge) over the LLP’s interest in the English Mortgage Loans and their Related Security and other related rights comprised in the Mortgage Loan Portfolio;

(b) an assignation in security of the LLP’s interest in the Scottish Mortgage Loans and their Related Security (comprising the LLP’s beneficial interest as beneficiary under the trusts declared pursuant to the Scottish Declarations of Trust);
(c) an assignment by way of first fixed security over all of the LLP's interests, rights and entitlements under and in respect of any Programme Document to which it is a party (and, in respect of the Swap Agreements, after giving effect to all applicable netting provisions therein);

(d) a first fixed charge (which may take effect as a floating charge) over the rights and benefits of the LLP in the LLP Accounts (including any Excess Proceeds) and any other account of the LLP and all amounts standing to the credit of the LLP Accounts and such other accounts;

(e) a first fixed charge (which may take effect as a floating charge) over the rights and benefits of the LLP in respect of all Authorised Investments and Substitution Assets purchased from time to time from amounts standing to the credit of the LLP Account and any Swap Collateral in the form of securities; and

(f) a first floating charge over all the assets and undertaking of the LLP to the extent not effectively charged pursuant to (a) to (e) above but extending over all of the LLP's assets and undertaking situated in Scotland or governed by Scots law.

In respect of the property, rights and assets referred to in paragraph (b) above, fixed security will be created over property, rights and assets sold to the LLP after the Programme Date by means of Scottish Supplemental Charges granted pursuant to the Deed of Charge and will be held on trust by the Security Trustee for the Secured Creditors.

Release of Security

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

(a) the Security Trustee provides its prior written consent to the terms of such sale as described under "LLP Deed – Method of Sale of Selected Mortgage Loans" above; and

(b) in the case of the Sale of Selected Mortgage Loans, the LLP provides to the Security Trustee a certificate confirming that the Selected Mortgage Loans being so sold have been selected on a random basis.

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

Enforcement

If an LLP Acceleration Notice is served on the LLP, the Security Trustee shall be entitled to appoint a Receiver and/or enforce the Security constituted by the Deed of Charge (including selling the Mortgage Loan Portfolio), and/or take such steps as it shall deem necessary, subject in each case to being indemnified and/or prefunded and/or secured to its satisfaction. All proceeds received by the Security Trustee from the enforcement or realisation of the Security will be applied in accordance with the Post-Enforcement Priority of Payments described under "Cashflows".

The Deed of Charge and any non contractual obligations arising under it will be governed by English law (other than the assignation in security referred to above and any Scottish Supplemental Charge granted after the Programme Date pursuant and supplemental to the Deed of Charge, each of which will be governed by Scots law).

The Bond Trustee and the Security Trustee: powers, responsibilities and liabilities

Appointment

The Security Trustee is appointed to act as trustee on behalf of the Secured Creditors and holds the benefit of the Security on trust for each of them in accordance with the terms of the Deed of Charge. The Bond Trustee is appointed to act as trustee on behalf of the Covered Bondholders, the Receiptholder and the Couponholders on the terms and conditions of the Trust Deed.
**Fees and expenses**

The Issuer and, after the service of a Notice to Pay on the LLP, the LLP, will pay certain fees to the Bond Trustee and the Security Trustee and will reimburse them for all their costs and expenses properly incurred in acting as Bond Trustee or Security Trustee, as applicable, and in addition shall indemnify them in respect of all claims, actions, proceedings, demands, liabilities, losses, damages, costs and expenses to which they may become liable or which may be properly incurred by them in the execution of their duties.

Any remuneration, costs and expenses paid by the LLP to the Bond Trustee and the Security Trustee shall be paid subject to and in accordance with the Guarantee Priority of Payments or the Post-Enforcement Priority of Payments, as applicable.

The Bond Trustee and the Security Trustee may, in certain circumstances undertake duties of an exceptional nature or otherwise outside the scope of their respective normal duties as set out in the Trust Deed or the Deed of Charge, in which case the Issuer or the LLP shall pay to the Bond Trustee and/or the Security Trustee such additional remuneration as shall be agreed between the Bond Trustee and/or the Security Trustee and the LLP.

Neither the Bond Trustee nor the Security Trustee shall be relieved or indemnified for any liabilities incurred as a result of its own negligence, wilful default or breach of trust in relation to its duties under the Trust Deed and/or the Deed of Charge.

**Retirement and removal**

The Bond Trustee may retire at any time on giving no less than three months' prior written notice to the Issuer, the LLP and the Security Trustee. The Covered Bondholders may by Extraordinary Resolution of all the Covered Bondholders remove any Bond Trustee. The retirement or removal of the Bond Trustee who is the sole Bond Trustee shall not become effective until a successor bond trustee is appointed.

The Security Trustee may retire at any time upon giving not less than three calendar months' prior notice to the LLP, provided, however, that the retirement or removal of any Security Trustee shall not become effective unless there remains at least one Security Trustee in office upon such retirement or removal. The power of appointing a new Security Trustee and removing the Security Trustee or any new Security Trustee shall be vested in the LLP, provided that such appointment or removal must be approved by (i) an Extraordinary Resolution of the Covered Bondholders of all Series taken together as a single Series) and (ii) each Secured Creditor. Any appointment of a new Security Trustee and any retirement or removal of an existing Security Trustee hereof shall as soon as practicable thereafter be notified by the LLP to the Secured Creditors.
CREDIT STRUCTURE

The Covered Bonds will be direct, unsecured and unconditional obligations of the Issuer. The LLP has no obligation to pay the Guaranteed Amounts under the Covered Bond Guarantee until the occurrence of an Issuer Event of Default, service by the Bond Trustee on the Issuer and the LLP of an Issuer Acceleration Notice and on the LLP of a Notice to Pay or, if earlier, following the occurrence of an LLP Event of Default, service by the Bond Trustee on the LLP of an LLP Acceleration Notice. The Issuer will not be relying on payments by the LLP in respect of the Term Advances or receipt of Mortgage Loan Revenue Receipts or Mortgage Loan Principal Receipts from the Mortgage Loan Portfolio in order to pay interest or repay principal under the Covered Bonds.

There are a number of features of the Programme which are intended to enhance the likelihood of timely and, as applicable, ultimate payments to Covered Bondholders, as follows:

(a) the Covered Bond Guarantee provides credit support to the Issuer;

(b) the Pre-Maturity Test is intended to provide liquidity to the LLP in relation to amounts of principal due on the Final Maturity Date of the Hard Bullet Covered Bonds;

(c) the Asset Coverage Test is intended to test the asset coverage of the LLP's assets in respect of the Covered Bonds on a monthly basis;

(d) the Amortisation Test is intended to test the asset coverage of the LLP's assets in respect of the Covered Bonds following the occurrence of an Issuer Event of Default, service of an Issuer Acceleration Notice on the Issuer and the LLP and service of a Notice to Pay on the LLP;

(e) a Reserve Fund will be established in the GIC Account to trap Available Revenue Receipts if (a) the Issuer's short term unsecured and unsubordinated obligations are not rated at least P-1 by Moody's or (b) the Issuer's short term, unsecured, unsubordinated and unguaranteed debt obligations are not rated at least F1+ by Fitch;

(f) an Account Reserve may be established in respect of the Collection Accounts and Transaction Accounts and, if so established, will be funded in an amount equal to the Account Reserve Required Amount should the Collection Account Bank cease to be rated at least the Collection Account Bank Minimum Ratings or the Transaction Account Bank ceases to be rated at least the Transaction Account Bank Minimum Ratings;

(g) under the terms of the Account Bank Agreement, the GIC Provider has agreed to pay a variable rate of interest on all amounts held by the LLP in the GIC Account at a rate of 0.15 per cent. per annum below LIBOR for one-month Sterling deposits or such greater amount as the LLP and the GIC Provider may agree from time to time; and

(h) the Coupon Payment Ledger which enhances the likelihood of timely payment of interest to the Covered Bondholders.

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

Covered Bond Guarantee

The Covered Bond Guarantee provided by the LLP under the Trust Deed will guarantee 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 Covered Bondholders and other Secured Creditors following the occurrence of an Issuer Event of Default and the service of a Notice to Pay on the LLP.
**Pre-Maturity Liquidity**

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

The Issuer will fail and be in breach of the Pre-Maturity Test on a Pre-Maturity Test Date in relation to a Series of Hard Bullet Covered Bonds if:

- (a) the Issuer's (i) long-term credit rating from Moody's falls below A2 or (ii) short-term credit rating from Moody's falls below P-1 and, in each case, the Final Maturity Date of the Series of Hard Bullet Covered Bonds will fall within 12 months from the relevant Pre-Maturity Test Date; or
- (b) the Issuer's (i) short-term credit rating, from Fitch falls to F1 (or lower) and the Final Maturity Date of the Series of Hard Bullet Covered Bonds will fall within 6 months from the relevant Pre-Maturity Test Date or (ii) short-term credit rating from Fitch falls to F2 (or lower) and the Final Maturity Date of the Series of Hard Bullet Covered Bonds will fall within 12 months from the relevant Pre-Maturity Test Date.

Following a breach of the Pre-Maturity Test in respect of a Series of Hard Bullet Covered Bonds, the LLP shall offer to sell Selected Mortgage Loans and their Related Security to Purchasers, subject to:

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

provided that an Issuer Event of Default shall occur if (x) the Pre-Maturity Test in respect of any Series of Hard Bullet Covered Bonds is breached on a Pre-Maturity Test Date falling less than six months prior to the Final Maturity Date of that Series of Hard Bullet Covered Bonds, and (y) the Issuer and the LLP have not taken the required action (as described above) following the breach within the earlier to occur of (i) 10 Business Days from the date that the Seller is notified of the breach of the Pre-Maturity Test and (ii) the Final Maturity Date of that Series of Hard Bullet Covered Bonds such that by the end of such period, there shall be an amount equal to the Required Redemption Amount of that Series of Hard Bullet Covered Bonds standing to the credit of the Pre-Maturity Liquidity Ledger (after taking into account the Required Redemption Amount of all other Series of Hard Bullet Covered Bonds which mature prior to or on the same date as the relevant Series of Hard Bullet Covered Bonds).

Following service of a Notice to Pay on the LLP, the LLP shall apply funds standing to the Pre-Maturity Liquidity Ledger to repay the relevant Series of Hard Bullet Covered Bonds on its Original Due for Payment Date and where two or more Series of Hard Bullet Covered Bonds share the same Original Due for Payment Date, the funds standing to the credit of the Pre-Maturity Liquidity Ledger shall be applied to repay such Series of Hard Bullet Covered Bonds in no order of priority between them but in proportion to the respective amounts due.

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

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

Amounts standing to the credit of the Pre-Maturity Liquidity Ledger following the repayment of the Hard Bullet Covered Bonds as described above may, except where the LLP Management Committee has elected or is required to retain such amounts on the Pre-Maturity Liquidity Ledger, also be used to repay the corresponding Term Advance(s) and distribute any excess Available Principal Receipts back to the Members, subject to the LLP making payment of or provision for higher ranking items in the Pre-Acceleration Principal Priority of Payments.

Asset Coverage Test

The Asset Coverage Test is intended to ensure that the LLP can meet its obligations under the Covered Bond Guarantee and can pay any senior expenses (which will include costs relating to the maintenance, administration and winding-up of the Asset Pool whilst the Covered Bonds are outstanding). Under the LLP Deed, the LLP and its Members (other than the Liquidation Member) must ensure that on each Calculation Date prior to the service of a Notice to Pay on the LLP, the Adjusted Aggregate Mortgage Loan Amount will be in an amount equal to or in excess of the aggregate Principal Amount Outstanding of the Covered Bonds, in each case as calculated on the relevant Calculation Date. If on any Calculation Date, prior to the service of a Notice to Pay on the LLP, the Asset Coverage Test is not satisfied and such failure is not remedied on the next following Calculation Date, the Asset Coverage Test will be breached and the Bond Trustee will serve an Asset Coverage Test Breach Notice on the LLP and the Issuer. The Asset Coverage Test is a calculation which adjusts the Current Principal Balance of each Mortgage Loan in the Mortgage Loan Portfolio and involves further adjustments to take account of set-off on a Borrower's current or deposit accounts held with the Seller and any failure by the Seller, in accordance with the terms of the Mortgage Sale Agreement, to repurchase Mortgage Loans that do not materially comply with the Representations and Warranties on the relevant Transfer Date.

See further "Summary of the Principal Documents – LLP Deed – Asset Coverage Test", above.

An Asset Coverage Test Breach Notice will be revoked if, on any Calculation Date falling on or prior to the third Calculation Date following the service of the Asset Coverage Test Breach Notice, the Asset Coverage Test is satisfied and neither a Notice to Pay nor an LLP Acceleration Notice has been served.

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

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 LLP and the service of a Notice to Pay on the LLP (but prior to service on the LLP of an LLP Acceleration Notice and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP), the assets of the LLP that are available to meet its obligations under the Covered Bond Guarantee and senior expenses (which will include costs relating to the maintenance, administration and liquidation of the Asset Pool whilst the Covered Bonds are outstanding) fall to a level where Covered Bondholders may not be repaid in full, 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 Mortgage 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 involves in its calculations a formula which adjusts the Current Principal Balance of each Mortgage Loan in the Mortgage Loan Portfolio and involves further adjustments to take account of Mortgage Loans in arrears.

See further "Summary of the Principal Documents – LLP Deed – Amortisation Test", above.
Reserve Fund

If (a) the Issuer's short term unsecured and unsubordinated obligations are not rated at least P-1 by Moody's or (b) the Issuer's short term, unsecured, unsubordinated and unguaranteed debt obligations are not rated at least F1+ by Fitch, the LLP will be required to establish and maintain the Reserve Fund in the GIC Account which will be credited, in each case, up to an amount equal to the Reserve Fund Required Amount. The LLP will not be required to maintain the Reserve Fund following the occurrence of an Issuer Event of Default and the service of a Notice to Pay on the LLP.

The Reserve Fund will be funded from (i) Available Revenue Receipts after the LLP has paid all of its obligations in respect of items ranking higher than the Reserve Fund in the Pre-Acceleration Revenue Priority of Payments on each LLP Payment Date and (ii) if the Issuer's short term, unsecured, unsubordinated and unguaranteed debt obligations are not rated at least F1 by Fitch or the Issuer's long term, unsecured, unsubordinated and unguaranteed debt obligations are not rated at least A by Fitch, a Cash Capital Contribution by the Seller, in its capacity as Member, is required to be made within 10 days of the occurrence of such loss of rating, in accordance with the terms of the LLP Deed.

A Reserve Ledger will be maintained by the Cash Manager to record the balance from time to time of the Reserve Fund. Prior to the occurrence of an Issuer Event of Default and service on the LLP of a Notice to Pay, funds standing to the credit of the Reserve Ledger will, to the extent required, be used to pay or provide for payment of items (i) to (iv) of the Pre-Acceleration Revenue Priority of Payments.

Following the occurrence of an Issuer Event of Default and service of a Notice to Pay on the LLP, funds standing to the credit of the Reserve Ledger will, to the extent required, be used to pay or provide for payment of items (i) to (v) of the Guarantee Priorities of Payments.

Account Reserve

Pursuant to the terms of the LLP Deed, the LLP will establish the Account Reserve where the short term, unsecured, unguaranteed and unsubordinated debt obligations of the Collection Account Bank or the Transaction Account Bank (or any entity guaranteeing the obligations of the Collection Account Bank with respect to the Collection Account or the Transaction Account Bank with respect to the Transaction Accounts) are not rated at least the Collection Account Bank Minimum Ratings or the Transaction Account Bank Minimum Ratings (respectively) and, within 30 days of the date on which such ratings were no longer satisfied, the Seller delivers notice that it will make payments to the LLP in the amounts necessary to ensure the Account Reserve Required Amount is credited to the Account Reserve.

If established, the Account Reserve will be initially funded by a payment, to be made by the Seller to the LLP within 30 days of the date on which the Collection Account Bank no longer satisfied the Collection Account Bank Minimum Ratings or the Transaction Account Bank no longer satisfied the Transaction Account Bank Minimum Ratings, in an amount equal to the Account Reserve Required Amount as at the date on which the Collection Account Bank no longer satisfied the Collection Account Bank Minimum Ratings or the Transaction Account Bank no longer satisfied the Transaction Account Bank Minimum Ratings. The amount of such payment, which will not form part of Available Revenue Receipts or Available Principal Receipts, will be credited to the GIC Account and the Account Reserve Ledger.

See further "Summary of the Principal Documents – Account Reserve" above.
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 the service on the LLP of an Asset Coverage Test Breach Notice (which has not been revoked), the service of a Notice to Pay or the service of a LLP Acceleration Notice and/or realisation of the Security and/or commencement of winding-up proceedings against the LLP;

(b) following service of an Asset Coverage Test Breach Notice (and for so long as it has not been revoked) but prior to the service of a Notice to Pay or the service of an LLP Acceleration Notice and/or realisation of the Security and/or commencement of winding-up proceedings against the LLP;

(c) following service of a Notice to Pay but prior to the service of a LLP Acceleration Notice and/or realisation of the Security and/or commencement of winding-up proceedings against the LLP; and

(d) following the service of a LLP Acceleration Notice and/or realisation of the Security and/or commencement of winding-up proceedings against the LLP,

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

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

Allocation and distribution of Available Revenue Receipts prior to the service of an Asset Coverage Test Breach Notice (which has not been revoked), the service of a Notice to Pay or the service of an LLP Acceleration Notice

Prior to service of an Asset Coverage Test Breach Notice (which has not been revoked) on the LLP and the Issuer and the service of a Notice to Pay on the LLP or the service of an LLP Acceleration Notice on the LLP and the Issuer and/or realisation of the Security and/or commencement of winding-up proceedings against the LLP, Available Revenue Receipts will be allocated and distributed as described below.

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

On each LLP Payment Date prior to the service of an Asset Coverage Test Breach Notice (which has not been revoked), the service of a Notice to Pay or the service of an LLP Acceleration Notice on the LLP and the Issuer and/or the commencement of winding-up proceedings against the LLP, the LLP or the Cash Manager on its behalf will transfer funds from the GIC Account to the Transaction Accounts, in an amount equal to the lower of (a) the amount required to make the payments or credits described below and (b) the amount of all Available Revenue Receipts standing to the credit of the GIC Account.

Third Party Amounts will not form part of Available Revenue Receipts or Available Principal Receipts and, upon their receipt by the LLP, will be paid to the Seller.

Pre-Acceleration Revenue Priority of Payments

Prior to service of an Asset Coverage Test Breach Notice (which has not been revoked) on the LLP and the Issuer and the service of a Notice to Pay on the LLP or service of an LLP Acceleration Notice on the LLP and the Issuer and/or the realisation of the Security and/or the commencement of winding-up
proceedings against the LLP, Available Revenue Receipts standing to the credit of the Transaction Accounts will be applied by or on behalf of the LLP on each LLP Payment Date (except for amounts due to third parties by the LLP under paragraph (i) below and except for Swap Collateral Excluded Amounts due to the Swap Provider by the LLP under the relevant Swap Agreement which shall be paid directly to the relevant Swap Provider and any Swap Collateral Available Amounts used (or to be used) to pay any premium in respect of a replacement Swap Provider) in making the following payments and provisions (the "Pre-Acceleration Revenue Priority of Payments") (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

(i) **first**, in or towards satisfaction of any amounts due and payable by the LLP to third parties and incurred without breach by the LLP of the Programme Documents to which it is a party (and for which payment has not been provided elsewhere in the relevant Pre-Acceleration Priorities of Payments) and to provide for any such amounts expected to become due and payable by the LLP in the LLP Payment Period in which such LLP Payment Date occurs;

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

   (a) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicer under the provisions of the Servicing Agreement in the LLP Payment Period in which such LLP Payment Date occurs, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

   (b) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager under the provisions of the Cash Management Agreement in the LLP Payment Period in which such LLP Payment Date occurs, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

   (c) amounts (if any) due and payable to any Account Bank (including costs) pursuant to the terms of the Account Bank Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

   (d) amounts due and payable to the Corporate Services Provider pursuant to the terms of the Corporate Services Agreement together with applicable VAT (or other similar taxes) thereon as provided therein;

   (e) amounts due and payable to the Asset Monitor pursuant to the terms of the Asset Monitor Agreement (other than the amounts referred to in paragraph (x) below), together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and

   (f) amounts (if any) due and payable to the FSA in respect of fees owed to the FSA under the RCB Regulations other than the initial registration fees, together with applicable VAT (or other similar taxes) thereon;

(iii) **third**, in payment or in provision of any amounts due and payable or to become due and payable in the LLP Payment Period in which such LLP Payment Date occurs to the TRS Provider in respect of the TRS (including any termination payment due and payable by the LLP under the TRS following the return of any Swap Collateral Excluded Amounts, 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 TRS Provider) pursuant to the terms of the TRS Agreement;

(iv) **fourth**, in or towards payment of (or provision for) **pro rata** and **pari passu** on the LLP Payment Date according to the respective amounts due on each Interest Payment Date only (and in the case of any such payment or provision, after taking into account any amounts (other than principal) received or receivable from the TRS Provider under the TRS Agreement on each Interest Payment Date falling prior to the next following LLP Payment Date), of:

   (a) after taking into account, and without double-counting, any amounts to be paid on each Party B Payment Date falling prior to the next following LLP Payment Date from
amounts credited to the Coupon Payment Ledger to the Covered Bond Swap Providers, any amounts due and payable or to become due and payable to the Covered Bond Swap Providers (other than in respect of principal) on each Interest Payment Date falling prior to the next LLP Payment Date pro rata and pari passu in respect of each Covered Bond Swap (including any termination payments due and payable by the LLP under the Covered Bond Swap Agreements following the return of any Swap Collateral Excluded Amounts but excluding any Excluded Swap Termination Amounts) (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Covered Bond Swap Providers on each Interest Payment Date falling prior to the next following LLP Payment Date) pursuant to the terms of the Covered Bond Swap Agreements; and

(b) after taking into account, and without double-counting, any amounts to be paid on the LLP Payment Date (or to be paid in the LLP Payment Period in which such LLP Payment Date occurs) from amounts credited to the Coupon Payment Ledger to an account specified by the Principal Paying Agent and after taking into account any amounts (other than principal) received or receivable from a Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement on each Interest Payment Date falling prior to the next following LLP Payment Date and available to make payments of amounts under this item (b), any amounts due and payable or to become due and payable on each Interest Payment Date falling prior to the next following LLP Payment Date (excluding principal amounts) pro rata and pari passu in respect of each Term Advance to the Issuer pursuant to the terms of the Intercompany Loan Agreement;

(v) fifth, if a Cash Manager Relevant Event has occurred and is continuing, in or towards a credit to the Coupon Payment Ledger of an amount up to but not exceeding the amount by which the aggregate of the Required Coupon Amounts which have been calculated in respect of all Term Advances exceeds the amount standing to the credit of the Coupon Payment Ledger;

(vi) sixth, in or towards a credit to the Reserve Ledger and deposit into the GIC Account of an amount up to but not exceeding the amount by which the Reserve Fund Required Amount exceeds the existing balance on the Reserve Ledger as calculated on the immediately preceding Calculation Date;

(vii) seventh, if the LLP is required to make a deposit to the Pre-Maturity Liquidity Ledger, towards a credit to the Pre-Maturity Liquidity Ledger and deposit into the GIC Account of an amount equal to (A) the Required Redemption Amount for the relevant Series of Hard Bullet Covered Bonds calculated as at the immediately preceding Calculation Date, less (B) any amounts standing to the credit of the Pre-Maturity Liquidity Ledger as at the immediately preceding Calculation Date after having deducted the Required Redemption Amount of all other Series of Hard Bullet Covered Bonds, as calculated on such Calculation Date, which mature prior to or on the same date as such relevant Series of Hard Bullet Covered Bonds referred to in (A);

(viii) eighth, if a Servicer Termination Event has occurred, all remaining Available Revenue Receipts to be credited to the GIC Account (with a corresponding credit to the Revenue Ledger) until such Servicer Termination Event is either remedied by the Servicer or waived by the Security Trustee or a replacement servicer is appointed to service the Mortgage Loan Portfolio (or the relevant part thereof);

(ix) ninth, in or towards payment pro rata and pari passu in accordance with the respective amounts thereof of any Excluded Swap Termination Amounts due and payable by the LLP under the Swap Agreements;

(x) tenth, 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;

(xi) eleventh, in or towards repayment to the Seller, in its capacity as a Member, of any Cash Capital Contribution made by it in respect of any Required Coupon Amount or Reserve Fund Required Amount, pursuant to the terms of the LLP Deed;
(xii) twelfth, in or towards payment and discharge any liability of the LLP for taxes;

(xiii) thirteenth, in or towards payment pro rata and pari passu to the Members of the sum of £3,000 (or such higher 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, provided always that a minimum of £400 per annum is allocated to the Liquidation Member in which case each other Members’ proportion of the allocation of such sum shall be reduced accordingly, as their respective profit for their respective interests as Members of the LLP; and

(xiv) fourteenth, in or towards payment of the then Deferred Consideration due to the Seller for the transfer of the Mortgage Loans and their Related Security to the LLP.

**Allocation and Distribution of Mortgage Loan Principal Receipts prior to service of an Asset Coverage Test Breach Notice (which has not been revoked) or the service of a Notice to Pay or the service of a LLP Acceleration Notice**

Prior to service on the LLP and the Issuer of an Asset Coverage Test Breach Notice (which has not been revoked) or the service of a Notice to Pay on the LLP or the service of an LLP Acceleration Notice on the Issuer and the LLP and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP, Mortgage Loan Principal Receipts will be allocated and distributed as described below.

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

On each LLP Payment Date prior to the service of an Asset Coverage Test Breach Notice (which has not been revoked), the service of a Notice to Pay or the service of an LLP Acceleration Notice on the Issuer and/or the commencement of winding-up proceedings against the LLP, the LLP or the Cash Manager on its behalf will transfer funds from the GIC Account to the Transaction Accounts, in an amount equal to the lower of (a) the amount required to make the payments or credits described below and (b) the amount of all Available Principal Receipts standing to the credit of the GIC Account.

If an LLP Payment Date is the same as an Interest Payment Date and, in accordance with the terms of the Intercompany Loan Agreement, the Issuer has not instructed the LLP to pay all amounts due to the Issuer under the Intercompany Loan to the Principal Paying Agent, then the distribution of Available Principal Receipts under the Pre-Acceleration Principal Priority of Payments will be delayed until the Issuer has made scheduled interest and/or principal payments on that Interest Payment Date.

**Pre-Acceleration Principal Priority of Payments**

Prior to service on the LLP and the Issuer of an Asset Coverage Test Breach Notice (which has not been revoked) or the 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, Available Principal Receipts standing to the credit of the Transaction Accounts (other than Swap Collateral Excluded Amounts due to the Swap Provider by the LLP under the relevant Swap Agreement which shall be paid directly to the relevant Swap Provider or any Swap Collateral Available Amounts used (or to be used) to pay any premium in respect of a replacement Swap Provider) will be applied by or on behalf of the LLP on each LLP Payment Date in making the following payments and provisions in the following order of priority (the "Pre-Acceleration Principal Priority of Payments") (in each case, only if and to the extent that payments or provisions of a higher priority have been paid in full to the extent the same are payable on the relevant LLP Payment Date):

(i) first, if the Pre-Maturity Test has been breached by the Issuer in respect of any Series of Hard Bullet Covered Bonds, towards a credit to the Pre-Maturity Liquidity Ledger and deposit into the GIC Account in an amount up to, but not exceeding, the difference between:

(a) the Required Redemption Amount calculated on the immediately preceding Calculation Date for the relevant Series of Hard Bullet Covered Bonds; and

(b) any amounts standing to the credit of the Pre-Maturity Liquidity Ledger on the immediately preceding Calculation Date after having deducted the Required Redemption
Amount of all other Series of Hard Bullet Covered Bonds, as calculated on that Calculation Date, which mature prior to or on the same date as the relevant Series of Hard Bullet Covered Bonds,

except to the extent that such amounts have been paid out of Available Revenue Receipts pursuant to item (vii) of the Pre-Acceleration Revenue Priority of Payments;

(ii) second, to acquire New Mortgage Loans and their Related Security offered to the LLP by the Seller in accordance with the terms of the Mortgage Sale Agreement in an amount sufficient to ensure that taking into account the other resources available to the LLP, the LLP is in compliance with the Asset Coverage Test and thereafter to acquire Substitution Assets in an amount not to exceed the prescribed limit (as specified in the LLP Deed) sufficient to ensure that, after taking into account the other resources available to the LLP, the LLP is in compliance with the Asset Coverage Test;

(iii) third, to deposit the remaining Mortgage Loan Principal Receipts in the GIC Account (with a corresponding credit to the Principal Ledger) in an amount sufficient to ensure that, taking into account the other resources available to the LLP, the LLP is in compliance with the Asset Coverage Test;

(iv) fourth, subject to satisfaction of the Asset Coverage Test on the immediately preceding Calculation Date in or towards repayment on the LLP Payment Date (or to provide for repayment in the LLP Payment Period in which such LLP Payment Date occurs) of the corresponding Term Advance related to each Series of Covered Bonds by making the following payments:

(a) the amounts (in respect of principal) due and payable or to become due and payable to the Covered Bond Swap Providers pro rata and pari passu in respect of each Covered Bond Swap (including any termination payments (other than Excluded Swap Termination Amounts) (except to the extent that such amounts have been paid (1) out of any premiums received from the replacement Covered Bond Swap Providers or (2) out of Available Revenue Receipts pursuant to item (iv) of the Pre-Acceleration Revenue Priority of Payments) in accordance with the terms of the Covered Bond Swap Agreements following the return of any Swap Collateral Excluded Amounts; and

(b) (where appropriate, after taking into account any amounts in respect of principal receivable from a Covered Bond Swap Provider on the LLP Payment Date or in the LLP Payment Period in which such LLP Payment Date occurs) the amounts (in respect of principal) due and payable or to become due and payable to the Issuer pro rata and pari passu in respect of each Term Advance;

(v) fifth, subject to the satisfaction of the Asset Coverage Test on the immediately preceding Calculation Date, to make a Capital Distribution to Clydesdale (in its capacity as a Member) by way of distribution of its equity in the LLP in accordance with the LLP Deed.

Allocation and distribution of Available Revenue Receipts and Available Principal Receipts following service of an Asset Coverage Test Breach Notice

At any time after service on the LLP and the Issuer of an Asset Coverage Test Breach Notice (which has not been revoked), but prior to service of a Notice to Pay on the LLP or the service of an LLPAcceleration Notice on the LLP and the Issuer and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, all Available Revenue Receipts and Available Principal Receipts will continue to be applied in accordance with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments save that, whilst any Covered Bonds remain outstanding, no monies will be applied under paragraphs (iv)(b), (vi), (x) (to the extent only that such amounts are payable to the Members), (xi), (xiii) or (xiv) of the Pre-Acceleration Revenue Priority of Payments or paragraphs (ii), (iv)(b) or (v) of the Pre-Acceleration Principal Priority of Payments.

Following the revocation of an Asset Coverage Test Breach Notice in accordance with the terms of the Programme Documents, but prior to the service of a Notice to Pay on the LLP or the service of a LLPAcceleration Notice on the LLP and the Issuer 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 and will not be subject to the above restrictions.

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

At any time after service of a Notice to Pay on the LLP, but prior to service of an LLP Acceleration Notice on the LLP and the Issuer and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP, all Available Revenue Receipts and Available Principal Receipts (other than Third Party Amounts, Swap Collateral Excluded Amounts which shall be returned in accordance with the relevant Swap Agreement and any Swap Collateral Available Amounts used or allocated to pay a replacement Swap Provider) will be applied as described below under "Guarantee Priority of Payments".

On each LLP Payment Date following service of a Notice to Pay on the LLP, but prior to service of an LLP Acceleration Notice on the LLP and the Issuer and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP, the LLP or the Cash Manager on its behalf will transfer funds from the GIC Account to the Transaction Accounts, in an amount equal to the lower of (a) the amount required to make the payments set out in the Guarantee Priority of Payments and (b) the amount of all Available Revenue Receipts and Available Principal Receipts standing to the credit of the GIC Account.

The LLP will create and maintain ledgers for each Series of Covered Bonds and record amounts allocated to such Series of Covered Bonds in accordance with paragraph (v) of the "Guarantee Priority of Payments" below, and such amounts, once allocated, will only be available to pay amounts due under the Covered Bond Guarantee and amounts due under the Covered Bond Swaps in respect of the relevant Series of Covered Bonds on the scheduled repayment dates thereof.

Third Party Amounts will not form part of Available Revenue Receipts or Available Principal Receipts and, upon their receipt by the LLP, will be paid to the Seller.

**Guarantee Priority of Payments**

If a Notice to Pay is served on the LLP (as set out in the LLP Deed), the LLP shall, following an Issuer Event of Default, on the relevant Final Maturity Date, apply all monies standing to the credit of the Pre-Maturity Liquidity Ledger to repay the relevant Series of Hard Bullet Covered Bonds in accordance with the LLP Deed (as described in "Credit Structure – Pre-Maturity Liquidity" above). Subject thereto, on each LLP Payment Date after the service of a Notice to Pay on the LLP (but prior to the service of an LLP Acceleration Notice and/or prior to the realisation of the Security and/or the commencement of winding up proceedings against the LLP), and except for amount due to third parties under paragraph (ii)(b) below which in each case shall be paid when due, the LLP or the Cash Manager on its behalf will apply Available Revenue Receipts and Available Principal Receipts (excluding Swap Collateral Excluded Amounts due to the Swap Provider by the LLP under the relevant Swap Agreement which shall be paid directly to the relevant Swap Provider and any Swap Collateral Available Amounts used (or to be used) to pay any premium in respect of a replacement Swap Provider) to make the following payments and provisions in the following order of priority (the "Guarantee Priority of Payments") (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

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

(a) all amounts due and payable or to become due and payable to the Bond Trustee in the LLP Payment Period in which such LLP Payment Date occurs under the provisions of the Trust Deed together with interest and applicable VAT (or other similar taxes) thereon as provided therein;

(b) all amounts due and payable or to become due and payable to the Security Trustee in the LLP Payment Period in which such LLP Payment Date occurs under the provisions of the Deed of Charge together with interest and applicable VAT (or other similar taxes) thereon as provided therein;
(ii) second, in or towards satisfaction pro rata and pari passu according to the respective amounts thereof of:

(a) any remuneration then due and payable to the Agents under the provisions of the Agency Agreement together with applicable VAT (or other similar taxes) thereon as provided therein; and

(b) any amounts then due and payable by the LLP to third parties and incurred without breach by the LLP of the Programme 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 LLP Payment Period in which such LLP Payment Date occurs;

(iii) third, in or towards satisfaction pro rata and pari passu according to the respective amounts thereof of:

(a) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicer in the LLP Payment Period in which such LLP Payment Date occurs under the provisions of the Servicing Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(b) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager in the LLP Payment Period in which such LLP Payment Date occurs under the provisions of the Cash Management Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(c) amounts (if any) due and payable to any Account Bank (including costs) pursuant to the terms of the Account Bank Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(d) amounts due and payable to the Corporate Services Provider pursuant to the Corporate Services Agreement together with applicable VAT (or similar taxes) thereon as provided therein;

(e) amounts due and payable to the Asset Monitor (other than the amounts referred to in paragraph (xi) below) pursuant to the terms of the Asset Monitor Agreement, together with applicable VAT (or other similar taxes) thereon as provided therein; and

(f) amounts (if any) due and payable to the FSA in respect of fees owed to the FSA under the RCB Regulations other than the initial registration fees plus any applicable VAT or similar taxes thereon;

(iv) fourth, in or towards satisfaction of the amounts due and payable to the TRS Provider in respect of the TRS (including any termination payment due and payable by the LLP under the TRS following the return of any Swap Collateral Excluded Amounts but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from the replacement TRS Provider) in accordance with the terms of the TRS Agreement;

(v) fifth, in or towards satisfaction, pro rata and pari passu according to the respective amounts thereof (after taking into account any amounts (other than principal) received or receivable from the TRS Agreement on the LLP Payment Date or in the LLP Payment Period in which such LLP Payment date occurs) of:

(a) after taking into account, and without double-counting, any amounts to be paid on the LLP Payment Date (or to be paid in the LLP Payment Period in which such LLP Payment Date occurs) from amounts credited to the Coupon Payment Ledger to the Covered Bond Swap Provider, any amounts due and payable or to become due and payable to the Covered Bond Swap Providers on the LLP Payment Date or in the LLP Payment Period in which such LLP Payment Date occurs (other than in respect of
principal) pro rata and pari passu in respect of each relevant Covered Bond Swap (including any termination payments due and payable by the LLP under the relevant Covered Bond Swap Agreements following the return of any Swap Collateral Excluded Amounts but excluding any Excluded Swap Termination Amounts) (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Covered Bond Swap Providers) pursuant to the terms of the Covered Bond Swap Agreements; and

(b) after taking into account, and without double-counting, any amounts to be paid on the LLP Payment Date (or to be paid in the LLP Payment Period in which such LLP Payment Date occurs) from amounts credited to the Coupon Payment Ledger (where appropriate after taking into account any amounts in respect of principal received from a Covered Bond Swap Provider in return for the amounts to be paid under item (a) above and available to make payments of amounts under this item (b)) and 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 LLP Payment Period in which such LLP Payment Date occurs) under the Covered Bond Guarantee in respect of each Series of Covered Bonds,

provided that if the amount available for distribution under this paragraph (v) (excluding any amounts received from the Covered Bond Swap Providers in return for the amounts to be paid under (a) above) would be insufficient to pay the Sterling Equivalent of the Scheduled Interest that is Due for Payment (or will become Due for Payment in the LLP Payment Period in which such LLP Payment Date occurs) in respect of each Series of Covered Bonds 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 a Covered Bond Swap Provider in respect of a Series of Covered Bonds under (a) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

(vi) sixth, in or towards satisfaction (or in provision therefor), pro rata and pari passu, according to the respective amounts thereof, of amounts:

(a) due and payable or to become due and payable in the LLP Payment Period in which such LLP Payment Date occurs to the Covered Bond Swap Providers (in respect of principal) pro rata and pari passu in respect of each Series of Covered Bonds referred to in item (b) below (excluding any Excluded Swap Termination Amounts) pursuant to the terms of the relevant Covered Bond Swap Agreements); and

(b) (where appropriate after taking into account any amounts in respect of principal received from a Covered Bond Swap Provider in return for the amounts to be paid under item (a) above and available to make payments of amounts under this item (b)) 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 LLP Payment Period in which such LLP Payment Date occurs) on (1) in respect of a Series of Hard Bullet Covered Bonds, the Final Maturity Date for such Covered Bonds, or (2) in respect of a Series of Extendable Maturity Covered Bonds, the Extended Due for Payment Date for such Covered Bonds, in each case under the Covered Bond Guarantee in respect of each Series of Covered Bonds,

provided that if the amount available for distribution under this paragraph (vi) (excluding any amounts received from the relevant Covered Bond Swap Providers in return for the amounts to be paid under (a) above) would be insufficient to pay the Sterling Equivalent of the Scheduled Principal that is Due for Payment (or will become Due for Payment in the LLP Payment Period in which such LLP Payment Date occurs) in respect of each Series of Covered Bonds, 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 a Covered Bond Swap Provider in respect of a relevant Series of Covered Bonds under (a) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;
seventh, in respect of any Series of Extendable Maturity Covered Bonds whose Final Redemption Amount was not paid in full on or before the Extension Determination Date for such Covered Bonds in accordance with Condition 6(a) (the "Extended Covered Bonds") pro rata and pari passu according to the respective amounts thereof;

(a) the amounts due and payable or to become due and payable in the LLP Payment Period in which such LLP Payment Date occurs to the Covered Bond Swap Providers (in respect of principal) pro rata and pari passu in respect of each relevant Series of Extended Covered Bonds (excluding any Excluded Swap Termination Amounts) in accordance with the terms of the relevant Covered Bond Swap Agreements; and

(b) (where appropriate after taking into account any amounts in respect of principal received from a Covered Bond Swap Provider in return for the amounts to be paid under item (a) above and available to make payments of amounts under this item (b)) amounts to pay 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 an amount up to but not to exceed the unpaid portion of the Final Redemption Amount or the relevant proportion thereof under the Covered Bond Guarantee in respect of each Series of Extended Covered Bonds, provided that if the amount available for distribution under this paragraph (vii) (excluding any amounts received from the relevant Covered Bond Swap Providers in return for the amounts to be paid under (a) above) would be insufficient to pay the Sterling Equivalent of the unpaid portion of the Final Redemption Amount in respect of each Series of Extended Covered Bonds, the shortfall shall be divided amongst all Series of Extended Covered Bonds on a pro rata basis and the amount payable by the LLP to a Covered Bond Swap Provider in respect of a Series of Extended Covered Bonds under (a) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

(viii) eighth, to deposit the remaining moneys in the GIC Account for application on the next following LLP Payment Date in accordance with the priority of payments described in paragraphs (i) to (vii) (inclusive) above, until the Covered Bonds have been fully repaid or provided for (such that, where applicable, the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds);

(ix) ninth, after the Covered Bonds have been fully repaid or provided for (such that, where applicable, the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds), in or towards satisfaction pro rata and pari passu according to the respective amounts thereof of any Excluded Swap Termination Amount due and payable by the LLP to the Swap Providers under the Swap Agreements;

(x) tenth, after the Covered Bonds have been fully repaid or provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds), any remaining moneys will be applied in and towards repayment in full of amounts outstanding under the Intercompany Loan Agreement (for the avoidance of doubt, the amounts owed by the LLP to the Issuer under a Term Advance will be reduced pro tanto by the Sterling Equivalent of any amounts paid or provided for by the LLP under the terms of the Covered Bond Guarantee to repay the related Series of Covered Bonds);

(xi) 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), in or towards satisfaction pro rata and pari passu according to the respective amounts thereof of any indemnity amount due to the Members pursuant to the LLP Deed and certain costs, expenses and indemnity amounts due by the LLP to the Asset Monitor pursuant to the Asset Monitor Agreement;

(xii) twelfth, 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), to pay and discharge any liability of the LLP for taxes; and
(xiii) thirteenth, 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), thereafter any remaining moneys will be applied in accordance with the LLP Deed.

**Termination payments in respect of Swaps, premiums received in respect of replacement Swaps**

If the LLP receives any termination payment from a Swap Provider in respect of a Swap or there are amounts standing to the credit of the relevant Swap Collateral Ledger, in respect of the relevant terminated Swap, following the return of any Swap Collateral Excluded Amounts to the relevant Swap Provider after the termination of a Swap, such termination payment or relevant amounts standing to the credit of such Swap Collateral Ledger will first be used (prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice and/or the commencement of winding up proceedings against the LLP and/or realisation of the Security) to pay a replacement Swap Provider to enter into a replacement Swap with the LLP (and, for the avoidance of doubt, the amount of such payment to the replacement Swap Provider shall not form part of the Available Revenue Receipts or Available Principal Receipts), unless a replacement Swap has already been entered into on behalf of the LLP. If the LLP receives any premium from a replacement Swap Provider in respect of a replacement Swap, such premium will first be used to make any termination payment due and payable by the LLP with respect to the previous Swap (and, for the avoidance of doubt, the amount of such termination payment shall not form part of the Available Revenue Receipts or Available Principal Receipts), unless such termination payment has already been made on behalf of the LLP.

**Application of moneys received by the Security Trustee following the service of an LLP Acceleration Notice and/or realisation of the Security and/or the commencement of winding-up proceedings against the LLP**

Under the terms of the Deed of Charge, all moneys received or recovered by the Security Trustee (or a Receiver appointed on its behalf) (excluding all amounts due or to become due in respect of any Third Party Amounts and excluding Swap Collateral Excluded Amounts due to the Swap Providers by the LLP under the relevant Swap Agreement which shall be paid directly to the relevant Swap Provider) will be applied following the service of a LLP Acceleration Notice and/or realisation of the Security and/or the commencement of winding-up proceedings against the LLP in the following order of priority (the "Post-Enforcement Priority of Payments") (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

(i) first, in or towards satisfaction of any amounts then due and payable and which are permitted by Regulations 27, 28 and/or 29 of the RCB Regulations to be paid in priority to any other amounts and, in respect of such amounts, such amounts to be paid between themselves in the priority and to the extent permitted by Regulations 27, 28 and/or 29 of the RCB Regulations, as applicable and, in addition, in or towards satisfaction, on a similar basis, of any amounts due and payable under any or in respect of any Covered Bonds not regulated by the RCB Regulations at such time, but only to the extent that such amounts would be permitted to be paid in such priority to any other amounts under Regulations 27, 28 and/or 29 of the RCB Regulation if such Covered Bonds had been so regulated by the RCB Regulations, and only to the extent then also permitted by relevant law;

(ii) second, to the extent not already paid under item (i) above, in or towards satisfaction pro rata and pari passu according to the respective amounts thereof of:

(a) all amounts due and payable or to become due or payable to:

(1) the Bond Trustee under the provisions of the Trust Deed together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein; and

(2) the Security Trustee and any Receiver appointed by the Security Trustee under the provisions of the Deed of Charge together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein;
(iii) third, to the extent not already paid under item (i) above, in or towards satisfaction pro rata and pari passu according to the respective amounts thereof of:

(a) any remuneration then due and payable to the Agents under or pursuant to the Agency Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(b) amounts in respect of:

(1) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicer under the provisions of the Servicing Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(2) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager under the provisions of the Cash Management Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(3) amounts due to any Account Bank (including costs) pursuant to the terms of the Account Bank Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and

(4) amounts (including costs and expenses) due to the Corporate Services Provider pursuant to the terms of the Corporate Services Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

(c) amounts due and payable to the TRS Provider in respect of the TRS (including any termination payment due and payable by the LLP under the TRS but excluding any Excluded Swap Termination Amount) in accordance with the terms of the TRS Agreement; and

(d) all amounts due and payable pro rata and pari passu:

(1) to the Covered Bond Swap Providers 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 Covered Bond Swap Agreements but excluding any Excluded Swap Termination Amounts) in accordance with the terms of the Covered Bond Swap Agreements; and

(2) 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 and Scheduled Principal that is Due for Payment (or will become Due for Payment in the LLP Payment Period in which such LLP Payment Date occurs) under the Covered Bond Guarantee in respect of each Series of Covered Bonds.

Provided that if the amount available for distribution under this paragraph (e) (excluding any amounts received from the Covered Bond Swap Providers in return for the amount to be paid under (1) above) would be insufficient to pay the Sterling Equivalent of the amounts that are Due for Payment (or will become Due for Payment in the LLP Payment Period in which such LLP Payment Date occurs) in respect of each Series of Covered Bonds 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 a Covered Bond Swap Provider in respect of a Series of Covered Bonds under (1) 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;

(iv) fourth, 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 Swap Providers under the Swap Agreements.
(v) **fifth**, 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;

(vi) **sixth**, towards payment of any indemnity amount due to the Members pursuant to the LLP Deed; and

(vii) **seventh**, thereafter any remaining moneys shall be applied in or towards payment to the Members pursuant to the LLP Deed.
THE MORTGAGE LOAN PORTFOLIO

The Initial Mortgage Loan Portfolio and each New Mortgage Loan Portfolio acquired by the LLP (the "Mortgage Loan Portfolio") will consist of Mortgage Loans and their Related Security sold by the Seller to the LLP from time to time, in accordance with the terms of the Mortgage Sale Agreement as more fully described under "Summary of the Principal Documents – Mortgage Sale Agreement". See also the following risk factors under "Risk Factors – Investment Considerations relating to the LLP – Limited description of the Portfolio – Maintenance of the Portfolio – The Lending Criteria".

Introduction

The housing market in the UK primarily consists of owner occupied housing. The remainder of dwellings are in some form of public, private landlord or social ownership. The mortgage market, in which Mortgage Loans are provided for the purchase of a property and secured on that property, is the primary source of household borrowings in the UK.

For the purposes hereof:

"Initial Mortgage Loan Portfolio" means the portfolio of Mortgage Loans and their Related Security, particulars of which are incorporated in the Mortgage Sale Agreement (other than any Mortgage Loans and their Related Security which have been redeemed in full prior to the First 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 any other sums due or to become due under or in respect of such Mortgage Loans and Related Security on or after the First Transfer Date 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 lender under the applicable Mortgage Conditions;

(b) the benefit of all securities for such principal, interest and other sums payable (including without limitation any interest of the lender in any life policy), the benefit of all Deeds of Consent, MHA/CP Documentation and Deeds of Postponement, any Guarantee in respect of such Mortgage Loans or any other collateral security for the repayment of the relevant Mortgage Loans secured by the Related Security;

(c) the right to exercise all the powers of the lender in relation thereto subject to and in accordance with the relevant Mortgage Conditions;

(d) all the estate, title and interest in the Mortgaged Properties in relation thereto vested in the Seller;

(e) to the extent they are assignable or capable of being put into trust, each certificate of title and valuation report and any right of action of the relevant Originator against any solicitor, valuer or other person in connection with any report, valuation, opinion, certificate or other statement of fact or opinion given in connection with any Mortgage Loan and its Related Security, or any part thereof affecting the decision of the relevant Originator to make or offer to make the relevant Mortgage Loan or part thereof; and

(f) the benefit of certain Insurance Policies relating to the Mortgaged Properties, including the right to receive the proceeds of all claims made or to be made by or on behalf of the lender or to which the lender is or may become entitled.

"New Mortgage Loan Portfolio" means in each case a portfolio of New Mortgage Loans and their Related Security (other than any New Mortgage Loans and their Related Security which have been redeemed in full prior to the Transfer Date in respect of such New Mortgage Loan Portfolio or which do not otherwise comply with the terms of the Mortgage Sale Agreement as at such 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 the rights and assets set out in paragraphs (a) to (f) above in relation to such New Mortgage Loans and their Related Security.
Product Types

The Mortgage Loans in the Mortgage Loan Portfolio will be Mortgage Loans originated in or after October 2002 or Mortgage Loans originated prior to October 2002 but which have become subject, in their entirety, to a Mortgage Loan Agreement (or Agreements) made on or after October 2002.

The Seller and YBHL offer a variety of fixed rate, variable rate, discounted rate and hybrid mortgage products to Borrowers. The Seller may sell to the LLP any of the following of its mortgage products, which in each case may comprise one, or a combination of, the following:

(a) Mortgage Loans subject to a fixed interest rate for a specified period of time and at the expiration of that period are generally subject to the Seller's Standard Variable Rate ("Fixed Rate Mortgage Loans");

(b) Mortgage Loans subject to the Seller's Standard Variable Rate (together with, in various Mortgage Loans, a fixed margin above or below the Seller's Standard Variable Rate) for the life of the Mortgage Loan and the terms of the Mortgage Loan allow changes to the Seller's Standard Variable Rate to reflect the Bank of England Base Rate ("Standard Variable Rate Mortgage Loans");

(c) Mortgage Loans subject to a variable rate (other than the Seller's Standard Variable Rate) determined by the Seller or YBHL, which rate in part depends upon the amount of money lent to the Borrower ("Variable Rate Mortgage Loans");

(d) Mortgage Loans subject to a maximum rate of interest which is charged at the lesser of the Seller's Standard Variable Rate or the specified capped rate ("Capped Rate Mortgage Loans");

(e) Mortgage Loans, the terms of which allow the Borrower to pay interest at a specified discount to the Seller's Standard Variable Rate for a specified period of time or for the life of the loan ("Discount Rate Mortgage Loans"); and

(f) Mortgage Loans subject to a variable rate of interest that is linked to the Bank of England base rate plus an additional fixed percentage ("Tracker Rate Mortgage Loans").

The "specified period of time" referred to above for which a certain interest rate (the "Concessionary Interest Rate") will apply to a Mortgage Loan is referred to in this Base Prospectus as the "Concessionary Interest Rate Period".

Some of the Mortgage Loans in the Mortgage Loan Portfolio will be "Flexible Mortgage Loans", which allow the Borrower to obtain a Mortgage Loan with either a variable or fixed rate, depending on the product type, and which, in certain circumstances, permit the Borrower to take Payment Holidays, receive Cash Re-Draws, receive Flexible Loan Reserve Advances and make Overpayments. For a more detailed description of the features applicable to Flexible Mortgage Loans, see "Flexible Mortgage Loans" below.

Some of the Mortgage Loans in the Mortgage Loan Portfolio will be "Offset Mortgage Loans". An Offset Mortgage Loan allows the relevant Borrower to link the Mortgage Loan with certain deposit and/or current accounts that are held with the Seller. If a Borrower elects to take an Offset Mortgage Loan, the interest due from the Borrower on the Mortgage Loan will be calculated (on a daily basis throughout the relevant period) on the difference between the total of the daily outstanding balance (being the outstanding principal balance of the Mortgage Loan plus any capitalised arrears) on the Offset Mortgage Loan (the "Mortgage Loan Debit Balance") and the daily balances of amounts held in the linked deposit/current accounts held with Clydesdale (the "Combined Credit Balance"). For the avoidance of doubt, the deposit and/or current accounts which are linked to an Offset Mortgage Loan will not form part of the Mortgage Loan or its Related Security.

The "Offset Benefit", in respect of a Mortgage Loan and a Mortgage Loan Scheduled Payment due in respect of such Mortgage Loan, is the difference between (a) that part of such Mortgage Loan Scheduled Payment that constitutes interest (prior to the application of the offset provisions of such Mortgage Loan) and (b) that part of such Mortgage Loan Scheduled Payment that constitutes interest (after the application of the offset provisions of such Mortgage Loan). Any Offset Benefit is used to reduce the Current Principal Balance on the Mortgage Loan. The application of the Offset Benefit may lead to amortisation
of the related Mortgage Loan more quickly than would otherwise be the case, as a higher proportion of the Mortgage Loan Scheduled Payment (which the Borrower is obligated to continue making in full) could be allocated towards the repayment of principal of the Mortgage Loan.

The terms of Offset Mortgage Loans also permit Borrowers to make small annual increases in the amount of their repayments, thereby further accelerating the pace at which the Mortgage Loan is repaid. Despite the foregoing, the Borrower is nevertheless obligated to make his Mortgage Loan Scheduled Payment of principal (if any) and interest in full. Offset Mortgage Loans may also have the flexible payment features described under "Flexible Mortgage Loans" below.

The connection between a Borrower's Mortgage Loan and any linked account or accounts of the Borrower may be ended (1) by the relevant Originator giving the Borrower 30 days notice in writing at any time or (2) by the Borrower giving the relevant Originator seven days notice in writing.

Repayment terms of the Mortgage Loans

Borrowers typically make payments of interest and repay principal on their Mortgage Loans using one of the following methods:

(a) Mortgage Loans where the Borrower makes weekly, fortnightly or monthly payments of both interest and principal so that, when the Mortgage Loan is scheduled to mature, the Borrower will have repaid the full amount of the principal of the Mortgage Loan ("Repayment Mortgage Loans"); and

(b) Mortgage Loans where the Borrower makes weekly, fortnightly or monthly payments of interest but not of principal. When the Mortgage Loan matures, the entire principal amount of the Mortgage Loan is still outstanding and the Borrower must repay that amount in one lump sum ("Interest Only Mortgage Loans").

The required weekly, fortnightly or monthly payments on the Mortgage Loans may vary from period to period for various reasons, including changes in interest rates. Borrowers are required to make payments on their Mortgage Loan on contractually agreed dates (which, in the case of monthly payments, will fall between the 1st and the 28th of each month).

Although Borrowers under Interest Only Mortgage Loans are recommended to put in place an investment plan or other repayment mechanism forecast to provide sufficient funds to repay the principal due at the end of the term of the Mortgage Loan, the relevant Originator does not (and in some cases cannot) take security over any such investment plans.

All Scheduled Payments due under the Mortgage Loans included in the Mortgage Loan Portfolio that have been originated by Clydesdale, where the Borrower holds a bank account at a bank other than Clydesdale, are made by electronic direct debit ("Direct Debit") authorised by the relevant Borrower and are made from such Borrower's bank account to the Collection Account. All Scheduled Payments due under the Mortgage Loans included in the Mortgage Loan Portfolio that have been originated by Clydesdale, where the Borrower holds a bank account at Clydesdale, are made by automated debits from the relevant bank account ("Automated Debit") authorised by the relevant Borrower and are made from such Borrower's bank account to the Collection Account. All Scheduled Payments due under the Mortgage Loans included in the Mortgage Loan Portfolio that have been originated by YBHL, where the Borrower holds a bank account at Clydesdale, are made by Automated Debit or to the extent the Borrower holds a bank account at a bank other than Clydesdale are made by standing order, in each case as authorised by the relevant Borrower and are made from the relevant bank account, to the Collection Account.

All such Scheduled Payments are made periodically in accordance with the repayment terms of the relevant Mortgage Loan. In certain circumstances, for example in the case of late payments, the Borrower may pay by cheque or other means into accounts in the name of the Servicer.

Overpayments on non-flexible Mortgage Loans

Certain Mortgage Loans offered by the Seller and YBHL are not marketed as being Flexible Mortgage Loans. Such Mortgage Loans do not have any of the other features of Flexible Mortgage Loans such as Payment Holidays or Cash Re-Draws. However a Borrower may make Overpayments in respect of such a
Mortgage Loan without incurring an Early Repayment Charge, provided the Concessionary Interest Rate Period (if any) offered by the relevant Originator to such Borrower has ended. Any such Overpayment will immediately reduce the Current Balance of such Mortgage Loan from the day the Overpayment is credited to the Borrower's Mortgage Loan and will result in the immediate reduction in the amount of interest payable by such Borrower. For information on Overpayments on Flexible Mortgage Loans and other Flexible Mortgage Loan features, see "– Flexible Mortgage Loans".

**Early Repayment Charges**

Borrowers under the Seller's or YBHL's Mortgage Loan products that have received a benefit in the form of a capped, discounted, fixed rate or other Mortgage Loan that is subject to a Concessionary Interest Rate may be required to pay an Early Repayment Charge if (a) the Borrower makes an Overpayment at any time prior to the end of the Concessionary Interest Rate Period offered by the relevant Originator to such Borrower, or (b) generally if they make a Product Switch, in each case before a date specified in the offer of advance.

Borrowers under Mortgage Loans that have been originated by the Seller through its intermediaries (see "– Origination of the Mortgage Loans") are permitted to make overpayments during the Concessionary Interest Rate Period, in an amount per year not to exceed 10 per cent of the Current Principal Balance of the Mortgage Loan, without incurring an Early Repayment Charge.

Any Early Repayment Charge will equal a percentage of the amount repaid in excess of a specified percentage limit, except for an early repayment in full, where the Early Repayment Charge will equal a varying percentage of the entire amount repaid. Each of the Seller and YBHL retains absolute discretion to waive or enforce Early Repayment Charges in accordance with its policy from time to time.

All of the Originators' Mortgage Loan products allow for the Borrower to avoid Early Repayment Charges and, if applicable, avoid repaying to the relevant Originator any of the cash payment described above, by "Porting" the existing Mortgage Loan to a new mortgaged property, provided that (1) the new Mortgage Loan is equal to or greater than the existing Mortgage Loan and (2) the Borrower receives from the relevant Originator substantially the same Mortgage Loan product. The new Mortgage Loan preserves the Borrower's status in that Mortgage Loan product (for an amount equal to the then Current Principal Balance of the existing Mortgage Loan).

A prepayment of the entire Current Principal Balance of a Mortgage Loan discharges the related mortgage. Any prepayment in full must be made together with all accrued interest, arrears of interest, any unpaid charges and any Early Repayment Charges.

**Interest payments and setting of interest rates**

Interest on each Mortgage Loan accrues on the Current Principal Balance of that Mortgage Loan from time to time. Interest is payable by the Borrower either weekly, fortnightly or monthly in arrears. Interest on the Mortgage Loans in the Mortgage Loan Portfolio is computed on a daily basis and applied monthly on the first working day of each month, effective from the 1st of the month. Each Mortgage Loan in the Mortgage Loan Portfolio accrues interest at any time at either a fixed or a variable rate.

Fixed Rate Mortgage Loans provide that the Borrower pays interest on such Mortgage Loan at a fixed rate of interest for the period specified in the offer of advance. At the end of that period, the interest rate reverts to the Seller's Standard Variable Rate or another variable interest rate as set forth in the offer of advance.

The rate of interest set by an Originator for Variable Rate Mortgage Loans is the standard variable rate which is set by Clydesdale, (the "Seller's Standard Variable Rate") or such other variable interest rate as may be set forth in the relevant offer of advance. Interest accrues on these Mortgage Loans at a rate equal either to the Seller's Standard Variable Rate or such other variable interest rate as set forth in the offer of advance (or, for a specified period of time, at a set margin below the applicable variable interest rate). The Seller's Standard Variable Rate is not directly linked to interest rates in the financial markets although, in general, the Seller's Standard Variable Rates follows movements in the markets.

Except in limited circumstances as set out in "Summary of the Principal Documents – Servicing Agreement – Undertakings of the Servicer", the Servicer, on behalf of the Security Trustee and the LLP, will be responsible for setting the Seller's Standard Variable Rate, the variable mortgage rate and the
other discretionary rates and margins applicable to the Mortgage Loans in the Mortgage Loan Portfolio. The Mortgage Conditions applicable to all of the Standard Variable Rate Mortgage Loans and the Variable Rate Mortgage Loans provide that the Originators and their respective successors may vary the relevant standard variable rate or variable mortgage rate only for certain reasons which are specified in the Mortgage Conditions. These reasons may include:

- where there has been, or the lender reasonably expects there to be in the near future, a general trend to increase rates on mortgage loans;
- where the lender for good commercial reasons needs to fund an increase in the interest rate or rates payable to depositors; and
- where the lender wishes to adjust its interest rate structure to maintain a prudent level of profitability.

The term "lender" in the above five bullet points means each of Clydesdale and YBHL and their respective successors.

The rate that a Borrower is required to pay under a Standard Variable Rate Mortgage Loan or a Variable Rate Mortgage Loan must not be greater than either the Seller's Standard Variable Rate (or the other variable interest rate set forth in the offer of advance) or a set margin below the Seller's Standard Variable Rate (or the other variable interest rate set forth in the offer of advance). In maintaining, determining or setting the variable interest rate for a Mortgage Loan in the Mortgage Loan Portfolio, the Servicer will be required to apply the factors set out here and will undertake to maintain, determine or set the Seller's Standard Variable Rate (or the other variable interest rate set forth in the offer of advance) at rates which are not higher than the Seller's equivalent rates from time to time.

**Flexible Mortgage Loans**

The Mortgage Loan products of Clydesdale and YBHL are subject to a range of options that may be selected by Borrowers and that give such Borrowers greater flexibility in the timing and amount of payments made under the Mortgage Loans as well as access to re-draws or additional advances under the Mortgage Loans. A Mortgage Loan that has one or more of these features is called a "Flexible Mortgage Loan".

In addition to the Flexible Mortgage Loans described in this Base Prospectus, the Seller may in the future sell Mortgage Loans to the LLP that have different flexible features.

The following options currently are available to a Borrower under a Flexible Mortgage Loan:

- **Overpayments.** A Borrower under a Home Owner Mortgage Loan or a Buy-To-Let Mortgage Loan may make Overpayments or may repay the entire current balance at any time without incurring any Early Repayment Charges, provided the Concessionary Interest Rate Period offered by the relevant Originator to such Borrower has ended. Any Overpayment made as a Flexible Mortgage Loan will immediately reduce the current balance of such Mortgage Loan from the day on which the Overpayment is credited to the Borrower's Mortgage Loan. As such, any Overpayment on a Flexible Mortgage Loan will also result in the immediate reduction of the amount of interest payable by the relevant Borrower.

- **Payment Holidays.** A Borrower under a Home Owner Mortgage Loan that has made, in aggregate, Overpayments in an amount at least equal to the Scheduled Payments due in respect of such Mortgage Loan in a calendar month may apply for a one month Payment Holiday. A Borrower may apply for this Payment Holiday facility in each rolling 12-month period and may accumulate the right to take up to a maximum of six monthly Payment Holidays in any one calendar year. The Mortgage Loan will continue to accrue interest and other charges during any Payment Holiday and accrued interest will be added to the current balance of the related Mortgage Loans which will increase the amount of interest payable by the Borrower. No Payment Holiday may be taken in respect of a Mortgage Loan during the Concessionary Interest Rate Period (if any) for such Mortgage Loan.

- **Cash Re-Draws.** A Borrower under a Home Owner Mortgage Loan or a Buy-To-Let Mortgage Loan may request a Cash Re-Draw of Overpayments that the Borrower has previously made on
his Flexible Mortgage Loan by requesting that the relevant Originator refund some or all of such overpayments in cash. The minimum amount for a Cash Re-Draw is £1,000. There is no maximum limit on the amount of a Cash Re-Draw, and the Cash Re-Draw may be taken at any time after the making of an Overpayment (including any lump sum Overpayment) in respect of a Mortgage Loan being made by a Borrower. Pursuant to the terms of the Mortgage Sale Agreement, any Cash Re-Draws in respect of a Mortgage Loan in the Mortgage Loan Portfolio will be required to be funded solely by the Seller.

• **Flexible Loan Reserve Advances.** A Borrower under an Offset Mortgage Loan may, subject to the satisfaction of certain conditions, request an additional advance (a "Flexible Loan Reserve Advance") by requesting the relevant Originator to advance an amount up to the offset reserve available to the Borrower. The minimum amount for a Flexible Loan Reserve Advance is £5,000 (which figure may be increased to such amount as the relevant Originator decides is reasonably cost-effective to make available as an additional advance). The "Flexible Loan Reserve" of a Mortgage Loan is the difference between:

(a) the total amount actually drawn by the Borrower either at the time of the origination of the Mortgage Loan or at any subsequent time; and

(b) the amount the relevant Originator agreed that it was prepared to lend at the time of the origination of the Mortgage Loan.

Under the Mortgage Conditions, a Borrower must receive permission from the relevant Originator to take a Payment Holiday on a Flexible Mortgage Loan. Provided that certain conditions are satisfied, each Originator is required to grant a request for a Flexible Loan Reserve Advance. Each Originator retains the discretion whether to grant a Cash Re-Draw or to provide a Further Advance (as described under "Further Advances" below) to a Borrower on a Flexible Mortgage Loan, and also maintains discretion in some cases to grant a payment holiday to a Borrower, depending on the facts associated with the Borrower's request. Despite the foregoing means by which the Originators describe and treat re-draws and Flexible Loan Reserve Advances, each re-draw or Flexible Loan Reserve Advance technically would be a "further advance" as such term is used in the Land Registration Act 2002 (which applies only in England and Wales and which has no statutory or common law equivalent in Scotland).

A Borrower may repay amounts owed under a Flexible Mortgage Loan currently offered to the relevant Originator under any of the repayment terms described above under "- Repayment terms of the Mortgage Loans". The term over which a Borrower may repay its Flexible Mortgage Loan currently is up to 40 years, up to a maximum of age of 65 at the end of the mortgage term or, generally, to normal retirement age, if sooner, provided that Mortgage Loans may be extended beyond retirement age so long as the Borrower can demonstrate sufficient ability to repay the Mortgage Loan following retirement. This concession does not, however, allow the current maximum loan term of 40 years to be exceeded.

Each Originator reviews on an ongoing basis the interest rate on its Flexible Mortgage Loans which are Variable Rate Mortgage Loans and Standard Variable Rate Mortgage Loans. In addition, each Originator recalculates accrued interest on Flexible Mortgage Loans to take account of the exercise of any Overpayment, Cash Re-Draw or the making of any Flexible Loan Reserve Advance so that (a) interest on any Cash Re-Draw or Flexible Loan Reserve Advance is charged from the date of such Cash Re-Draw or Flexible Loan Reserve Advance, and (b) Borrowers are given the benefit of any Overpayment from the date on which the Seller credits such Overpayment to the Borrower's Mortgage Loan.

In addition to the conditions described above, the Cash Re-Draw or Flexible Loan Reserve Advance options for Borrowers with Flexible Mortgage Loans may cease to be available, at the Seller's sole discretion, if an event of default (as set out in the applicable Mortgage Conditions) occurs.

**Further Advances**

An existing Borrower may apply to the relevant Originator for a further amount to be lent to him or her under his or her Mortgage Loan, which amount will be secured by the same Mortgaged Property as the Mortgage Loan. Any such application may result from a solicitation made by such Originator, as each Originator may periodically contact Borrowers in respect of its total portfolio of mortgage loans in order to offer to a Borrower the opportunity to apply for a Further Advance. Any Further Advance approved by the relevant Originator and made to an existing Borrower will be added to the Current Principal Balance
of that Borrower's Mortgage Loan at the time of the Further Advance under the same terms and conditions as the existing Mortgage Loan or under different terms and conditions set up under a new Mortgage Loan but using the same Related Security. The aggregate of the outstanding amount of the Mortgage Loan and the Further Advance may be greater than the original amount of the Mortgage Loan.

In determining whether to make a Further Advance, the relevant Originator will use its then current Lending Criteria applicable to Further Advances at that time in determining, in its sole discretion, whether to approve the application. The Originator will calculate a new loan to value ratio by dividing the aggregate of the outstanding amount of the Mortgage Loan and the Further Advance by a revised valuation of the mortgaged property. The Originator will in all cases reassess the value of the mortgaged property that is the subject of the Further Advance, either by instructing a valuer, who may physically inspect the property, or by using a valuation carried out using an automated valuation model. The Seller will not sell to the LLP any Mortgage Loan where the loan to value ratio at the time of origination or Further Advance is in excess of 95% (excluding capitalised fees and/or charges).

None of the Mortgage Loans to be sold to the LLP will oblige either of the Originators to make Further Advances (other than Cash and Non-Cash Re-Draws and Flexible Loan Reserve Advances (if the Seller decides, at a later date, to sell Mortgage Loans with Flexible Loan Reserves to the LLP) under a Flexible Mortgage Loan). However, an Originator may choose to make Further Advances on any such Mortgage Loan prior to its sale to the LLP. Under the Servicing Agreement, the Servicer will currently be permitted, on behalf of an Originator, to accept an application from or issue an offer for a Further Advance to any Borrower in respect of a Mortgage Loan which has been sold to the LLP where the Seller has confirmed that it would elect to purchase that Mortgage Loan in accordance with the terms of the Mortgage Sale Agreement. If the Seller decides at a later date to retain those Mortgage Loans within the Mortgage Loan Portfolio and to sell such Further Advances to the LLP, then this may have an effect on whether a Further Advance may be offered or made on such Mortgage Loans.

**Product Switches**

From time to time a Borrower may request, or the relevant Originator may offer, in limited circumstances, a variation in the Mortgage Conditions applicable to the Borrower's Mortgage Loan. In addition, in order to promote the retention of Borrowers, the Originator may periodically contact certain Borrowers in respect of its total portfolio of outstanding Mortgage Loans in order to encourage a Borrower to review the Originators' other mortgage products and to discuss moving that Borrower to an alternative mortgage product. Any such variation, including a change in product type, is called a "Product Switch". The Servicer is currently required, pursuant to the terms of the Servicing Agreement, not to accept an application from, or issue an offer for a product switch to, any Borrower in respect of a Mortgage Loan in the Mortgage Loan Portfolio unless the Seller has elected to purchase that Mortgage Loan in accordance with the terms of the Mortgage Sale Agreement.

**Arrears capitalisation**

In extremely limited circumstances, where a Borrower has demonstrated a regular payment history following previous arrears, an Originator may agree to capitalise any outstanding amounts in arrears. In those circumstances, the amount of arrears will be added to the Current Principal Balance of the related Mortgage Loan, the arrears tracking balance will be reset to zero and the Mortgage Loan will no longer be considered to be in arrears. The Current Principal Balance will be required to be repaid over the remaining term of such Mortgage Loan.

**Origination of the Mortgage Loans**

The Originators currently derive their mortgage lending business from the following sources:

In respect of Clydesdale Bank:

- financial intermediaries;
- its branch network throughout the United Kingdom; and
- its integrated financial solution centres and telephone centres.
In respect of YBHL:

• its branch network throughout the United Kingdom; and

• its integrated financial solution centres and telephone centres.

In each case, the Seller performs all the evaluations of the Borrower and determines whether a Mortgage Loan will be offered. In the case of mortgage loans originated by Clydesdale through the intermediary/broker network some of those administration and arrangement functions are carried out by Genpact International INC ("Genpact") on behalf of Clydesdale. Each Originator is authorised to conduct mortgage lending business under the FSMA and is subject to the requirements of MCOB. HML is, amongst other things, authorised under the FSMA to arrange and administer regulated mortgage contracts. MCOB sets out, amongst other things, what information loan applicants should be provided with before committing to a mortgage loan, including the repayment method and repayment period, the financial consequences of early repayment, the type of interest rate, insurance requirements, costs and fees associated with the mortgage loan and when an applicant's account details can be given to credit reference agencies. MCOB also requires that the lender, amongst other things, acts fairly and reasonably with its Borrowers and assists Borrowers in choosing a mortgage that fits the needs of the relevant Borrower.

**Underwriting**

The decision by an Originator to offer a Mortgage Loan to a potential Borrower is made by the Originator's credit decision tool system "Autoscore" or in specific circumstances either by the Originator's underwriters and/or mandate holders located in its branch offices or integrated financial solutions centres or in its credit offices in Leeds and Glasgow, who may liaise with the intermediaries. Each underwriter must pass a formal training program to gain the authority to approve Mortgage Loans. Each Originator has established various levels of authority for its underwriters who approve Mortgage Loan applications. The levels are differentiated by, amongst other things, the amount of the Mortgage Loan and loan to value ratio in the relevant application. Each Originator also monitors the quality of underwriting decisions on a regular basis.

The decision by an Originator to offer a Mortgage Loan to a potential Borrower also may be made by one of the Originator's mandate holders located in a branch office or a financial solutions centre. "Mandate Holders" are employees of National Australia Group Europe Limited or the Issuer who are not underwriters but who have participated in a formal training program, the Mortgage Loans agreed by the mandate holders will have achieved the minimum credit score.

In the case of Mortgage Loans originated by Clydesdale Bank through its intermediary/broker network, following input to Autoscore (Clydesdale's credit scoring system) by Genpact, all applications, whether pass, refer or decline are passed to Clydesdale's underwriting team for overview and approval prior to the issue of any offer of the Mortgage Loan.

Each Originator continually reviews the way in which it conducts its mortgage origination business in order to ensure that it remains up-to-date and cost effective in a competitive market. Each Originator may therefore change its origination processes from time to time.

Each Originator will also retain exclusive control over its underwriting polices and lending criteria to be applied to the origination of each Mortgage Loan. Each Originator's underwriting and processing of Mortgage Loans are independent from the process by which such Originator's Mortgage Loans are originated.

**Lending criteria**

Mortgage Loans may only be sold by the Seller to the LLP if they have been originated in accordance with the relevant Originator's Lending Criteria applicable at the time the Mortgage Loan is offered and if the conditions contained in the Mortgage Sale Agreement have been satisfied. However, each Originator retains the right to revise its Lending Criteria from time to time, so the criteria applicable to new Mortgage Loans may not be the same as those currently used.

To obtain a Mortgage Loan, each prospective Borrower completes an application form which includes information about the applicant's income, current employment details, bank account information, if any,
current mortgage information, if any, and certain other personal information. The credit reference agency search is made in respect of each applicant at their current address and, if necessary, former addresses, and gives details of public information including any county court judgments and details of any bankruptcy. Some of the factors currently used in making a lending decision are as follows:

1. **Employment details**

   Each Originator operates the following policy in respect of the verification of a prospective Borrower's income details. Under this policy, the Originator categorises prospective Borrowers as either "employed" or "self-employed".

   Proof of income for employed prospective Borrowers who are applying for home owner Mortgage Loans may be established by the three most recent monthly payslips of the prospective Borrowers (or the average of the three most recent salary payments as set out in the Borrower's bank statements) prior to the date of the loan application. In addition, each prospective Borrower is required to provide his or her three most recent monthly bank statements if the borrower's main transactional account is not domiciled with the Originator.

   Proof of income for employed prospective Borrowers, (who have been existing customers for a minimum period of six months of the relevant Originator) who are applying for Home Owner Mortgage Loans may be established by bank statements, provided the customer's salary is mandated to an account with Clydesdale.

   Proof of income for self-employed prospective Borrowers who are applying for Home Owner Mortgage Loans is established by annual financial statements covering a three year period.

   Proof of income for prospective Borrowers who are applying for Buy-To-Let Mortgage Loans is established either by evidence of:

   • a current assured shorthold or, in Scotland, short assured tenancy agreement; or
   • a professional valuation where the valuer provides an opinion on the achievable market rental income for the mortgaged property.

2. **Valuation**

   In relation to any Mortgage Loan originated by either Originator prior to 10th April 2006 (other than Mortgage Loans that were originated through the intermediary/broker network and Buy-To-Let Mortgage Loans), a self assessment of the property valuation from the potential Borrower may have been used if applying that self assessment to a loan-to-value calculation resulted in a loan-to-value ratio of less than 75%, primarily based on the branch relationship and frequently from an existing bank customer. For any Mortgage Loan where the loan-to-value ratio came to 75% or more, a valuation with full internal inspection was required. This policy was discontinued on 10 April, 2006 and in relation to each Mortgage Loan originated prior to 10 April, 2006 where the self assessment of the property valuation resulted in a loan-to-value ratio of less than 75%, a retrospective valuation of the relevant mortgaged property has been carried out using an automated valuation model.

   For Home Owner Mortgage Loans introduced through the intermediary/broker network (that were originated prior to 10 April, 2006) a valuation with full internal inspection was required.

   For all Home Owner Mortgage Loans originated since 10 April 2006, a valuation of the property from an independent firm of professional valuers selected from a panel of approved valuers is required. There are six different types of valuation report which are acceptable to the Originators (ranging from a valuation of the mortgaged property carried out using an automated valuation model to a valuation with full internal inspection) with the minimum type determined by the property value and loan-to-value ratio of the relevant Mortgage Loan. All Mortgage Loans originated with a loan-to-value ratio of greater than 70% or where the related mortgage property has a value of greater than £350,000 are subject to a minimum of a property risk assessment for first-time buyers and all other purchasers require a minimum of a full mortgage valuation (including a physical inspection of the mortgaged property). Each Originator retains details of professional indemnity insurance held by panel valuers. In certain circumstances, the person
underwriting the Mortgage Loan and/or the valuation team will review the valuation of the property securing the Mortgage Loan. For information on the valuation process and criteria used for a further advance, including the use of valuations using an automated valuation model refer to the Lending Criteria document.

For Buy-To-Let Mortgage Loans, a valuation with full internal inspection is required.

3. **Property types**

Each Originator applies the criteria set out below in determining the eligibility of properties to serve as security for Mortgage Loans. Under these criteria, eligible property types include freehold, heritable and leasehold houses, heritable and leasehold flats and mixed commercial and residential use properties where the residential part of the property comprises a substantial proportion (i.e., at least 66%) of the property in area and value. In the case of a Mortgage Loan secured by a leasehold property, the relevant Originator requires that the unexpired term of the lease be at least 50 years from the end of the agreed Mortgage Loan term.

4. **Loan amount**

The Seller will represent and warrant in the Mortgage Sale Agreement that, as of the date of assignment, no Mortgage Loan in the Mortgage Loan Portfolio has a Current Principal Balance greater than £1,500,000.

5. **Term**

Each Mortgage Loan may not exceed a maximum term of 40 years.

6. **Age of applicant**

All Borrowers in respect of all Mortgage Loans must be aged 18 or over. There are no maximum age limits, however, all applications from Borrowers aged over 65 are subject to further verification checks by the Mandate holders since 24th November 2011. At the final maturity date of a mortgage loan, the borrower may not be aged over 75.

7. **Status of applicant(s)**

The maximum loan amount of a Mortgage Loan(s) determined by a number of factors, including the applicant's income. In determining income, each Originator includes basic salary along with performance or profit-related pay, allowances, mortgage subsidies, pensions, annuities, overtime and commission. Bonuses may be included in the determination of a Borrower's income. The relevant Originator will deduct the annual cost of existing financial commitments, core utilities and insurance from the applicant's gross income. Positive proof of the applicant's identity and address is obtained in all cases.

Prior to September, 2006, where there were two applicants for a Mortgage Loan, the relevant Originator added joint incomes together for the purposes of calculating the applicants' total income. In determining the loan amount available to the applicants the relevant Originator used the higher of the joint income multiplied by the appropriate income multiple or the highest of the two incomes multiplied by the appropriate income multiple plus the lower income.

For Mortgage Loans originated since September 2006, the maximum loan amount is determined by an affordability measure, which is based on a consideration of gross household income, age, a risk score and a customer indebtedness index. Based on these factors, a calculation is made which provides an estimate on an affordable monthly payment amount. This payment amount is then compared against the payment amount calculated in respect of the requested Mortgage Loan. The use of income multiples is retained but only by way of assistance to the affordability measure described above.

Each Originator may exercise discretion within its Lending Criteria in applying those factors that are used to determine the maximum amount an applicant can borrow. Accordingly, these parameters may vary for some Mortgage Loans. Each Originator may take the following into
account when applying discretion: credit score result, existing customer relationship, loan-to-value ratio and total income needed to support the Mortgage Loan.

8. **Credit history**

(a) **Credit search**

A credit search is carried out in respect of all applicants. Applications may be declined where an adverse credit history (for example, county court judgment (or Scottish court decree), default or bankruptcy notice) is revealed.

(b) **Existing lender’s reference**

In some cases the relevant Originator may seek a reference from any existing and/or previous lender. Any reference must satisfy the relevant Originator that the account has been properly conducted and that no history of material arrears exists. The relevant Originator may substitute the reference with the bureau record obtained as a result of the credit search.

9. **Scorecard**

Each Originator uses some of the criteria described here and various other criteria to produce an overall score for the application that reflects the statistical analysis of the risk of advancing the Mortgage Loan. The scorecard has been developed using the data of the Originator and experience of their Mortgage Loans. The lending policies and processes are determined centrally to ensure consistency in the management and monitoring of credit risk exposure. Full use is made of software technology in credit scoring new applications. Credit scoring applies statistical analysis to publicly available data and customer-provided data to assess the likelihood of a Mortgage Loan going into arrears.

Each Originator reserves the right to decline an application that has achieved a passing score. Each Originator does have an appeals process if an applicant believes that his/her application has been unfairly declined. It is each Originator's policy to allow only authorised individuals to exercise discretion in granting variances from the scorecard.

**Originator's discretion to lend outside of its Lending Criteria**

On a case-by-case basis, and within approved limits as detailed in each Originator's Lending Criteria, the relevant Originator may have determined that, based upon compensating factors, a prospective Borrower that did not strictly qualify under its Lending Criteria at that time warranted an underwriting exception. The relevant Originator may take into account compensating factors including, but not limited to, a low loan-to-value ratio, stable employment and time in residence at the applicant's current residence. Mortgage Loans and Further Advances (made prior to their sale to the LLP or if the relevant Originator decides at a later date to retain such Mortgage Loans subject to Further Advances within the Mortgage Loan Portfolio, after their sale to the LLP) that the relevant Originator has originated under Lending Criteria that are different from the Lending Criteria set out here may be sold to the LLP.

**Maximum loan-to-value ratio**

The maximum loan-to-value ratio permitted for prospective Borrowers applying for Home Owner Mortgage Loans is 90% (except for a first time buyer, where it is 95%) of the valuation of the mortgaged property determined by the relevant valuation. The maximum loan-to-value ratio permitted for prospective Borrowers applying for Buy-To-Let Mortgage Loans is 80% of the valuation of the mortgaged property determined by the relevant valuation (however, on a case-by-case basis, an Originator may originate a Buy-To-Let Mortgage Loan with a loan-to-value ratio of more than 80%).

If the mortgage property is defined as “new build” (having been built or converted in the last three years), for flats/maisonettes the maximum loan-to-value ratio is 70%.

In the case of a purchase of a mortgaged property, the relevant Originator will determine the current market value of that mortgaged property (which will be used to determine the maximum amount of the Mortgage Loan permitted to be made by the relevant Originator) to be the lower of:
• the valuation made in accordance with the process described in "Lending criteria – (2) Valuation"; or
• the purchase price for the mortgaged property paid by the prospective Borrower.

If a Borrower or a prospective Borrower has applied to remortgage its current mortgaged property, the relevant Originator will determine the current market value of the mortgaged property (for the purpose of determining the maximum amount of the loan available) by using the then current valuation of the mortgaged property as determined using the process described under "Lending criteria – (2) Valuation".

If the Borrower has applied for a Further Advance, the relevant Originator will determine the current market value of the mortgaged property by using a valuer, who may physically inspect the property, or by using a valuation using an automated valuation model or the then current valuation of the mortgaged property as determined using the process described under "Flexible Mortgage Loans – Further Advances" above.

**Buildings insurance policies**

**Insurance on the property**

A Borrower is required to arrange for insurance on the mortgaged property for an amount equal to the full rebuilding cost of the property. The Borrower may either purchase the insurance through an insurer arranged or introduced by Clydesdale (an "Originator Arranged Insurer"), or the Borrower or landlord (for a leasehold property) may arrange for the insurance independently.

**Originator arranged buildings insurance policies**

If a Borrower asks Clydesdale to take steps for the arrangement of insurance on its behalf, subject to the Borrower meeting the required application criteria, a policy will be issued by one of the Originator arranged insurers, which are currently Royal & Sun Alliance Insurance plc (for insurance up to €600,000) and Hiscox Insurance Company Ltd. (for insurance up to €1,000,000). For insurance in excess of €1,000,000, Hiscox Insurance Company Ltd. is able to offer Borrowers alternative insurance arrangements to customers through certain brokers.

Royal & Sun Alliance Insurance plc's registered number is 93792 and its address is St Mark's Court, Chart Way, Horsham, West Sussex RH12 1XL. Hiscox Insurance Company Ltd.'s registered number is 00070234 and its address is 1 Great St Helen's, London EC3A 6HX.

Each Originator arranged insurance policy will provide the Borrower with rebuilding insurance up to an amount equal to the full reinstatement value of the property, architects fees and removal of debris from site. Standard policy conditions apply, which are renegotiated periodically with each Originator Arranged Insurer.

**Borrower arranged buildings insurance policies**

A Borrower may elect not to take up an Originator arranged insurance policy, or if a Borrower originally had an Originator arranged insurance policy may terminate such insurance. In such circumstances, the Borrower is required to arrange an alternative insurance policy which covers the rebuilding cost of the property.

It is possible that an Originator may be insured under any insurance policy which is not arranged by that Originator and, therefore, it may not have the benefit of any security over such policies. The LLP, therefore, may not have an interest in policies that were not arranged through the Originators. See "Risk factors – Seller will initially retain legal title to the Mortgage Loans".

**Properties in possession policy**

If the relevant Originator takes possession of a property from a Borrower in default, the relevant Originator has coverage through a "properties in possession policy" from Giles Insurance Limited, which is a broker service with the insurance underwritten by Brit Insurance. The policy covers any property based on its reinstatement value with a requirement to undertake a physical inspection on higher value properties. There is no limit on the rebuilding insurance. The Seller will assign its rights under this policy.
to the LLP for any Mortgage Loan in the Mortgage Loan Portfolio and is a property in possession. Amounts paid under the properties in possession policy are generally utilised to fund the reinstatement of the property or are otherwise paid to the relevant Originator to reduce the amount of the Mortgage Loan.

**Title insurance**

Between April 2004 and January 2009 in the case of Mortgage Loans that are refinancings (of loans originated by third parties) and that are originated through the intermediary/broker network and between October 2006 and January 2009 in relation to all such refinancings originated using panel solicitors, a search and title insurance policy (the "title insurance") has been relied upon as a part of the diligence process. In such cases, rather than the usual full certificate of title, panel solicitors produce a certificate that is slightly reduced in scope (as described below) confirming that the insurer's underwriting criteria have been complied with, and this certificate is supported by the title insurance. Since February 2009, in relation to the types of refinancing described above, title insurance has not been obtained. Where the Borrower uses their own solicitor who is not a panel firm or where the origination is not in respect of a refinancing (as referred to above), a full certificate of title is required.

The title insurance in relation to Mortgage Loans and the related mortgaged property is currently provided to the Originators by AXA Insurance UK plc, 107 Cheapside, London EC2V 6DU, acting by its agent London & European Title Insurance Services Limited, 5-10 Bury Street, London EC3A 5AT. Amongst other things, the title insurance purports to cover, up to a specified indemnity limit (expressed in the relevant policy document), losses arising in respect of: (i) the title to the mortgaged property belonging to someone other than the Borrower, (ii) any defect or invalidity in or loss of documents necessary for proving the Borrower's title to the property, and (iii) any adverse entries that would have been identified in replies to searches if searches had been carried out. The policy is subject to specified exclusions and the terms and conditions of the policy itself which include, in particular, a requirement that the solicitors, licensed conveyancers or (in Scotland) qualified conveyancers acting for the Originator in relation to the relevant Mortgage Loan comply with the criteria required of them, including, the issue of a reduced certificate as referenced to above.

An Originator would normally require solicitors to follow the standard procedures for providing a certificate of title, in compliance with The Law Society rules (if applicable) and to provide a full certificate of title confirming that all such procedures had been undertaken. However, as referred to above, where the Mortgage Loan constitutes a refinancing in the circumstances described above, then the certificate or confirmation is more limited in nature. Whilst the limited certificate or confirmation still requires the solicitor or licensed conveyancer or (in Scotland) qualified conveyancer to confirm (amongst other things) that the name of the Borrower/vendor is that shown on the relevant title/title deeds, and that the only charges registered against the property are those which have been disclosed to the relevant Originator and sufficient funds are available to redeem any such charges (save where they are to be postponed), the scope of the solicitor's due diligence is reduced to the extent, amongst other things, that the full set of searches and enquiries are not undertaken. A property which has undergone such a limited investigation may be subject to matters which would have been revealed by a full investigation and which could have been remedied or, if incapable of remedy, may have resulted in the property not being accepted as security for the mortgage loan.

Where title insurance is in place in relation to the origination of any such Mortgage Loans, the purpose of such insurance is to cover those matters that have not been undertaken and which would otherwise in a full exercise have been addressed and checked.

Although such insured risks are similar in nature to the matters that would otherwise be addressed by a certificate of title given by a solicitor, licensed conveyancer or (in Scotland) a qualified conveyancer who carried out the standard conveyancing procedures (see below), there is no assurance that they are the same. There is also no assurance as to whether losses suffered in respect of a Mortgage Loan that proves to be deficient in some respect would be less, the same or more in the situation where title insurance has been entered into in respect of a Mortgage Loan or where the standard conveyancing procedures have been followed (or vice versa).

Until October 2006, the Originators used one panel firm of solicitors (Walker Morris) to act on their behalf in the case of certain remortgages relating to mortgaged properties in England and Wales. Pursuant to the terms of the service agreement between Walker Morris and the Originators, a similar approach to that described above was used. Walker Morris carried out a limited title investigation in relation to the
relevant property, and then produced a request for funds, confirming that the relevant ownership checks on the property had been carried out in accordance with the service agreement. This limited title investigation was then supported by defective title and local search indemnity insurance provided by Norwich Union.

**MIG Policies**

A mortgage indemnity guarantee policy ("MIG Policy") is an agreement between a lender and an insurance company to underwrite the amount of each relevant Mortgage Loan which exceeds a specified loan-to-value ratio. The decision was made to no longer offer MIG Policies from March 2010 due to the limited exposure of higher loan-to-value business. The Originators maintain MIG Policies on homeowner Mortgage Loans where the loan-to-value ratio is between 90.01% and 95% for Mortgage Loans originated before March 2010.

The MIG Policy is intended to provide only limited cover in the event of losses being incurred in excess of the relevant loan-to-value ratio following repossession and sale of a mortgaged property from a Borrower, and is further limited in that such insurance is subject to certain caps on claims that may be made under the MIG Policy by the relevant Originator. Firstly, each Mortgage Loan that is subject to a MIG Policy is subject to a cap on the amount of the claim that may be made in respect of that Mortgage Loan, regardless of whether or not that Mortgage Loan is in the Mortgage Loan Portfolio. In addition, all Mortgage Loans that were originated in any one year and that are subject to a MIG Policy are also subject to an aggregate cap on claims that can be made in respect of that group of Mortgage Loans (whether or not such Mortgage Loans are included in the Mortgage Loan Portfolio). The MIG Policy will not cover all losses suffered in relation to the Mortgage Loans which continue to have MIG coverage and each such Mortgage Loan is only covered for a ten year period following completion of the Mortgage Loan or Further Advance. In addition, the LLP is not required to maintain a mortgage indemnity policy with the current insurer, and neither Originator is required to maintain the same or any level of coverage under the mortgage indemnity insurance policies for Mortgage Loans that it may originate in the future and sell to the LLP.

The insured under each MIG Policy is the relevant Originator. The related Borrower has no interest in this policy. The relevant Originator will formally assign its interest in each MIG Policy to the LLP to the extent that it relates to the Mortgage Loans from time to time comprised in the Mortgage Loan Portfolio. Practically speaking, this will have little effect on the way in which claims are made and paid under the policies as they will continue to be administered by the Seller acting in its capacity as Servicer. To the extent that claims relate to a Mortgage Loan in the Mortgage Loan Portfolio, their proceeds will be paid by the Seller into the relevant Collection Account and the proceeds of all other claims will be paid into the Seller's account.

The existing underwriter in respect of the MIG policies maintained on Mortgage Loans originated by the Originators is Genworth Financial Mortgage Insurance Limited ("GFMIL"). GFMIL is a limited liability company incorporated under the laws of England and Wales (registered number 2624121) and its address is 80 Strand, London WC2R 0GR. The Seller does not guarantee the liabilities of GFMIL and is under no legal obligation to support GFMIL in the discharge of those liabilities.

Pursuant to the terms of the Mortgage Sale Agreement, the Seller will represent and warrant that each of the mortgage indemnity policies relating to a mortgaged property is in force and all premiums thereon have been paid. The Seller will also represent and warrant that, so far as the Seller is aware, there has been no breach of any term of the mortgage indemnity policies which would entitle the relevant insurer to avoid the same. Management of the Seller believes that financial information relating to GFMIL is not material to an investor's decision to purchase the Covered Bonds.

**Security in respect of the Mortgage Accounts**

Each Mortgage Loan is secured by a charge by way of a first ranking legal mortgage over a residential property in England or Wales or a first ranking standard security over a residential property in Scotland. Each Mortgage Loan secured over a property located in England or Wales is subject to English law and each Mortgage Loan secured over a property located in Scotland is subject to Scots law.

A proportion of the Mortgage Loans in the Mortgage Loan Portfolio are or will be secured over properties in Scotland. Under Scots law, the only means of creating a fixed charge or a fixed security interest over
heritable property is the statutorily prescribed standard security. In relation to the Scottish Mortgage Loans, references in this base prospectus to a "mortgage" are to be read as references to such standard security and references to a "mortgagee" are to be read as references to the security holder (under Scots law, termed the "heritable creditor").

In practice, the Seller has advanced and intends to advance Mortgage Loans on a similar basis in England and Wales and Scotland. While there are certain differences in law and procedure in connection with the enforcement and realisation of Scottish Mortgages, the Seller does not consider that these differences make Scottish Mortgages significantly different or less effective than the English Mortgages.

The Final Terms will set out the geographical concentration of the Mortgage Loans in the Mortgage Loan Portfolio as at the relevant Cut Off Date (as defined in the relevant Final Terms).

Selected statistical information on the Mortgage Loan Portfolio for each Series

In respect of each Series of Covered Bonds, statistical information regarding the Mortgage Loans as of the relevant Cut Off Date in the Mortgage Loan Portfolio will be set out in the applicable Final Terms. Please note, however, that the information provided is historical and will not be updated and given that New Mortgage Loans may be added to the Mortgage Loan Portfolio at any time and accordingly, the statistical information provided at the time of issue may be different to the actual composition of the Mortgage Loan Portfolio at any given time.

Regulation of the UK Residential Mortgage Market

Introduction

The Consumer Credit Act 1974 (the "CCA 1974"), as amended by, inter alia, the Consumer Credit Act 2006 (the "CCA 2006" and together, the "CCA") imposes requirements on Mortgage Loans and Further Advances which are regulated consumer credit agreements. Mortgage loans and further advances entered into prior to 6 April 2008 will be subject to the CCA if the amount of "credit" (as defined in the CCA) does not exceed the financial limit (£25,000 for credit agreements made on or after 1 May 1998 or lower limits before that date) and if the loan is not exempt. On 6 April 2008, the £25,000 threshold was removed with the effect that unless an exemption applies, a loan of any amount entered into on or after that date could be subject to the CCA. The CCA is enforced by the Office of Fair Trading (the "OFT").

Mortgage Loans and Further Advances provided by a deposit taker (such as the Seller) (or a wholly-owned subsidiary of such an institution) (as defined under Section 16(10) of the CCA) are exempt agreements to the extent that they are to finance the purchase of land or the provision of dwellings on any land and which are secured by a land mortgage (or, in Scotland, a standard security) on that land. Such mortgage loans and further advances are not subject to the origination, documentation or ongoing compliance requirements of the CCA. However, they are subject to the CCA licensing requirements with respect to ancillary credit activities and the unfair relationship provisions under sections 140A to 140D of the CCA.

Most mortgage loans and further advances entered into on or after 31 October 2004 are regulated under the Financial Services and Markets Act 2000 (the "FSMA") and not the CCA. Prior to 31 October 2004, the Seller had subscribed to the mortgage code which was a voluntary code of conduct in relation to residential mortgages but which was superseded on 31 October 2004 when residential mortgages became regulated under FSMA. See further "Mortgage Loans regulated by the FSA under the FSMA" below.

The Financial Services and Markets Act 2000 (Consequential Amendments) Orders 2005 and 2008 amended sections 82 and 146 of the CCA and removed the possibility that a mortgage agreement could fall to be regulated under both the FSMA and the CCA.

Mortgage Loans regulated under the FSMA are thus subject to the MCOB and other rules set out in the FSA Handbook, which are enforced by the FSA.

Mortgage Loans and Further Advances which are regulated under the Financial Services and Markets Act 2000 ("Regulated Mortgage Contracts") are, by reason of section 16(6C) of the CCA exempt from the licensing, origination, documentation and ongoing compliance requirements of the CCA as well as from the unfair relationship provisions of the CCA.
There is a possibility that any Mortgage Loan intended to be a Regulated Mortgage Contract under the FSMA, or unregulated, might instead be wholly or partly regulated by the CCA or treated as such because of technical rules on: (a) determining whether any credit under the CCA arises or whether any applicable financial limit of the CCA is exceeded; (b) determining whether the credit agreement is an exempt agreement under the CCA; and (c) changes to the credit agreement.

**Reforms to the Consumer Credit Act 1974 and subordinate legislation**

The CCA 2006 amended the CCA 1974 in a number of respects, including but not limited to:

(a) the removal of the £25,000 financial limit from the CCA in respect of credit for non-business lending (with the exception of buy-to-let lending entered into before 31 October 2008);

(b) the exemption from the CCA regime of high net worth debtors, credit above the value of £25,000 where such credit agreement is entered into by the debtor predominantly for the purposes of a business carried on, or intended to be carried on, by him, and most buy-to-let lending entered into on or after 31 October 2008;

(c) the extension of the Financial Ombudsmen Service, allowing consumers to challenge agreements without court proceedings and the creation of a Consumer Credit Appeals Tribunal for licensing matters, whose functions were transferred to the General Regulatory Chamber in the First-tier Tribunal on 1 September 2009;

(d) the introduction of the unfair relationship test to all new and existing credit agreements (except for those regulated by the FSA);

(e) the strengthening of the powers of the OFT in relation to CCA licence holders;

(f) new provisions relating to the licensing of consumer credit businesses; and

(g) the introduction of further requirements on post-contract disclosure, and further restrictions on default fees and default interest.

**The Consumer Credit Directive**

The Consumer Credit Directive (2008/48/EC) (the "Consumer Credit Directive") was adopted in April 2008 and took effect in the UK on 1 February 2011. It will regulate consumer credit agreements between EUR 200 and EUR 75,000 between credit providers and consumers entered into on or after 1 February 2011. Notably, however, the Consumer Credit Directive excludes a number of credit agreements from regulation including credit agreements secured by a mortgage (whether first or second mortgage) and credit agreements the purpose of which is to acquire or retain property rights in land. Until the end of the transitional period, it is not certain what effect the UK implementation of the Directive would have on the Seller, the Issuer and/or the Servicer and their respective businesses and operations.

**Proposed changes to the licensing of credit providers and related companies**

The way in which providers of credit and related companies are licensed is expected to change in the United Kingdom, as demonstrated by a policy paper published by the government on 27 January 2012 announcing its decision to include provisions in the Financial Services Bill 2010-12 enabling it to transfer responsibility for the regulation of consumer credit from the OFT to a new regulatory body, the Financial Conduct Authority (the "FCA"). The FCA will be responsible for the conduct of business and ensuring that business across financial services markets is conducted in a way which advances the interests of all users and participants. HM Treasury proposes, inter alia, that the FCA will have power to render unenforceable contracts made in contravention of its product intervention rules, and that formalised cooperation will exist between the FCA and the Financial Ombudsman Service, particularly where issues identified potentially have wider implications. Until such changes take effect it is not certain what effect such proposals would have on the Mortgage Loans, the Seller, the LLP and/or the Servicer and their respective businesses and operations, which may affect the Issuer's ability to make payments in full on the Covered Bonds when due.
Mortgage Loans regulated by the CCA

Any agreement that is wholly or partly regulated by the CCA or treated as such has to comply with specific documentation, procedures and (in so far as applicable) pre-contract disclosure requirements. Further, the CCA also imposes licensing obligations on lenders and brokers. A consumer credit agreement that is regulated by the CCA or treated as such, which does not comply with those requirements is unenforceable against the Borrower:

(a) without an order of the OFT, if the lender or any broker does not hold the required licence at the relevant time; or

(b) totally, if the credit agreement has been made before 6 April 2007 and if it is not properly signed by the Borrower or if it omits or mis-states a "prescribed term"; or

(c) without a court order in other cases.

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

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

In addition under section 126 of the CCA, a mortgage over land securing a regulated credit agreement is only enforceable by a court order.

Insofar as a Mortgage Loan finances the supply of insurance under arrangements between the Originator and the supplier of the insurance, that part of the Mortgage Loan may fall to be treated as a regulated agreement under the CCA and may give rise to liability under Section 56 and/or Section 75 of the CCA (liability of creditor for misrepresentations and breaches of contract by supplier). Such liability could therefore give rise to a claim by a Borrower to set off sums due under a regulated Mortgage Loan (or exercise analogous rights in Scotland). Part V of the CCA sets requirements for the format, content and execution of regulated agreements and for the procedures to be taken by the lender when originating a CCA regulated agreement.

Pursuant to the terms of the Mortgage Sale Agreement, the Seller will represent and warrant to, inter alios, the LLP that no agreement for any Mortgage Loan or variation of such agreement to be included in the Mortgage Loan Portfolio is or includes a regulated consumer credit agreement (as defined in Section 8 of the CCA), is or ever has constituted any other agreement regulated or partly regulated by the CCA (other than in relation to Sections 140A to 140D of the CCA) or, to the extent that it is so regulated or partly regulated, all the requirements of the CCA have been met in full (or to the extent of any non-compliance, such non-compliance would not be such as to prevent enforcement of the Mortgage Loan or any of its material terms by the Seller) and such Mortgage Loan is a valid and binding obligation on the Borrower and enforceable in accordance with their Mortgage Conditions.

Unfair relationships under the CCA

The CCA 2006 introduced an unfair relationship test to all new and existing credit agreements. The unfair relationship test under Sections 140A to 140D of the CCA applies to all regulated and unregulated consumer credit agreements with the exception of Regulated Mortgage Contracts (Section 140A(5)).

There is no statutory definition of what constitutes an unfair relationship. The test allows the courts to be able to consider a wide range of circumstances surrounding the transaction, including the creditor's conduct before and after making the agreement. If the Borrower alleges an unfair relationship, the creditor bears the burden of proving the contrary.

Variations to agreements regulated by the CCA and the abolition of the financial threshold

The variation of credit agreements is regulated by section 82(2) of the CCA. Section 82 states that where an agreement (a "modifying agreement") varies or supplements an earlier agreement, the modifying agreement shall for the purposes of the CCA be treated as (a) revoking the earlier agreement and (b)
creating a new combined agreement. Section 82 effectively operates to create a new CCA regulated agreement comprising the earlier agreement and the modifying agreement.

With the abolition of the £25,000 financial limit on 6 April 2008, previously unregulated agreements which are varied or supplemented after this date could potentially fall within the scope of the CCA.

The Consumer Credit Act 2006 (Commencement No.4 and Transitional Provisions) Order 2008 (the "Order") provides that unregulated loans entered into prior to 6 April 2008 for credit above £25,000 and subsequently varied, will not be subject to CCA regulation, if the variation (e.g. an interest rate switch) does not relate to the advance of further credit or an appropriate exemption applies. Notwithstanding the points above, many lenders do not treat further advances on unregulated loans as comprising a separate agreement but instead treat the principal loan and further advance as a unitary agreement which avoids CCA regulation and therefore obviates the need to rely on the Order, but it remains open to a court to find that a further advance or the total advances might be a regulated agreement under the CCA unless an appropriate exempt term applies.

Buy-to-lets

Buy-to-let loans made on or after 31 October 2008 are, regardless of value, exempt agreements under the CCA. The Legislative Reform (Consumer Credit) Order 2008 as amended defines buy-to-let loans as being agreements secured on land where the borrower or a connected person occupies or intends to occupy less than 40 per cent of the floor area of the secured property as a dwelling. In view of the disconnect between the removal of the financial limit in April 2008 and this order coming into force, transitional arrangements within the Consumer Credit Act 2006 (Commencement No.4 and Transitional Provisions) Order 2008 temporarily disapplies the abolition of the £25,000 limit for buy-to-let loans made before 31 October 2008. This was to ensure that the loans were not brought into CCA regulation during the intervening period.

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

Mortgage Loans regulated by the FSA under the FSMA

Prior to the introduction of FSA regulation as from 31 October 2004, the business relating to the provision of residential owner-occupied mortgages was subject to self-regulation by The Council of Mortgage Lenders' ("CML") Mortgage Code (the "Mortgage Code"). The Mortgage Code was introduced for lenders on 1 July 1997 and 30 April 1998 for mortgage intermediaries. When the Mortgage Code was extended to mortgage intermediaries, subscribing lenders undertook not to accept mortgage introductions from intermediaries who were not also registered as subscribers. The Mortgage Code remained in force until 31 October 2004, when it was superseded by MCOB. The Seller was a member of the CML and subscribed to the Mortgage Code during the relevant period.

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

Clydesdale is authorised by the FSA to carry out such regulated activities and is registered by the FSA with registration number 121873. YBHL is authorised by the FSA to enter into Regulated Mortgage Contracts as lender and is registered by the FSA with registration number 303825. The LLP is of the view that it does not require to be authorised since its activities are such that they either do not fall within the regulated activities as defined in the RAO or they benefit from a specific exclusion in respect of those activities.
In addition, no variation has been or will be made to the Mortgage Loans, and no Further Advance or Product Switch has been or will be made under the Mortgage Loans, where it would result in the LLP arranging or advising in respect of, or administering or entering into, a Regulated Mortgage Contract.

**Mortgage Market Review**

In June 2010, the FSA made changes to MCOB which effectively convert previous guidance on the policies and procedures to be applied by authorised firms (such as the Seller) with respect to forbearance in the context of Regulated Mortgage Contracts into formal mandatory rules. Under the new rules, a firm is restricted from repossessing a property unless all other reasonable attempts to resolve the position have failed and, in complying with such restriction, a firm is required to consider whether, given the borrower's circumstances, it is appropriate to take certain actions. Such actions refer to (amongst other things) the extension of the term of the mortgage, product type changes and deferral of interest payments. While the FSA has indicated that it does not expect each forbearance option referred to in the new rules to be explored at every stage of interaction with the borrower, it is clear that the new rules impose mandatory obligations on firms without regard to any relevant contractual obligations or restrictions.

**HM Treasury Consultation on mortgage regulation**

In November 2009, the UK Government launched a consultation on mortgage regulation, which set out proposals to extend the scope of FSA regulation to include buy-to-let mortgages and introduce a regulated activity of managing Regulated Mortgage Contracts which is intended to protect consumers when mortgage loans are sold. The consultation followed the announcements on mortgage regulation made in the July 2009 "Reforming financial markets" consultation, which set out the Government's proposals for reform of the financial system.

In its follow-up paper "Mortgage regulation: summary of responses", published in March 2010, the Treasury acknowledged an industry concern that the proposed regulated activity of managing Regulated Mortgage Contracts was drawn too widely and could potentially extend to include the activities of special purpose vehicles (such as the LLP) used in the wholesale mortgage markets. With regards to buy-to-let mortgages, the Treasury confirmed its intentions to introduce regulation of buy-to-let mortgages, but indicated that it was reconsidering the scope and form of the regulation to address the issues raised during the consultation process.

On 26 January 2011, the Treasury announced revised proposals on the sale of mortgage books which suggested that it had decided not to proceed with the regulation of buy-to-let mortgages, as originally outlined in the November 2009 consultation. In a related impact assessment, the Treasury indicated that rather than creating a new regulated activity of 'managing' a Regulated Mortgage Contract, the definition of the existing regulated activity of 'administering' Regulated Mortgage Contracts will be extended to cover unregulated mortgage holders who exercise specified rights (such as changing interest rates) under mortgage contracts. This is considered to be the most effective way to ensure consumer protection without affecting lenders' ability to securitise their mortgage loans. However, until the statutory instruments introducing the Treasury's proposals are published, it is not certain what effect the expansion of the regulated activity of administering Regulated Mortgage Contracts would have on the Seller, the LLP and/or the Servicer and their respective business and operations. The statutory instruments are expected to be published in 2012.

**EU initiative on Mortgage Credit**

The European Commission began a review of the EU residential mortgage markets in 2003. Following a number of public consultations, research studies and other initiatives, the European Commission published a legislative proposal for a directive on credit agreements relating to residential property on 31 March 2011 (the "Proposed Directive"). The Proposed Directive will introduce certain requirements for the advertising of mortgage credit, ensure that all institutions involved in the origination and distribution of mortgage credit are adequately regulated and supervised, establish principles for the authorisation, registration and passporting of credit intermediaries, ensure that lenders benefit from access to information in credit databases on a non-discriminatory basis increase information requirements of lenders and credit intermediaries, harmonise the calculation of annual percentage rate of charge in line with that set by the Consumer Credit Directive and introduce a European Standardised Information Sheet to provide information to consumers.
As at the date of this Base Prospectus, the Proposed Directive is yet to be adopted by the European Parliament and the Council and implemented at national level. Until the Directive is adopted at a European level and implemented at national level, it is not certain what effect such proposals would have on the Mortgage Loans, the Seller, the LLP and/or the Servicer and their respective businesses and operations, which may affect the Issuer's ability to make payments in full on the Covered Bonds when due.

Repossessions policy

For mortgage possession cases, a new protocol in England and Wales came into force on 19 November 2008 (the "Pre-Action Protocol"), setting out the steps that judges will expect any lender to take before starting a claim for possession. A number of mortgage lenders have confirmed that they will delay the initiation of repossession action for at least three months after arrears start to accrue and where the property is occupied by the borrower. The application of such a moratorium may be subject to the wishes of the relevant borrower, and may not apply in cases of fraud.

There can be no assurance that any delay in starting and/or completing repossession actions by the LLP would not result in the amounts recovered being less than if the LLP did not allow any such delays (which may ultimately affect the ability of the LLP to make payments of interest and principal on the Covered Bonds under the Covered Bond Guarantee).

Ministry of Justice Consultation on power of sale and residential property

In December 2009, the Ministry of Justice published a consultation paper, "Mortgages: power of sale and residential property", on a proposal to require mortgage lenders in the mortgage market in England and Wales to obtain a court order or the consent of the borrower before repossessing and selling residential owner-occupied homes. The proposed changes would put current lending practice into law, and ensure that borrowers can access the protections offered by the court. The proposals relate to residential owner-occupied properties and would not affect buy-to-let mortgages or other commercial loans, nor affect other remedies available to mortgage lenders where a borrower defaults on a mortgage.

Unfair Terms in Consumer Contracts Regulations 1999

In the United Kingdom, the Unfair Terms in Consumer Contracts Regulations 1999 (the "UTCCR") make non-negotiated terms in the consumer contracts that are unfair to consumers unenforceable. The effect of these regulations on the Mortgage Loans is that:

(a) a Borrower may challenge a non-negotiated term in an agreement on the basis that it is an "unfair" term within the meaning of the UTCCR. An unfair term will not be binding on the Borrower, although the contract itself will continue to bind the parties if it is capable of continuing in existence without the unfair term; and

(b) the OFT, the FSA and any "qualifying body" (as defined in the UTCCR) may take court proceedings to injunct (or in Scotland, interdict) the Seller from using and relying on unfair terms.

Under the UTCCR terms which relate to the main subject matter of the contract (such as the Borrower's obligation to repay principal) ("Main Terms") are not generally reviewable for fairness provided that they are written in "plain, intelligible language". It is ultimately for the Courts to decide which terms of the contract are the Main Terms, however the FSA's view is that interest rate variation terms, mortgage exit terms would not be considered to be Main Terms and could be reviewable for fairness. The FSA's view in this regard is that such charges relate to the variation of, rather than the setting of the initial price. For example, if a term permitting the Seller to vary the interest rate is found to be unfair, the Borrower will not be liable to pay the increased rate or, to the extent that she or he has paid it, will be able, as against the Seller or the LLP, to claim repayment of the extra interest amounts paid or to set off the amount of such claim (or exercise analogous rights in Scotland) against the amount owing by the Borrower under the Mortgage Loan.

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

On 1 November 2009 a Concordat between the OFT and FSA became effective. The purpose of the Concordat is to ensure co-ordination of enforcement action and co-operation in delivery of consumer protection in relation to the UTCCR and the Enterprise Act 2002. The FSA published the Unfair Contract Terms Regulatory Guide in August 2007, which explains how the FSA utilises its powers under the UTCCR. Both the FSA and the OFT have issued guidance and undertakings specific to or relevant to mortgage contracts. In January 2012, the FSA published further guidance on what it considers to be fair and unfair, called 'Unfair contract terms: improving standards in consumer contracts'.

### Ability to charge and recover fees on the Mortgage Loans

A formula for calculating the maximum amount payable on early settlement is prescribed by the CCA and applies to the extent that a credit agreement is regulated by the CCA or to be treated as such.

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

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

The Issuer’s policy is to charge a MEAF which will reflect the administrative costs of exiting the mortgage. The MEAF at the time a customer takes out a mortgage will be set out in the offer document but the Issuer may vary that amount from time to time for any of the following reasons:

(a) to reflect the increase in the Issuer’s costs for dealing with the discharge;

(b) to reflect the imposition or increase in any charge that we are required to pay to third parties such as the Government or the Land Registry or the Central Land Charges Registry; or

(c) to reflect the findings of any Court or any adjudication by the Financial Ombudsman Service.

### Financial Ombudsman Service

Under the FSMA, the Financial Ombudsman Service (the "Ombudsman") is required to make decisions on, inter alia, complaints relating to activities and transactions under its jurisdiction on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all circumstances of the case, taking into account, inter alia, law and guidance. Complaints brought before the Ombudsman for consideration must be decided on a case by case basis, with reference to the particular facts of any individual case. Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman.

### Consumer Protection from Unfair Trading Regulations 2008

Directive was implemented into United Kingdom law through the Consumer Protection from Unfair Trading Regulations 2008 ("CPRs") (SI 2008/1277). The CPRs commenced on 26 May 2008 and affect all contracts entered into with persons who are natural persons and acting for purposes outside their respective business. Although the CPRs are not concerned solely with financial services, they do apply to the residential mortgage market. The OFT and FSA agreed a concordat commencing on 1 November 2009 to co-ordinate enforcement action and co-operate regarding the delivery of consumer protection in relation to the CPRs.

Under the CPRs a commercial practice is to be regarded as unfair and prohibited if it is:

(a) contrary to the standard of special skill and care which a trader may reasonably be expected to exercise towards consumers, commensurate with honest market practice and/or general principles of good faith in the trader's field of activity; and

(b) materially distorts or is likely to materially distort the economic behaviour of the average consumer (who is reasonably well-informed and reasonably observant and circumspect, and taking into account social, cultural and linguistic factors) whom the practice reaches or to whom it is addressed (or where a practice is directed at or is of a type which may affect a particular group of consumers, the average consumer of that group).

In addition to the general prohibition on unfair commercial practices, the CPRs contain provisions aimed at aggressive and misleading practices (including, but not limited to: (i) pressure selling; (ii) misleading marketing (whether by action or omission); and (iii) falsely claiming to be a signatory to a code of conduct) and a list of practices which will in all cases be considered unfair.

The effect (if any) of the CPRs on the Mortgage Loans, the Seller or the LLP and their respective businesses and operations will depend on whether those entities engage in any of the practices described in the CPRs. Whilst engaging in an unfair commercial practice does not render a contract void or unenforceable, to do so is an offence punishable by a fine and/or imprisonment. In practical terms, the CPRs have not added much to the regulatory requirements already in place, such as treating customers fairly and conduct of business rules. Breach of the CPRs does not of itself, render an agreement void or unenforceable but the possible liabilities for misrepresentation or breach of contract in relation to the underlying agreement may result in unrecoverable losses on amounts to which such agreements apply.
DESCRIPTION OF THE RCB REGULATIONS

The RCB Regulations, as amended on 22 July 2008, came into force in the United Kingdom on 6 March 2008. The RCB Regulations together with the FSA's the corresponding implementation provisions, set out in the Regulated Covered Bonds Sourcebook Instrument 2008 (the "RCB Sourcebook") provide a detailed legislative framework for issuing regulated covered bonds, being a covered bond or programme for the issuance of covered bonds, which has been admitted to the register of regulated covered bonds maintained by the FSA under the RCB Regulations.

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

The RCB Regulations and the RCB Sourcebook include various requirements related to issuers, owners of the asset pool, eligible assets and the contractual arrangements made in respect of such assets. Only a person who is admitted to the register of issuers maintained under the RCB Regulations can issue a regulated covered bond. A person may only be accepted for admission to the register of issuers if, amongst other things it is a person which has its registered office in the UK and is authorised to accept deposits under part IV of the FSMA.

The RCB Regulations set out a list of the assets which may be comprised within an asset pool for the purposes of a regulated covered bond, which includes, amongst other things, loans secured by residential real estate and commercial real estate. However, the asset pool may only consist of such assets where a record of such assets is maintained in accordance with the other provisions of the RCB Regulations. All of the recorded assets will provide collateral for the guarantee granted by the owner of the asset pool in respect of the covered bonds (this covers both the eligible property providing the main collateral, but also a number of assets of the owner which are incidental to the ownership of the eligible property).

The RCB Regulations also list certain requirements on both the issuer and the owner in relation to the maintenance and administration of the asset pool. The issuer must make arrangements with the owner to provide that, prior to the insolvency of the issuer, (i) a record is kept of each asset in the pool, (ii) that the asset pool is capable of covering all amounts due on the bond and sums required for the maintenance, administration and winding up of the asset pool, (iii) that there is timely payment of amounts due to the bondholder and (iv) that the asset pool is of sufficient quality that, in the event of a failure of the issuer, there will be a low risk of default in the timely payment of amounts due to the bondholders.

There are numerous reporting requirements in the RCB Regulations and the RCB Sourcebook. Issuers are required to notify the FSA of various matters (including any regulated covered bonds it issues, the composition of the asset pool, matters related to its compliance with certain regulations and any proposed material changes). Owners are required to, amongst other things, notify the FSA of various matters (including any proposed transfer of ownership of the asset pool) and, on insolvency of the issuer, make arrangements for the maintenance and administration of the asset pool (similar to the issuer obligations described above).

The FSA will perform certain supervision and enforcement related tasks in respect of the regulated covered bonds regime, including admitting issuers and covered bonds to the relevant registers and monitoring compliance with ongoing requirements. To assist it with these tasks, the FSA has certain powers under the RCB Regulations. In particular, in certain circumstances the FSA may direct the winding-up of an owner of the asset pool, remove an issuer from the register of issuers and/or impose a financial penalty of such amount as it considers appropriate in respect of an issuer or owner. Furthermore, the FSA may take certain actions in respect of issuers using its general powers under the regulated covered bonds regime (including restricting an issuer's ability to transfer further assets to the asset pool).

The Issuer has applied to the Financial Services Authority (the "FSA") to be admitted to the register of issuers and for the Programme and for any Covered Bonds issued under the Programme prior to the date of admission to be admitted to the register of regulated covered bonds, under the Regulated Covered Bonds Regulations 2008 (Statutory Instrument 2008/346) as amended by the Regulated Covered Bonds (Amendment) Regulations 2008 (Statutory Instrument 2008/1714) (the "Regulated Covered Bond Regulations" or the "RCB Regulations"). The Issuer was admitted to the register of issuers on 1
December 2010 and the Programme and the Covered Bonds issued under the Programme will be admitted to the register of regulated covered bonds under the RCB Regulations.

On 30 November 2011, the UK Government published the Regulated Covered Bonds (Amendment) Regulations 2011 (SI 2011/No 2859) (the "Amendment Regulations"). The Amendment Regulations contain a number of changes to the regulations applicable to covered bond programmes falling under the RCB Regulations, including: (i) a fixed minimum over-collateralisation requirement for principal and fixed minimum coverage requirement for interest, whereby the total principal amounts outstanding on the mortgage assets constituting eligible property in the asset pool will be required to be more than the total principal amounts outstanding in relation to the regulated covered bonds by at least 8 per cent. and a minimum threshold will apply in respect of interest amounts such that 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 will be required to be not less than the interest which would be payable in relation to the regulated covered bonds in that period; (ii) increased investor reporting requirements in respect of regulated covered bonds, including the supply of loan-level information; and (iii) an enhanced asset pool monitor role, whereby the role of the asset monitor will be formalised within the RCB Regulations and will require the asset pool monitor, 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 FSA (with additional reporting requirements in the case of issuer non-compliance). The Amendment Regulations will come into force on 1 January 2013.

See also "Risk Factors – The RCB Regulations" and – "Risk Factors – Expenses of insolvency officeholders".
DESCRIPTION OF LIMITED LIABILITY PARTNERSHIPS

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

Corporate characteristics

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

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

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

Partnership characteristics

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

Taxation

A limited liability partnership which carries on a trade 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 corporation tax in relation to the business of the limited liability partnership in broadly the same way that the members of a partnership are subject to corporation tax in relation to the business of that partnership.
BOOK-ENTRY CLEARANCE SYSTEMS

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

N Covered Bonds will be issued in individual certificated registered form and will not be cleared through any Clearing Systems (including Euroclear, Clearstream, Luxembourg or DTC).

Book-entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds and provides asset servicing for securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement amongst Direct Participants of sales and other securities transactions in deposited securities through electronic computerised book-entry transfers and pledges between Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of DTC Covered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Covered Bonds on DTC's records. The ownership interest of each actual purchaser of each Covered Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Covered Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Covered Bonds, except in the event that use of the book-entry system for the DTC Covered Bonds is discontinued.

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

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

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

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

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

**Euroclear and Clearstream, Luxembourg**

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

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

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

The Issuer may apply to DTC in order to have any Tranche of Covered Bonds represented by a Regulation S Global Covered Bond accepted in its book-entry settlement system. Upon the issue of any such Regulation S Global Covered Bond, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Regulation S Global Covered Bond to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Regulation S Global Covered Bond will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Covered Bond, the respective depositaries
of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Regulation S Global Covered Bond accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Regulation S Global Covered Bond accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Covered Bond. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Regulation S Global Covered Bond in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Covered Bonds will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Bond Trustee, the Security Trustee, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Covered Bonds to DTC is the responsibility of the Issuer.

Transfers of Covered Bonds Represented by Regulation S Global Covered Bonds

Transfers of any interests in Covered Bonds represented by a Regulation S Global Covered Bond within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Covered Bonds represented by a Regulation S Global Covered Bond to such persons may depend upon the ability to exchange such Covered Bonds for Covered Bonds in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Covered Bonds represented by a Regulation S Global Covered Bond accepted by DTC to pledge such Covered Bonds to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Covered Bonds may depend upon the ability to exchange such Covered Bonds for Covered Bonds in definitive form. The ability of any holder of Covered Bonds represented by a Regulation S Global Covered Bond accepted by DTC to resell, pledge or otherwise transfer such Covered Bonds may be impaired if the proposed transferee of such Covered Bonds is not eligible to hold such Covered Bonds through a direct or indirect participant in the DTC system.

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

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

Cross-market transfers between account holders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Regulation S Global Covered Bonds will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferee and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg account holders and DTC participants cannot be made on
a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Regulation S Global Covered Bonds among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Bond Trustee, the Security Trustee, the Issuer, the LLP, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Covered Bonds represented by Regulation S Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial interests.
The Covered Bonds of each Series (other than the N Covered Bonds, which will only be issued in individual certificated registered form) will be in either bearer form, with or without receipts, interest coupons and/or talons attached, or registered form, without receipts, interest coupons and/or talons attached. Bearer Covered Bonds may be issued outside the United States in reliance on Regulation S under the Securities Act ("Regulation S") and Registered Covered Bonds may be issued outside the United States in reliance on the exemption from registration provided by Regulation S.

Bearer Covered Bonds

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

(i) if the Bearer Global Covered Bonds are intended to be issued in new global covered bond ("NGCB") form, as stated in the applicable Final Terms document (the "applicable Final Terms Document"), be delivered on or prior to the Issue Date of the relevant Tranche to a common safekeeper (the "Common Safekeeper") for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"); and

(ii) if the Bearer Global Covered Bonds are not intended to be issued in NGCB form, as stated in the applicable Final Terms Document, be delivered on or prior to the issue date of the relevant Tranche to a common depositary (the "Common Depositary") for Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system.

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

On and after the date (the "Exchange Date") which is 40 days after a Temporary Global Covered Bond is issued, interests in such Temporary Global Covered Bond will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a permanent global covered bond without receipts and interest coupons attached (a "Permanent Global Covered Bond" and, together with the Temporary Global Covered Bonds, the "Bearer Global Covered Bonds" and each a "Bearer Global Covered Bond") of the same Series or (ii) for Bearer Definitive Covered Bonds of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of Bearer Definitive Covered Bonds, to such notice period as is specified in the applicable Final Terms), in each case against certification of non-US beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Covered Bond will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Covered Bond for an interest in a Permanent Global Covered Bond or for Bearer Definitive Covered Bonds is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Covered Bond will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Global Covered Bond without any requirement for certification.

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

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

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

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

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

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

Registered Covered Bonds (other than N Covered Bonds)

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

Regulation S Global Covered Bonds will either (i) be deposited with a custodian for, and registered in the name of a nominee of, the Depositary Trust Company ("DTC") for the accounts of Euroclear and Clearstream, Luxembourg; (ii) be deposited with a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg; or (iii) registered in the name of a Common Safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and deposited with the Common Safekeeper for Euroclear and/or Clearstream, Luxembourg, as specified in the applicable Final Terms. Persons holding beneficial interests in Regulation S 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 Regulation S 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 Regulation S Global Covered Bonds. None of the Issuer, the LLP, the Bond Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Regulation S 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 Regulation S Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for Registered Definitive Covered Bonds without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "Exchange Event" means that (i) in the case of Covered Bonds registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Covered Bonds and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act, (ii) in the case of Covered Bonds registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Covered Bonds represented by the Regulation S Global Covered Bond in definitive form. The Issuer will promptly give notice to Covered Bondholders of each Series of Regulation S Global Covered Bonds in accordance with Condition 13 (Notices) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any registered holder of an interest in such Regulation S Global Covered Bond) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Regulation S Global Covered Bonds may be held under the new safekeeping structure ("New Safekeeping Structure" or "NSS"), pursuant to which such Regulation S Global Covered Bonds will be registered in the name of a common safekeeper (or its nominee) (the "Common Safekeeper") for Euroclear and/or Clearstream, Luxembourg and the relevant Global Certificate will be deposited on or about the issue date with the Common Safekeeper for Euroclear and/or Clearstream, Luxembourg.

In a press release dated 22 October 2008, "Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations", the ECB announced that it had assessed the new holding structure and custody arrangements for registered notes which the ICSDs had designed in cooperation with market participants and that notes to be held under the new structure (the "New Safekeeping Structure" or "NSS") would be in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "Eurosystem"), subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for notes to be held in NSS form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2010 and that registered debt securities in global registered form held through Euroclear and Clearstream, Luxembourg after 30 September 2010 will only be eligible as collateral in Eurosystem operations if the New Safekeeping Structure is used.

It may be intended that the Regulation S Global Covered Bonds be held in a manner which would allow Eurosystem eligibility, that is in a manner which would allow the Regulation S Global Covered Bonds to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.
N Covered Bonds

N Covered Bonds will be issued to each N Covered Bondholder in the form of a certificated Registered Definitive Covered Bond.

An N Covered Bond will not constitute a Covered Bond under the Programme (and will not receive the benefit of the Covered Bond Guarantee) until the Issuer has confirmed receipt of the relevant N Covered Bond Confirmation entered into in connection with the N Covered Bond.

A transfer of an N Covered Bond will not be effective until the transferee has delivered to the Registrar a duly executed N Covered Bond Assignment Agreement in which the transferee agrees to be bound by the terms of the relevant original N Covered Bond Confirmation entered into in connection with that N Covered Bond.

N Covered Bonds will not be cleared or transferred by any Clearing System.

N Covered Bonds will only be offered and sold in accordance with Regulation S to non U.S. persons in offshore transactions.

Transfer of Interests

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

General

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

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

No holder of the Covered Bonds, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer or the LLP unless the Bond Trustee or, as the case may be, the Security Trustee, having become so bound to proceed, fails to do so within a reasonable period and the failure shall be continuing.
TERMS AND CONDITIONS OF THE COVERED BONDS

With the exception of the N Covered Bonds, the following are the Terms and Conditions of the Covered Bonds which will be incorporated by reference into each Global Covered Bond and each Definitive Covered Bond (each as defined below), in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer(s) at the time of issue but, if not so permitted and agreed, such Definitive Covered Bond will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Covered Bonds may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Covered Bonds. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Covered Bond and Definitive Covered Bond.

In relation to a Series of N Covered Bonds, the terms and conditions of each such Series of N Covered Bonds will be as set out in the N Covered Bond (Namensschuldverschreibung) (and the N Covered Bond Conditions attached as Schedule 1 thereto) together with the N Covered Bond Confirmation and N Covered Bond Confirmation Terms relating to such N Covered Bond. Any reference to an "N Covered Bond Condition" shall be deemed to be, as applicable, a reference to the relevant provision of the N Covered Bond, the N Covered Bond Conditions as Schedule 1 attached thereto or the N Covered Bond Confirmation and N Covered Bond Confirmation Terms relating to such N Covered Bond.

This Covered Bond is one of a Series (as defined below) of Covered Bonds issued by Clydesdale Bank PLC (the "Issuer") constituted by a trust deed (such trust deed as modified and/or supplemented and/or restated from time to time, the "Trust Deed") dated on or about 1 December 2010 (the "Programme Date") made between the Issuer, Clydesdale Covered Bonds No. 2 LLP as guarantor (the "LLP") and Deutsche Trustee Company Limited as bond trustee (in such capacity, the "Bond Trustee", which expression shall include any successor as Bond Trustee) and as security trustee (in such capacity, the "Security Trustee", which expression shall include any successor as Security Trustee). Covered Bonds of such Series may be issued in bearer form ("Bearer Covered Bonds") or in registered form ("Registered Covered Bonds").

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

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

(ii) any Global Covered Bond;

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

(iv) any Definitive Covered Bonds in registered form ("Registered Definitive Covered Bonds") and, together with the Bearer Definitive Covered Bonds, the "Definitive Covered Bonds" issued in exchange (or part exchange) for a Global Covered Bond in registered form.

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

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

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

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

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

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

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

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

Copies of the Trust Deed, the Deed of Charge, the Master Definitions Schedule, the Agency Agreement and each of the other Programme Documents are available for inspection during normal business hours at the registered office for the time being of the Bond Trustee being, as at the Programme Date, at Winchester House, 1 Great Winchester Street, London, EC2N 2DB and at the specified office of each of the Paying Agents. Copies of the applicable Final Terms for all Covered Bonds of each Series (including in relation to unlisted Covered Bonds of any Series) are obtainable during normal business hours at the specified office of each of the Paying Agents and any holder of the Covered Bonds must produce evidence satisfactory to the Issuer and the Bond Trustee or, as the case may be, the relevant Paying Agent as to its holding of Covered Bonds and identity. The Covered Bondholders, the Receiptholders and the Couponholders are deemed to have notice of, are bound by, and are entitled to the benefit of, all the provisions of, and definitions contained in, the Trust Deed, the Deed of Charge, the Master Definitions Schedule, the Agency Agreement, each of the other Programme Documents and the applicable Final
Terms which are applicable to them and to have notice of each set of Final Terms relating to each other Series.

Except where the context otherwise requires, capitalised terms used and not otherwise defined in these Conditions shall bear the meanings given to them in the applicable Final Terms and/or the master definitions schedule made between the parties to the Programme Documents on the Programme Date (the "Master Definitions Schedule"), a copy of each of which may be obtained as described above.

1. **Form, Denomination and Title**

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

The Covered Bonds will be issued in a minimum Specified Denomination or an integral multiple in excess thereof (as specified in the applicable Final Terms) provided that in the case of any Covered Bonds which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum denomination shall be €100,000 (or its equivalent in alternate currencies).

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

This Covered Bond may be an Index Linked Redemption Covered Bond, an Instalment Covered Bond, a Dual Currency Redemption Covered Bond or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms and, where this Covered Bond is an Index Linked Redemption Covered Bond, an Instalment Covered Bond, a Dual Currency Redemption Covered Bond or any combination of the foregoing subject to, confirmation from each of the Rating Agencies that the then current rating of any outstanding Series of Covered Bonds will not be adversely affected by the issuance of this Covered Bond.

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

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

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

For so long as any of the Covered Bonds is represented by a Global Covered Bond held on behalf of Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and/or Clearstream Banking, société anonyme ("Clearstream, Luxembourg") and/or The Depository Trust Company ("DTC") or its nominee, each person (other than Euroclear or Clearstream, Luxembourg or DTC) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg or DTC as the holder
of a particular nominal amount of such Covered Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg or DTC as to the nominal amount of such Covered Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error and any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream's Cedcom system) in accordance with its usual procedures and in which the holder of a particular nominal amount of the Covered Bonds is clearly identified with the amount of such holding) shall be treated by the Issuer, the LLP, the Paying Agents, the Security Trustee and the Bond Trustee as the holder of such nominal amount of such Covered Bonds for all purposes other than with respect to the payment of principal or interest or other amounts on such nominal amount of such Covered Bonds, and, in the case of DTC or its nominee, voting, giving consents and making requests, for which purpose the bearer of the relevant Global Covered Bond or the registered holder of the relevant Regulation S Global Covered Bond shall be treated by the Issuer, the LLP, any Paying Agent, the Security Trustee and the Bond Trustee as the holder of such nominal amount of such Covered Bonds in accordance with and subject to the terms of the relevant Global Covered Bond and the expressions "Bondholder", "Covered Bondholder" and "holder of Covered Bonds" and related expressions shall be construed accordingly.

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

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

So long as the Notes are represented by a Global Covered Bond and the relevant clearing system(s) so permit, the Covered Bonds shall be tradeable only in principal amounts of at least €100,000 (or, where the Specified Currency is not Euro, its equivalent in the Specified Currency) and integral multiples of the tradeable amount as specified in the applicable Final Terms.

2. Transfers of Registered Covered Bonds

(a) Transfers of interests in Regulation S Global Covered Bonds

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

(b) Transfers of Registered Covered Bonds in definitive form

Subject as provided in Conditions 2(e) (Transfers of interests in Regulation S Global Covered Bonds), 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 and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 5 to the Agency Agreement).

Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within ten 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 Regulation S Global Covered Bonds**

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

(i) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a "Transfer Certificate"), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Covered Bond or beneficial interest therein; or

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

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

(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 Regulation S Global Covered Bond of the same type at any time.
(g)    **Definitions**

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

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

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

"**Regulation S Global Covered Bond**" means a global covered bond in registered form representing Covered Bonds sold outside the United States in reliance on Regulation S; and

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

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

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

The Covered Bonds and any relative Receipts and Coupons constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference amongst 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 and the LLP of an Issuer Acceleration Notice and service by the Bond Trustee on the LLP of a Notice to Pay or, if earlier, following the occurrence of an LLP Event of Default and service by the Bond Trustee of an LLP Acceleration Notice. The obligations of the LLP under the Covered Bond Guarantee are direct (following an Issuer Event of Default, service of an Issuer Acceleration Notice and service of a Notice to Pay or an LLP Event of Default and service of an LLP Acceleration Notice), unconditional and unsubordinated obligations of the LLP, which are secured as provided in the Deed of Charge.

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

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

4. **Interest**

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

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

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

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

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

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

(i) if "Actual/Actual (ISDA)" 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);
"Interest Commencement Date" means, in relation to a series of Covered Bonds, the date specified as such in the applicable Final Terms;

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

"Principal Amount Outstanding" means in respect of a Covered Bond, on any day, the nominal amount of that Covered Bond on the relevant Issue Date thereof less principal amounts received by the relevant holder of the Covered Bonds in respect thereof on or prior to that day; and

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

(b) **Interest on Floating Rate Covered Bonds and Index Linked Interest Covered Bonds**

(i) **Interest Payment Dates**

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

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

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

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

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

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

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

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

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

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

(ii) **Rate of Interest**

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

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

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the margin specified in the applicable Final Terms (the "Margin") (if any). For the purposes of this sub-paragraph (A), "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Principal Paying Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Covered Bonds (the "ISDA Definitions") and under which:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(D) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and

(E) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Final Maturity Date (or, as the case may be, Extended Due for Payment Date) is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

(v) Notification of Rate of Interest and Interest Amounts

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

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

(vii) **Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b) (**Interest on Floating Rate Covered Bonds and Index Linked Interest Covered Bonds**), whether by the Principal Paying Agent or the Calculation Agent or the Bond Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the LLP, the Principal Paying Agent, the Calculation Agent, the other Paying Agents, the Bond Trustee and all Covered Bondholders, Receiptholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the LLP, the Covered Bondholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or the Calculation Agent or the Bond Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) **Interest on Dual Currency Interest Covered Bonds**

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

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

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

(e) **Accrual of interest**

Interest (if any) will cease to accrue on each Covered Bond (or in the case of the redemption of part only of a Covered Bond, that part only of such Covered Bond) on the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused in which event, interest will continue to accrue as provided in the Trust Deed.

5. **Payments**

(a) **Method of payment**

Subject as provided below:

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

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

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

Payments of principal and interest (if any) will (subject as provided below) be made against presentation and surrender of Bearer Definitive Covered Bonds or Coupons, as the case may be, at any specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments (if any) of principal other than the final instalment, will (subject as provided below) be made against presentation and surrender of the relevant Receipt. Each Receipt must be presented for payment of the relevant instalment together with the Bearer Definitive Covered Bond to which it appertains. If any Bearer Definitive Covered Bond is redeemed or becomes repayable prior to the stated maturity thereof, principal will be payable only on surrender of such Bearer Definitive Covered Bond together with all unmatured Receipts appertaining thereto. Receipts presented without the Bearer Definitive Covered Bond to which they appertain and unmatured Receipts do not constitute valid obligations of the Issuer or the LLP.

Fixed Rate Covered Bonds in definitive bearer form (other than Dual Currency Covered Bonds or Index Linked Covered Bonds or Long Maturity Covered Bonds) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall include Coupons falling to be issued on exchange of matured Talons), failing which an amount equal to the face value of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 12 years after the Relevant Date (as defined in Condition 7 (Taxation)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8 (Prescription)) or, if later, six years from the date on which such Coupon would otherwise have become due.

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

Upon the due date for redemption of any Floating Rate Covered Bond, Dual Currency Covered Bond, Index Linked Covered Bond or Long Maturity Covered Bond in definitive bearer form, all unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "Long Maturity Covered Bond" is a Fixed Rate Covered Bond (other than a Fixed Rate Covered Bond which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Covered Bond shall cease to be a Long Maturity Covered Bond on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the Principal Amount Outstanding of such Covered Bond. If the date for redemption of any Bearer Definitive Covered Bond is not an Interest Payment Date, interest (if any) accrued in respect of such Covered Bond from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Bearer Definitive Covered Bond.
(c) **Payments in respect of Bearer Global Covered Bonds**

Payments of principal and interest (if any) in respect of Covered Bonds represented by any Bearer Global Covered Bond will (subject as provided below) be made in the manner specified above in relation to Bearer Definitive Covered Bonds and otherwise in the manner specified in the relevant Global Covered Bond against presentation or surrender, as the case may be, of such Global Covered Bond (if the Global Covered Bond is not intended to be issued in New Global Covered Bond ("NGCB") form) at the specified office of any Paying Agent outside the United States. On the occasion of each payment, (i) in the case of any Global Covered Bond which is not issued in NGCB form, a record of such payment made on such Global Covered Bond, distinguishing between any payment of principal and any payment of interest, will be made on such Global Covered Bond by the Principal Paying Agent and such record shall be prima facie evidence that the payment in question has been made and (ii) in the case of any Global Covered Bond which is issued in NGCB form, the Principal Paying Agent shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

(d) **Payments in respect of Registered Covered Bonds**

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Covered Bond (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Covered Bond at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Covered Bond appearing in the register of holders of the Registered Covered Bonds maintained by the Registrar (the "Register") at the close of business on the third Business Day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a "Designated Account" or (ii) the principal amount of the Covered Bonds held by a holder is less than U.S.$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "Designated Account" means the account (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and "Designated Bank" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Covered Bond (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the Business Day in the city where the specified office of the Registrar is located on the relevant due date to the holder (or the first named of joint holders) of the Registered Covered Bond appearing in the Register at the close of business (i) in relation to Global Covered Bonds in registered form, at the close of the business day (being for this purpose a day on which each of Clearstream, Luxembourg and Euroclear are open for business) before the relevant due date or (ii) in relation to any Registered Definitive Covered Bond, on the fifteenth day (whether or not such fifteenth day is a Business Day) before the relevant due date (the relevant day in each of (i) and (ii) being the "Record Date") at the holder's address shown in the Register on the Record Date and at the holder's risk. Upon application of the holder to the specified office of the Registrar not less than three Business Days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Covered Bond, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Covered Bonds which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Covered Bond on redemption and the final instalment of principal will be made in the same manner as payment of the principal in respect of such Registered Covered Bond.
Holders of Registered Covered Bonds will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Covered Bond as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Covered Bonds.

All amounts payable to DTC or its nominee as registered holder of a Regulation S Global Covered Bond in respect of Covered Bonds denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer, the LLP, the Bond Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Regulation S Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) General provisions applicable to payments

The holder of a Global Covered Bond (or, as provided in the Trust Deed, the Bond Trustee) shall be the only person entitled to receive payments in respect of Covered Bonds represented by such Global Covered Bond and the Issuer or, as the case may be, the LLP will be discharged by payment to, or to the order of, the holder of such Global Covered Bond (or the Bond Trustee, as the case may be) in respect of each amount so paid. Each of the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Covered Bonds represented by such Global Covered Bond must look solely to DTC, Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or the LLP to, or to the order of, the holder of such Global Covered Bond (or the Bond Trustee, as the case may be). No person other than the holder of the relevant Global Covered Bond (or, as provided in the Trust Deed, the Bond Trustee) shall have any claim against the Issuer or the LLP in respect of any payments due on that Global Covered Bond.

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

(i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. Dollars at such specified offices outside the United States of the full amount of interest on the Bearer Covered Bonds in the manner provided above when due;

(ii) payment of the full amount of such principal and interest at such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. Dollars; and

(iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the LLP, adverse tax consequences to the Issuer or the LLP.

(f) Payment Day

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

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(A) the relevant place of presentation;
(B) London; and

(C) any Additional Financial Centre specified in the applicable Final Terms; and

(ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 is open; and

(iii) in the case of any payment in respect of a Regulation S Global Covered Bond denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an account holder of DTC (with an interest in such Regulation S Global Covered Bond) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

(g) **Interpretation of principal and interest**

Any reference in these Conditions to principal in respect of the Covered Bonds shall be deemed to include, as applicable:

(i) any additional amounts which may be payable with respect to principal under Condition 7 (Taxation) or under any undertakings or covenants given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;

(ii) the Final Redemption Amount of the Covered Bonds;

(iii) the Early Redemption Amount of the Covered Bonds;

(iv) the Optional Redemption Amount(s) (if any) of the Covered Bonds;

(v) in relation to Covered Bonds redeemable in instalments, the Instalment Amounts;

(vi) in relation to Zero Coupon Covered Bonds, the Amortised Face Amount (as defined in Condition 6(f) (Early Redemption Amounts));

(vii) any premium and any other amounts (other than interest) which may be payable under or in respect of the Covered Bonds;

(viii) in relation to Dual Currency Covered Bonds, the principal payable in any relevant Specified Currency; and

(ix) any Excess Proceeds which may be payable by the Bond Trustee under or in respect of the Covered Bonds.

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

(h) **Partial payment**

Subject to Condition 6(a) (Final Redemption), following the service of a Notice to Pay on the LLP but prior to an LLP Event of Default, if on the Original Due for Payment Date in relation to the Guaranteed Amount corresponding to the Final Redemption Amount of a Series of Covered Bonds, the LLP has insufficient moneys (after making or providing for, in full, higher ranking amounts and taking into account amounts ranking pari passu therewith in accordance with the Guarantee Priority of Payments) to pay the Guaranteed Amount corresponding to the Final
Redemption Amount on that Series of Covered Bonds, then the LLP shall, on the Original Due for Payment Date (subject to any applicable grace period set in Condition 9(a)(i)), under the Covered Bond Guarantee, apply the available moneys (after paying or providing for, in full, higher ranking amounts and after taking into account amounts ranking pari passu therewith in accordance with the Guarantee Priority of Payments) to pay such Guaranteed Amounts together with Guaranteed Amounts constituting Scheduled Interest in accordance with the Guarantee Priority of Payments.

6. Redemption and Purchase

(a) Final redemption

Unless previously redeemed or purchased and cancelled as specified below, each Covered Bond will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the relevant Final Maturity Date.

Without prejudice to Condition 9 (Events of Default and Enforcement), if:

(i) an Extended Due for Payment Date is specified in the applicable Final Terms for a Series of Covered Bonds;

(ii) the Covered Bonds have not been repaid in full by the Issuer on or before the Final Maturity Date for such Covered Bonds (after any applicable grace period specified in Condition 9(a)(i)); and

(iii) the Bond Trustee has served an Issuer Acceleration Notice on the Issuer and the LLP and the Bond Trustee has served a Notice to Pay on the LLP by no later than the date falling one Business Day prior to the Extension Determination Date (but has not served an LLP Acceleration Notice on the LLP and the Issuer),

and the LLP, or the Cash Manager on its behalf, determines that the LLP will not have sufficient moneys available (after providing for liabilities ranking in priority thereto or pari passu therewith subject to and in accordance with the Guarantee Priority of Payments) to pay in full the Guaranteed Amount corresponding to the unpaid portion of the Final Redemption Amount in respect of the relevant Series of Covered Bonds (the amount of such shortfall being the "Guaranteed Amount Shortfall") on the date falling on the earlier of:

(A) the later of (1) the date which falls two Business Days after service of the Notice to Pay on the LLP and (2) the Final Maturity Date; and

(B) the Extension Determination Date,

then payment of the Guaranteed Amount Shortfall by the LLP under the Covered Bond Guarantee shall be deferred until the Extended Due for Payment Date for such Series of Covered Bonds, provided that such Guaranteed Amount Shortfall (or part thereof) shall (subject to 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 to the extent it has funds available for such purpose.

Payment of the Guaranteed Amount Shortfall shall not be deferred beyond the Extended Due for Payment Date when such amount shall be due and payable.

The LLP shall notify the relevant Covered Bondholders (in accordance with Condition 13 (Notices)), the Rating Agencies, the Bond Trustee, the Security Trustee, the Principal Paying Agent, the Swap Providers and the Registrar (in the case of Registered Covered Bonds) as soon as reasonably practicable and in any event at least two Business Days prior to the earliest to occur of the dates specified in (A) and (B) above if the LLP will not have sufficient moneys available (after providing for liabilities ranking in priority thereto or pari passu therewith subject to and in accordance with the Guarantee Priority of Payments) to pay in full the Guaranteed Amount corresponding to the unpaid portion of the Final Redemption Amount in respect of the
relevant Series of Covered Bonds. For the avoidance of doubt, failure to notify shall not affect the validity of such extension.

If the circumstances identified in paragraphs (i), (ii) and (iii) above have occurred then, notwithstanding the determination of the Guaranteed Amount Shortfall in respect of a Series of Covered Bonds, the LLP shall on the date falling on the earlier to occur of the dates specified in paragraphs (A) and (B) above, under the Covered Bond Guarantee, apply the moneys (if any) available (after paying or providing for, in full, higher ranking amounts and after taking into account amounts ranking pari passu therewith in accordance with the Guarantee Priority of Payments) to pay, in part, the relevant Guaranteed Amount together with Guaranteed Amounts constituting the Scheduled Interest. The obligation of the LLP to pay the Guaranteed Amount Shortfall shall be deferred as described above and the failure to pay such Guaranteed Amount Shortfall on the earlier to occur of the dates specified in paragraphs (A) and (B) above shall not constitute an LLP Event of Default.

Any discharge of the obligations of the Issuer as the result of the payment of Excess Proceeds to the Bond Trustee shall be disregarded for the purposes of determining the amounts to be paid by the LLP under the Covered Bond Guarantee in connection with this Condition 6(a) (Final Redemption).

For the purposes of these Conditions:

"Extended Due for Payment Date" means, in relation to any Series of Covered Bonds, the date, if any, specified as such in the applicable Final Terms;

"Extension Determination Date" means, in respect of a Series of Extendable Maturity 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, in relation to a Series of Covered Bonds, the Interest Payment Date specified as such in the applicable Final Terms.

"Guarantee Priority of Payments" means the rules and priority of payments governing the application by the LLP, or the Cash Manager on its behalf, of the funds available to it on each LLP Payment Date following the service of a Notice to Pay on the LLP but prior to the service of a LLP Acceleration Notice on the LLP and the Issuer and/or the realisation of the Security and/or the commencement of winding up proceedings as set out in the Deed of Charge.

"Rating Agency" means any one of Moody's Investors Service Limited and Fitch Ratings Ltd. (together, the "Rating Agencies") or their successors, to the extent they provide ratings in respect of the Covered Bonds.

(b) Redemption for taxation reasons

The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time (if the relevant Covered Bond is neither a Floating Rate Covered Bond, an Index Linked Interest Covered Bond nor a Dual Currency Interest Covered Bond) or on any Interest Payment Date (if this Covered Bond is either a Floating Rate Covered Bond, an Index Linked Interest Covered Bond or a Dual Currency Interest Covered Bond), on giving not less than 30 nor more than 60 days' notice to the Bond Trustee and, in accordance with Condition 13 (Notices), the 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(f) (Early Redemption Amounts) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

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

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having (unless otherwise specified, in the applicable Final Terms) given not less than 30 nor more than 60 days' notice to the Bond Trustee, the Principal Paying Agent, (in the case of the redemption of Registered
Covered Bonds) the Registrar and, in accordance with Condition 13 (Notices), the Covered Bondholders (which notice shall be irrevocable) redeem all or some only (as specified in the applicable Final Terms) of the Covered Bonds then outstanding on any Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date(s). Upon expiry of such notice, the Issuer shall be bound to redeem the Covered Bonds accordingly. In the event of a redemption of some only of the Covered Bonds, such redemption must be for an amount being the Minimum Redemption Amount or a Higher Redemption Amount (as specified in the relevant Final Terms).

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

"Minimum Redemption Amount" means the amount as specified in the relevant Final Terms.

"Higher Redemption Amount" means the amount as specified in the relevant Final Terms.

(d) Redemption at the option of the Covered Bondholders ("Investor Put")

If an investor put is specified in the Final Terms (the "Investor Put"), then if and to the extent specified in the applicable Final Terms, upon this Covered Bondholder giving to the Issuer not less than 30 nor more than 60 days' notice (or such other notice period specified in the applicable Final Terms), which notice shall be irrevocable, the Issuer will, upon the expiry of such notice period, provided that the Cash Manager has notified the Bond Trustee in writing that there will be sufficient funds available to pay any termination payment due to the relevant Swap Provider(s), redeem, subject to and in accordance with the terms specified in the applicable Final Terms, in whole (but not in part) such Covered Bond on the Optional Redemption Date and at the relevant Optional Redemption Amount as specified in, or determined in the manner specified in, the applicable Final Terms, together, if applicable, with interest accrued up to (but excluding) the relevant Optional Redemption Date.

If this Covered Bond is in definitive form, to exercise the right to redemption of this Covered Bond, the relevant Covered Bondholder must deliver this Covered Bond, on any Business Day (as defined in Condition 4 (Interest)) falling within the above-mentioned notice period at the specified office of any Paying Agent, accompanied by a duly signed and completed notice of exercise of the Investor Put in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "Put Notice") and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition 6(d).
(c) **Redemption due to illegality**

The Covered Bonds of all Series may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bond Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 13 (Notices), all 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(e) will be redeemed at their Early Redemption Amount referred to in Condition 6(f) (Early Redemption Amounts) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(f) **Early Redemption Amounts**

For the purpose of Conditions 6(b) (Redemption for taxation reasons) and 6(e) (Redemption due to illegality) above and 6(k) (Late payment on Zero Coupon Covered Bonds) below and Condition 9 (Events of Default and Enforcement), each Covered Bond will be redeemed at its Early Redemption Amount calculated as follows:

(i) in the case of a Covered Bond with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(ii) in the case of a Covered Bond (other than a Zero Coupon Covered Bond but including an Instalment Covered Bond or a Partly Paid Covered Bond) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Covered Bond is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or

(iii) in the case of a Zero Coupon Covered Bond, at an amount (the "Amortised Face Amount") equal to the sum of:

(a) the Reference Price; and

(b) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date of the first Tranche of the Covered Bonds to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Covered Bond becomes due and repayable, or such other amount as is provided in the applicable Final Terms.

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

(g) **Instalments**

Instalment Covered Bonds will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 6(f) (Early Redemption Amounts) above.
Partly-Paid Covered Bonds

Partly-Paid Covered Bonds will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 6 and the applicable Final Terms. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 6(f) (Early Redemption Amounts) above.

Purchases

The Issuer or any of its subsidiaries or the LLP may at any time purchase or otherwise acquire Covered Bonds (provided that, in the case of Bearer Definitive Covered Bonds, all unmatured Receipts, Coupons and Talons appertaining thereto are attached thereto or surrendered therewith) at any price and in any manner. If purchases are made by tender, tenders must be available to all Covered Bondholders alike. Such Covered Bonds may be held, reissued, resold or, at the option of the Issuer or the relevant subsidiary or the LLP, 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).

Cancellation

All Covered Bonds which are redeemed will forthwith be cancelled (together with, in the case of Bearer Definitive Covered Bonds, all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Covered Bonds so cancelled and any Covered Bonds purchased and surrendered for cancellation pursuant to Condition 6(i) (Purchases) above and cancelled (together with, in the case of Bearer Definitive Covered Bonds, all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be held, reissued or resold.

Late payment on Zero Coupon Covered Bonds

If the amount payable in respect of any Zero Coupon Covered Bond upon redemption of such Zero Coupon Covered Bond pursuant to Conditions 6(a) (Final Redemption), (b) (Redemption for taxation reasons), (c) (Redemption at the option of the Issuer (Issuer Call)) or (d) (Redemption at the option of the Covered Bondholders (Investor Put)) above or upon its becoming due and repayable as provided in Condition 9 (Events of Default and Enforcement) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Covered Bond shall be the amount calculated as provided in Condition 6(f)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Covered Bond becomes due and payable were replaced by references to the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero Coupon Covered Bond have been paid; and

(ii) the date on which the full amount of the moneys payable in respect of such Zero Coupon Covered Bonds has been received by the Principal Paying Agent or the Bond Trustee or the Registrar and notice to that effect has been given to the Covered Bondholders either in accordance with Condition 13 (Notices) or individually.

Certification on redemption under Condition 6(b) and 6(e)

Prior to the publication of any notice of redemption pursuant to Conditions 6(b) (Redemption for taxation reasons) and (e) (Redemption due to illegality), the Issuer shall deliver to the Bond Trustee a certificate signed by two Authorised Signatories (as defined in the Master Definitions Schedule) of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and the Bond Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on all Covered Bondholders, Receiptholders and Couponholders.
7. **Taxation**

All payments of principal and interest (if any) in respect of the Covered Bonds, Receipts and Coupons by or on behalf of the Issuer or the LLP, as the case may be, will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges whatsoever unless such withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In the event of a withholding or deduction being made by the Issuer in respect of a payment made by it in respect of any present or future taxes, duties, assessments or governmental charges imposed or levied by or on behalf of the United Kingdom or any political sub-divisions thereof or by any authority therein or thereof having power to tax, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Covered Bondholders, Receiptholders 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, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Covered Bond, Receipt or Coupon presented for payment:

(a) in the United Kingdom; or

(b) by or on behalf of a holder who (i) is able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration of non-residence or other claim for exemption to the relevant taxing authority but fails to do so; or (ii) is liable for such taxes, duties, assessments or governmental charges in respect of such Covered Bonds, Receipts or Coupons (as the case may be) by reason of his having some connection with the United Kingdom other than merely by reason of the holding of such Covered Bonds, Receipts or Coupons; or

(c) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on the last day of such period of 30 days; or

(d) where the holder is able to avoid such withholding or deduction by presenting an appropriate certificate; or

(e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(f) by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Covered Bond, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

Notwithstanding any other provision in these Conditions, the Issuer and LLP shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the US Internal Revenue Service ("FATCA withholding"). Neither the Issuer nor the LLP will have any obligation to pay additional amounts or otherwise indemnify a holder for any FATCA withholding deducted or withheld by the Issuer, a Paying Agent or any other party as a result of any person (other than an agent of the Issuer) not being entitled to receive payments free of FATCA withholding.

As used herein:

"Relevant Date" means the date on which such payment in respect of the Covered Bond, Receipt or Coupon first becomes due and payable, except that, if the full amount of the moneys payable on such date has not been duly received by the Bond Trustee, the Registrar or the Principal Paying Agent on or prior to such date, it means the date on which such moneys have been so received, notice to that effect having been given to the Covered Bondholders in accordance with Condition 13 (Notices).
Should any payments made by the LLP under the Covered Bond Guarantee be made subject to any withholding or deduction on account of taxes or duties of whatever nature, the LLP will not be obliged to pay any additional amounts as a consequence.

8. **Prescription**

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

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

9. **Events of Default and Enforcement**

(a) **Issuer Events of Default**

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds (which for this purpose or the purpose of any Extraordinary Resolution (as defined in the Trust Deed) referred to in this Condition 9(a) means the Covered Bonds of this Series together with the Covered Bonds of any other Series constituted by the Trust Deed) then outstanding as if they were a single Series (with the nominal amount of Covered Bonds not denominated in Sterling converted into Sterling at the relevant Swap Rate (as defined in the Master Definitions Schedule)) or if so directed by an Extraordinary Resolution of all the Covered Bondholders, shall, (but in the case of the happening of any of the events mentioned in sub-paragraphs (ii) to (viii) below, only if the Bond Trustee shall have certified in writing to the Issuer and the LLP that such event is, in its opinion, materially prejudicial to the interests of the Covered Bondholders of any Series and provided that a breach of any obligation to provide notices to the FSA under the RCB Regulations and/or the RCB Sourcebook shall not in itself be considered materially prejudicial to the interests of the Covered Bondholders by the Bond Trustee (subject in each case to being indemnified and/or prefunded and/or secured to its satisfaction), give notice (an "Issuer Acceleration Notice") in writing to the Issuer and the LLP that as against the Issuer (but not, for the avoidance of doubt, against the LLP under the Covered Bond Guarantee) each Covered Bond of each Series is, and each such Covered Bond shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an "Issuer Event of Default") shall occur and be continuing:

(i) the Issuer fails to pay any principal or interest in respect of the Covered Bonds within seven days of the due date; or

(ii) if the Issuer fails to perform or observe any obligations (other than any obligation under (i) above for the payment of principal or interest in respect of the Covered Bonds of any Series) under the Covered Bonds, Receipts or Coupons of any Series, the Trust Deed or any other Programme Document to which the Issuer is a party (other than the Programme Agreement and the Subscription Agreement) but excluding any obligation of the Issuer to comply with the Asset Coverage Test or any representation or warranty given by the Issuer in respect of the Asset Coverage Test, and such failure continues for the period of 30 days (or such longer period as the Bond Trustee may permit) after written notification by the Bond Trustee to the Issuer requiring such default to be remedied shall have been given to the Issuer by the Bond Trustee in accordance with the Trust Deed; or

(iii) an order is made or an effective resolution passed for the bankruptcy or liquidation or winding up of the Issuer (except a bankruptcy, liquidation or winding up for the purpose of a reconstruction, union, transfer, merger, amalgamation or reorganisation following the transfer or all or substantially all of the assets of the Issuer, the terms of which have previously been approved in writing by the Bond Trustee or by an Extraordinary Resolution); or
if the Issuer ceases to carry on its business or substantially the whole of its business (except a bankruptcy, liquidation or winding up for the purpose of a reconstruction, union, transfer, merger, amalgamation or reorganisation following the transfer or all or substantially all of the assets of the Issuer, the terms of which have previously been approved in writing by the Bond Trustee or by an Extraordinary Resolution); or

proceedings are initiated against the Issuer under any applicable liquidation, winding up, insolvency, bankruptcy, reorganisation or other similar laws (except a bankruptcy, liquidation or winding up for the purpose of a reconstruction, union, transfer, merger, amalgamation or reorganisation following the transfer or all or substantially all of the assets of the Issuer, the terms of which have previously been approved in writing by the Bond Trustee or by an Extraordinary Resolution) or a receiver, administrator, trustee, bank administrator, bank liquidator or other similar official shall be appointed in relation to the Issuer or in relation to the whole or a substantial part (having an aggregate book value of in excess of £50,000,000) of its assets or a distress, diligence or execution or other process shall be levied or enforced upon or sued out against the whole or a substantial part of its assets (having an aggregate book value of in excess of £50,000,000) and, in any of the foregoing cases, it shall not be discharged within 30 days; or if the Issuer shall initiate or consent to any applicable liquidation, winding up, insolvency, bankruptcy, reorganisation or other similar laws (except in connection with a bankruptcy, liquidation or winding up for the purpose of a reconstruction, union, transfer, merger, amalgamation or reorganisation following the transfer or all or substantially all of the assets of the Issuer, the terms of which have previously been approved in writing by the Bond Trustee or by an Extraordinary Resolution) or shall make a conveyance, assignment for the benefit of, or shall enter into any composition with, its creditors generally; or

the Issuer shall be unable to pay its debts as they fall due (within the meaning of section 123(1)(b) to (e) and section 123(2) of the Insolvency Act 1986 as that section may be amended) or shall admit inability to pay its debts as they fall due or shall stop payment in respect of any debts that are due (save, in the case of stopping payments, in each case in respect of any obligation for the payment of principal, redemption amount or interest in respect of the Covered Bonds of any Series) or shall be adjudged or found bankrupt or insolvent);

if an Asset Coverage Test Breach Notice has been served and not revoked (in accordance with the terms of the Programme Documents) on or before the third Calculation Date after service of such Asset Coverage Test Breach Notice; or

if the Pre-Maturity Test in respect of any Series of Hard Bullet Covered Bonds is breached on a Pre-Maturity Test Date falling less than six months prior to the Final Maturity Date of that Series of Hard Bullet Covered Bonds, and the Issuer and the LLP have not taken the required action as a consequence of the breach as described in the LLP Deed before the earlier to occur of (i) ten London Business Days from the date that the Seller is notified of the breach of the Pre-Maturity Test and (ii) the Final Maturity Date of that Series of Hard Bullet Covered Bonds.

Upon the Covered Bonds becoming immediately due and repayable against the Issuer pursuant to this Condition 9(a), the Bond Trustee shall forthwith serve a notice to pay (the "Notice to Pay") on the LLP pursuant to the Covered Bond Guarantee and the LLP shall be required to make payments of Guaranteed Amounts when the same shall become Due for Payment in accordance with the terms of the Covered Bond Guarantee.

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

The Trust Deed provides that all moneys received by the Bond Trustee from the Issuer or any receiver, liquidator, administrator or other similar official appointed in relation to the Issuer following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice and a Notice to Pay (the "Excess Proceeds"), shall be paid by the Bond Trustee on behalf...
of the 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 GIC Account and the Excess Proceeds shall thereafter form part of the Security and shall be used by the LLP in the same manner as all other moneys from time to time standing to the credit of the GIC Account pursuant to the Deed of Charge and the LLP Deed. Any Excess Proceeds received by the Bond Trustee shall discharge pro tanto the obligations of the Issuer in respect of the payment of the amount of such Excess Proceeds under the Covered Bonds, Receipts and Coupons. However, the obligations of the LLP under the Covered Bond Guarantee are (following service of a Notice to Pay on the LLP) 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 Covered Bonds (which for this purpose and the purpose of any Extraordinary Resolution referred to in this Condition 9(b) means the Covered Bonds of this Series together with the Covered Bonds of any other Series constituted by the Trust Deed) then outstanding as if they were a single Series (with the nominal amount of Covered Bonds not denominated in Sterling converted into Sterling at the relevant Swap Rate) or if so directed by an Extraordinary Resolution of all the Covered Bondholders, shall (subject in each case to being indemnified and/or prefunded and/or secured to its satisfaction), but in the case of the happening of any of the events described in paragraphs (ii) to (vii) below, only if the Bond Trustee shall have certified in writing to the Issuer and the LLP that such event is, in its opinion, materially prejudicial to the interests of the Covered Bondholders of any Series, and provided that a breach of any obligation to provide notices to the FSA under the RCB Regulations and/or the RCB Sourcebook shall not in itself be considered materially prejudicial to the interest of the Covered Bondholders by the Bond Trustee, give notice (the "LLP Acceleration Notice") in writing to the Issuer and to 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 immediately due and repayable against it following an Issuer Event of Default and the service of an Issuer Acceleration Notice on the Issuer and 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 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) (a) the LLP fails to pay any Guaranteed Amounts within seven business days of becoming Due for Payment (other than a Guaranteed Amount which is Due for Payment under Condition 6(a) (Final Redemption)) in respect of the Covered Bonds of any Series or (b) in the case of the payments of a Guaranteed Amount when Due for Payment under Condition 6(a) (Final Redemption) the LLP fails to pay 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 Programme Document to which the LLP is a party and such failure continues for the period of 30 days (or such longer period as the Bond Trustee may permit) after written notification by the Bond Trustee to the LLP
requiring such default to be remedied shall have been given to the LLP by the Bond Trustee in accordance with the Trust Deed; or

(iii) an order is made or an effective resolution passed for the liquidation or winding up of the LLP; or

(iv) if the LLP ceases or threatens to cease to carry on its business or substantially the whole of its business; or

(v) the LLP shall stop payment or shall be unable, or shall admit inability, to pay its debts generally as they fall due or shall be adjudicated or found bankrupt or insolvent; or

(vi) proceedings are initiated against the LLP under any applicable liquidation, winding up, insolvency, bankruptcy, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition or the filing of documents with a court or any registrar for its winding-up, administration or dissolution or the giving notice of the intention to appoint an administrator (whether out of court or otherwise)); or a receiver and/or manager, administrative receiver, administrator, trustee or other similar official shall be appointed (whether out of court or otherwise) in relation to the LLP or in relation to the whole or any part of its assets, or a distress, diligence or execution or other process shall be levied or enforced upon or sued out against the whole or any part of its assets, or if the LLP shall initiate or consent to judicial proceedings relating to itself under any applicable liquidation, winding up, insolvency, bankruptcy, composition, reorganisation or other similar laws or shall make a conveyance, assignment or assignation for the benefit of, or shall enter into any composition with, its creditors generally; or

(vii) a failure to satisfy the Amortisation Test (as set out in the LLP Deed) on any Calculation Date following an Issuer Event of Default.

Following the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice on the LLP and the Issuer, each of the Bond Trustee and the Security Trustee may or shall take such proceedings or steps in accordance with the first and third paragraphs, respectively, of Condition 9(c) (Enforcement) and the Covered Bondholders shall have a claim against the LLP, under the Covered Bond Guarantee, for an amount equal to the Early Redemption Amount, together with accrued interest and any other amount due under the Covered Bonds (other than additional amounts payable under Condition 7 (Taxation)) as provided in the Trust Deed in respect of each Covered Bond.

(c) **Enforcement**

The Bond Trustee may at any time take such proceedings against the Issuer and/or the LLP, as the case may be, and/or any other person as it may think fit to enforce the provisions of the Trust Deed, the Covered Bonds, the Receipts and the Coupons or any other Programme Document, but it shall not be bound to take any such enforcement proceedings in relation to the Trust Deed, the Covered Bonds, the Receipts or the Coupons or any other Programme Document unless (i) it shall have been so directed by an Extraordinary Resolution of all the Covered Bondholders of all Series (with the Covered Bonds of all Series taken together as a single Series as aforesaid) or so requested in writing by the holders of not less than 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (taken together and converted into Sterling at the relevant Swap Rate as aforesaid) and (ii) it shall have been indemnified and/or prefunded and/or secured to its satisfaction and provided that the Bond Trustee shall not be bound to take any enforcement proceedings which may, in the opinion of the Bond Trustee in its absolute discretion, result in the Bond Trustee failing to receive any payment to which it or would be entitled but for the provisions of the RCB Regulations or otherwise howsoever.

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 Security Trustee may at any time, at its discretion and without further notice, take such proceedings against the LLP and/or any other person as it may think fit to enforce the provisions of the Deed of Charge and may, at any time after the Security has become enforceable, take such steps as it may think fit to enforce the Security, but it shall not be bound to take any such steps unless (i) it shall have been so directed by an Extraordinary Resolution of all the Covered Bondholders of all Series (with the Covered Bonds of all Series taken together as a single Series as aforesaid) or a request in writing by the holders of not less than 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (taken together converted into Sterling at the relevant Swap Rate as aforesaid); and (ii) it shall have been indemnified and/or prefunded and/or secured to its satisfaction and provided that the Security Trustee shall not be bound to take any enforcement proceedings which may, in the opinion of the Security Trustee in its absolute discretion, result in the Security Trustee failing to receive any payment to which it is or would be entitled but for the provisions of the RCB Regulations or otherwise howsoever. In exercising any of its powers, trusts, authorities and discretions under this paragraph the Security Trustee shall only have regard to the interests of the Covered Bondholders of all Series and shall not have regard to the interests of any other Secured Creditors.

No holder of the Covered Bonds, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer or the LLP or to take any action with respect to the Trust Deed, the Covered Bonds, the Receipts, the Coupons, or the Security unless the Bond Trustee or the Security Trustee, as applicable, having become bound so to proceed, fails so to do within a reasonable time and such failure shall be continuing.

10. **Replacement of Covered Bonds, Receipts, Coupons and Talons**

Should any Covered Bond, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent in London (in the case of Bearer Covered Bonds, Receipts or Coupons) or the Registrar (in the case of Registered Covered Bonds), or any other place approved by the Bond Trustee of which notice shall have been published in accordance with Condition 13 (Notices) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Covered Bonds, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

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

The names of the initial Principal Paying Agent, the other initial Paying Agents, the initial Registrar, the initial Transfer Agent, 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 (other than where the Paying Agent is a "foreign financial institution" as such term is defined pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code (the "Code") and any regulations thereunder or official interpretations thereof and is not, or ceases to be, a "participating foreign financial institution" at any time after the date which is six months before the relevant effective date of withholding on "passthru payments" (as such terms are defined pursuant to Sections 1471 through 1474 of the Code and any regulations thereunder or official interpretations thereof), in which case the Issuer shall be entitled to take action without consent and with immediate effect), to vary or terminate the appointment of any Paying Agent or the Registrar and/or appoint additional or other Paying Agents or the Registrar and/or approve any change in the specified office through which any Paying Agent or the Registrar acts, provided that:

(a) there will at all times be a Principal Paying Agent and a Registrar;
(b) the Issuer will, so long as any of the Covered Bonds is outstanding, maintain a Paying Agent (which may be the Principal Paying Agent) having a specified office in a city approved by the Bond Trustee in continental Europe;

c) so long as any of the Covered Bonds are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Covered Bonds) and a Transfer Agent (in the case of Registered Covered Bonds) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or as the case may be, other relevant authority;

d) so long as any of the Registered Global Bonds payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in the United States; and

e) the Issuer will ensure that it maintains a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in the United States 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, Receipt holders or Coupon holders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

12. Exchange of Talons

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

13. Notices

All notices regarding the Bearer Covered Bonds will be valid if published in the Financial Times or any other daily newspaper in London approved by the Bond Trustee or, if this is not possible, in one other English language daily newspaper approved by the Bond Trustee with general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the Bearer Covered Bonds are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers or where published in such newspapers on different dates, the last date of such first publication.

All notices regarding the Registered Covered Bonds will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Covered Bonds are listed, quoted or traded on a stock exchange or are admitted to listing by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.
So long as the Covered Bonds are represented in their entirety by any Global Covered Bonds held on behalf of DTC and/or Euroclear and/or Clearstream, Luxembourg, there may be substituted for such publication in such newspaper(s) the delivery of the relevant notice to DTC and/or Euroclear and/or Clearstream, Luxembourg for communication by them to the Covered Bondholders and, in addition, for so long as any Covered Bonds are listed on a stock exchange or admitted to listing by any other relevant authority and the rules of the stock exchange, or as the case may be, other relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange or, as the case may be, or any other relevant authority. Any such notice shall be deemed to have been given to the Covered Bondholders on the day on which the said notice was given to DTC and/or Euroclear and/or Clearstream, Luxembourg.

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

The Trust Deed contains provisions for convening meetings of the Covered Bondholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Conditions or the provisions of the Trust Deed. 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 Covered Bondholders whatever the nominal amount of the Covered Bonds of such Series so held or represented, except that at any meeting the business of which includes the modification of any Series Reserved Matter, the quorum shall be one or more persons holding or representing not less than two-thirds of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Covered Bondholders of a Series shall, subject as provided in the paragraph below, be binding on all the Covered Bondholders of such Series, whether or not they are present at the meeting, and on all Receiptholders and Couponholders in respect of such Series of Covered Bonds. Pursuant to the Trust Deed, the Bond Trustee may convene a single meeting of the holders of Covered Bonds of more than one Series if in the opinion of the Bond Trustee there is no conflict between the holders of such Covered Bonds, in which event the provisions of this paragraph shall apply thereto mutatis mutandis.

Notwithstanding the provisions of the immediately preceding paragraph, any Extraordinary Resolution to direct the Bond Trustee to accelerate the Covered Bonds pursuant to Condition 9 (Events of Default and Enforcement) or to direct the Bond Trustee or the Security Trustee to take any enforcement action (each a "Programme Resolution") shall only be capable of being passed at a single meeting of the 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 or by 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 Covered Bondholders of all Series, whether or not they are present at the meeting, and on all related Receiptholders and Couponholders in respect of such Series of Covered Bonds.

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

The Bond Trustee, the Security Trustee, the LLP and the Issuer:

(a) may also agree, without the consent of the Covered Bondholders of any Series, the related Receiptholders and/or Couponholders and without the consent of the other Secured Creditors (and for this purpose the Bond Trustee and the Security Trustee may disregard whether any such modification, waiver or authorisation relates to a Series Reserved Matter) to any modification, waiver or authorisation of the Covered Bonds of one or more Series, the related Receipts and/or Coupons or any Programme Document provided that (i) the Bond Trustee is of the opinion that such modification, waiver or authorisation will not be materially prejudicial to the interests of
any of the Covered Bondholders of any Series, and (ii) the Security Trustee is of the opinion that such modification, waiver or authorisation will not be materially prejudicial to the interests of any of the Secured Creditors;

(b) may also agree, without the consent of the Covered Bondholders of any Series, the related Receiptholders and/or Couponholders and without the consent of the other Secured Creditors (and for this purpose the Bond Trustee and the Security Trustee may disregard whether any such modification, waiver or authorisation relates to a Series Reserved Matter) to any modification, waiver or authorisation of the Covered Bonds of one or more Series, the related Receipts and/or Coupons or any Programme Document which in the opinion of the Bond Trustee and the Security Trustee (i) is made to correct a manifest error (or an error established as such to the satisfaction of the Bond Trustee and the Security Trustee) or (ii) is of a formal, minor or technical nature or (iii) is made to comply with mandatory provisions of law; or

(c) shall also agree, without the consent of the Covered Bondholders of any Series, the related Receiptholders and/or Couponholders and without the consent of the other Secured Creditors (and for this purpose the Bond Trustee and the Security Trustee may disregard whether any such modification, waiver or authorisation relates to a Series Reserved Matter) to any modification, waiver or authorisation of the Covered Bonds of one or more Series, the related Receipts and/or Coupons or any Programme Document which the Issuer and/or the LLP shall (i) have certified in writing to the Bond Trustee and the Security Trustee as being modifications, waivers or authorisations (as applicable) that are required by and seek only to implement, new or anticipated criteria of any Rating Agency and (ii) have obtained a Rating Agency Confirmation in respect of such modifications, waivers or authorisations (as applicable). Notwithstanding anything to the contrary herein or in the other Programme Documents, the Bond Trustee and the Security Trustee shall not be responsible for any Liability that may be occasioned to any person by acting in accordance with the provisions of this Condition 14 and/or the Trust Deed based on the written certification it receives from the Issuer and/or the LLP.

The Bond Trustee may also agree, without the consent of the Covered Bondholders of any Series, the related Receiptholders and/or Couponholders, to the waiver or authorisation of any breach or proposed breach of any of the provisions or covenants of the Covered Bonds of any Series, the Trust Deed and the Programme Documents or determine, without any such consent as aforesaid, that any Issuer Event of Default or LLP Event of Default or Potential Issuer Event of Default or Potential LLP Event of Default shall not be treated as such, provided that, in any such case, it is not, in the opinion of the Bond Trustee, materially prejudicial to the interests of any of the Covered Bondholders of any Series. The Security Trustee may also agree, without the consent of the Covered Bondholders of any Series, the related Receiptholders and/or Couponholders or any other Secured Creditor, to the waiver or authorisation of any breach or proposed breach of any of the provisions of the Programme Documents, provided that, in any such case, it is not, in the opinion of the Security Trustee, materially prejudicial to the interests of the Secured Creditors.

Prior to any modification, waiver, authorisation or determination pursuant to this Condition 14 becoming effective, the Bond Trustee must receive written confirmation from the Issuer or a legal adviser considered by the Bond Trustee in its discretion to be competent to provide such advice to the Bond Trustee that such modification, waiver, authorisation or determination, as applicable, would not result in a breach of the RCB Regulations nor cause the Programme to cease to be registered under the RCB Regulations and that either:

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

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

Any such modification, waiver, authorisation or determination shall be binding on all Covered Bondholders of all Series of Covered Bonds for the time being outstanding, the related Receiptholders and the Couponholders and the other Secured Creditors, and unless the Security Trustee and the Bond Trustee otherwise agree, any such modification shall be notified by the Issuer to the Covered Bondholders
of all Series of Covered Bonds for the time being outstanding and the other Secured Creditors in accordance with the relevant terms and conditions as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Bond Trustee and the Security Trustee shall have regard to the general interests of the Covered Bondholders of each Series as a class (but shall not have regard to any interests arising from circumstances particular to individual Covered Bondholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Covered Bondholders, the related Receiptholders, Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Bond Trustee and the Security Trustee shall not be entitled to require, nor shall any holder of the Covered Bonds, Receipther 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 Bondholders, Receiptholders and/or Couponholders, except to the extent already provided for in Condition 7 (Taxation) and/or in any undertaking or covenant given in addition to, or in substitution for, Condition 7 (Taxation) pursuant to the Trust Deed.

The Issuer may, without the consent of the holders of the Covered Bonds of any Series, or any other Secured Creditor consolidate with, merge or amalgamate into or transfer its assets substantially as an entirety to, any successor in business of the Issuer or a Subsidiary of the Issuer provided that:

(a) a certificate of two directors of the Issuer and a certificate of a Designated Member of the LLP is delivered to the Bond Trustee and the Security Trustee to the effect that immediately after giving effect to such transaction no Issuer Event of Default or Potential Issuer Event of Default and no LLP Event of Default or Potential LLP Event of Default (in respect of the LLP), respectively, shall have occurred and be continuing;

(b) unless the Issuer is the surviving entity, the Issuer shall procure that the surviving or transferee company assumes its obligations as Issuer, or as the case may be, under the Trust Deed, each other relevant Programme Document and all of the outstanding Covered Bonds of all Series, in place of the Issuer; and

(c) in the case of an assumption of the obligations of the Issuer by a successor or transferee company, the guarantee of the LLP remain fully effective on the same basis in relation to the obligations of such successor or transferee company.

The Bond Trustee may only agree to a substitution of the existing Issuer with another entity if the transfer of the Issuer's benefits and obligations in relation to the Covered Bonds complies with Regulation 19 of the RCB Regulations and provided the Bond Trustee has received written confirmation of this from the Issuer or the new entity substituting the Issuer that such new entity complies with Regulation 19 of the RCB Regulations.

Upon the assumption of the obligations of the Issuer by such surviving or transferee company, the predecessor Issuer shall (subject to the provisions of the Trust Deed) have no further liabilities under or in respect of the Trust Deed or the outstanding Covered Bonds of each Series appertaining thereto and the other Programme Documents. Any such assumption shall be subject to the relevant provisions of the Trust Deed. The Trust Deed provides that any such assumption shall be notified to the holders of all Series of Covered Bonds in accordance with the relevant Terms and Conditions of such Covered Bonds and the other Secured Creditors.

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; and

"Series Reserved Matter" in relation to Covered Bonds of a Series means; (i) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds; (ii) alteration of the currency in which payments under the Covered Bonds, Receipts and Coupons are to be made; (iii) alteration of the majority required to pass an Extraordinary Resolution; (iv) any amendment to the Covered Bond Guarantee or the Deed of Charge (except in a manner determined by the Bond Trustee not to be materially prejudicial to the interests of the Covered Bondholders of any Series); (v) except in accordance with Condition 6(j) and 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/or for the appointment of some person with power on behalf of the Covered Bondholders to execute an instrument of transfer of the Registered Covered Bonds held by them in favour of the persons with or to whom the Covered Bonds are to be exchanged or sold respectively; and (vi) alteration of the proviso to paragraph 5 or paragraph 6 of Schedule 4 to the Trust Deed or the alteration of this definition.

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

If, in connection with the exercise of its powers, trusts, authorities or discretions the Bond Trustee or the Security Trustee is of the opinion that the interests of the 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 Extraordinary Resolution or by a direction in writing of such Covered Bondholders representing at least 25 per cent. of the Principal Amount Outstanding of Covered Bonds of the relevant Series then outstanding.

The Trust Deed and the Deed of Charge contain provisions for the indemnification of the Bond Trustee and the Security Trustee and for their relief from responsibility, including provisions relieving them from taking any action unless indemnified and/or prefunded and/or secured to their satisfaction.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which each of the Bond Trustee and Security Trustee, respectively, is entitled, inter alia, (i) to enter into business transactions with the Issuer, the LLP and/or any of their respective Subsidiaries and affiliates and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the LLP and/or any of their respective Subsidiaries and affiliates, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Covered Bondholders, Receiptholders or Couponholders or the other Secured Creditors and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

Neither the Bond Trustee nor the Security Trustee will be responsible for any loss, expense or liability, which may be suffered as a result of any Mortgage Loans or Related Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Bond Trustee and/or the Security Trustee. Neither the Bond Trustee nor the Security Trustee will be responsible for (i) supervising the performance by the Issuer or any other party to the Programme Documents of their respective obligations under the Programme 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 Programme Documents under the Programme Documents; (iii) monitoring the Mortgage Loan Portfolio, including, without limitation, whether the Mortgage Loan Portfolio is in compliance with the Asset Coverage Test, the Pre-Maturity Test or the Amortisation Test; or (iv) monitoring whether Mortgage Loans and Related Security satisfy the Eligibility Criteria. Neither
the Bond Trustee nor the Security Trustee will be liable to any holder of the Covered Bonds or other Secured Creditor for any failure to make or to cause to be made on their behalf the searches, investigations and enquiries which would normally be made by a prudent chargee in relation to the Security and have no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Programme Documents.

16. **Further Issues**

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

17. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of this Covered Bond under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. **Governing Law**

The Trust Deed, the Agency Agreement, the corporate services agreement entered into by the LLP, with, inter alios, Deutsche Bank AG, London Branch and the LLP on the Programme Date (the "Corporate Services Agreement"), the Covered Bonds, the Receipts, the Coupons and the other Programme Documents (other than each Scottish Declaration of Trust and certain documents to be granted pursuant to the Deed of Charge) will be governed by, and shall be construed in accordance with, English law unless specifically stated to the contrary. Each Scottish Declaration of Trust will be governed by, and shall be construed in accordance with, Scots law. Certain documents to be granted pursuant to the Deed of Charge will be governed by, and construed in accordance with, Scots law.
UNITED KINGDOM TAXATION

The following section applies to Covered Bonds issued pursuant to the Programme other than N Covered Bonds and does not apply to N Covered Bonds. Each N Covered Bond will contain its own relevant taxation section. N Covered Bondholders should review the taxation sections of the relevant N Covered Bond documentation.

The comments below are a summary of the current United Kingdom law and the practice of Her Majesty's Revenue and Customs ("HM Revenue & Customs"), which may be subject to change, sometimes with retrospective effect. They relate only to the position of persons who are the absolute beneficial owners of their Covered Bonds. The following comments relate only to the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Covered Bonds. The comments do not deal with any other aspect of the United Kingdom taxation treatment that may be applicable to Covered Bondholders (including, for instance, income tax, capital gains tax and corporation tax). Prospective Covered Bondholders should be aware that the particular terms of issue of any series of Covered Bonds as specified in the relevant Final Terms may affect the tax treatment of that and other series of Covered Bonds. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser.

Covered Bondholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of Covered Bonds are particularly advised to consult their professional advisers as to whether they are so liable (and, if so, under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Covered Bonds. In particular, Covered Bondholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Covered Bonds even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

Any Covered Bondholders who are in doubt as to their tax position should consult their professional advisers.

Payment of Interest by the Issuer on the Covered Bonds

Interest on the Covered Bonds may be paid without withholding or deduction for or on account of United Kingdom income tax where the Covered Bonds are listed on a "recognised stock exchange", as defined in section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes. The Covered Bonds will be treated as "listed" on the London Stock Exchange if they are included in the Official List of the UK Listing Authority (within the meaning of Part 6 of the Financial Services and Markets Act 2000) and are admitted to trading on the London Stock Exchange.

Provided that the Issuer is and continues to be a bank within the meaning of section 991 of the Income Tax Act 2007, and provided that the interest on the Covered Bonds is paid in the ordinary course of its business within the meaning of section 878 of the Income Tax Act 2007, the Issuer will be entitled to make payments of interest on the Covered Bonds without withholding or deduction for or on account of United Kingdom income tax.

In all cases falling outside the exemptions described above, interest on the Covered Bonds may be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available following a direction from HM Revenue & Customs pursuant to the provisions of any applicable double taxation treaty or to any other exemption that may apply. However, this withholding will not apply if the relevant interest is paid on Covered Bonds with a maturity date of less than one year from the date of issue and which are not issued under arrangements the effect of which is to render such Covered Bonds part of a borrowing with a total term of a year or more (the "Short Interest Exemption").

In the context of the Short Interest Exemption, on 27 March 2012, HMRC published a Consultation Document on "Possible changes to income tax rules on interest" which includes proposals relating to the imposition of United Kingdom withholding tax. One potential change is that the withholding tax obligation in respect of UK interest payments be extended so that it may apply to interest on Covered Bonds that are not issued under arrangements the effect of which is to render them part of a borrowing with a total term of more than one year. Covered Bondholders should consult their professional advisers as to whether the Covered Bonds are covered by this new proposal.
Bonds issued for a term of less than one year. It is not possible to identify at this time to what extent, if at all, these proposals will be implemented.

**Payments by the LLP**

If the LLP makes any payment in respect of interest on the Covered Bonds (or any other amounts due under the Covered Bonds other than the repayment of amounts subscribed for under the Covered Bonds), such payment may be subject to United Kingdom withholding tax, whether or not the Covered Bonds are listed on a "recognised stock exchange" within the meaning of section 1005 of Income Tax Act 2007. If payments by the LLP are subject to any withholding or deduction for or on account of income tax, the LLP will not be required to pay any additional amounts.

**Provision of Information**

Holders of Covered Bonds should note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Holder of a Covered Bond. In certain circumstances, the information so obtained may be passed by HMRC to the tax authorities of certain other jurisdictions.

For the above purposes, "interest" should be taken, for practical purposes, as including payments made by the LLP in respect of interest on the Covered Bonds.

The provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Covered Bond which constitute "deeply discounted securities" for the purposes of section 430 of the Income Tax (Trading and Other Income) Act 2005 (although, in this regard, HMRC published guidance for the year 2012/2013 indicates that HMRC will not exercise its power to obtain information in relation to such payments in that year).

Information may also be required to be reported in accordance with regulations made pursuant to the EU Savings Directive (see Risk Factors).

**Covered Bonds issued at a discount or premium**

Covered Bonds may be issued at an issue price of less than 100 per cent of their principal amount. Any discount element on any such Covered Bonds will not be subject to any United Kingdom withholding tax, but may be subject to the reporting requirements as outlined in "Provision of Information" above.

Where Covered Bonds are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax and the reporting requirements as outlined above.

**References to "interest"**

The references to "interest" and "discount" above mean "interest" and "discount" each as understood for the purposes of United Kingdom tax law. The statements above do not take any account of any different definitions of "interest", "discount" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Covered Bonds or any related documentation.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the issuer and does not consider the tax consequences of any such substitution.
SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

N Covered Bonds may only be transferred in accordance with the terms of the relevant N Covered Bond Conditions.

The following section applies to any Covered Bond issued pursuant to the Programme other than any N Covered Bonds.

Pursuant to the terms of a Programme agreement (as the same may be amended and/or supplemented and/or restated from time to time, the "Programme Agreement") dated on 1 December 2010, between the Arranger, the Dealers, the Issuer and the LLP, a basis has been agreed upon which the Dealers or any of them may from time to time agree to purchase Covered Bonds. Any such agreement for any particular purchase by a Dealer will extend to those matters stated under "Form of the Covered Bonds and Terms and Conditions of the Covered Bonds" above. The Issuer may pay the Dealers commission from time to time in connection with the sale of any Covered Bonds, in the Programme Agreement, the Issuer has agreed to reimburse and indemnify the Dealers for certain of their expenses and liabilities in connection with the establishment and any future updates of the Programme and the issue of Covered Bonds under the Programme. The Dealers are entitled to be released and discharged from their obligations in relation to any agreement to issue and purchase Covered Bonds under the Programme Agreement in certain circumstances prior to payment to the Issuer.

Transfer Restrictions

As a result of the following restrictions, purchasers of Covered Bonds in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Covered Bonds.

Each purchaser of Registered Covered Bonds (other than a person purchasing an interest in a Regulation S Global Covered Bond with a view to holding it in the form of an interest in the same Global Covered Bond) or person wishing to transfer an interest from one Regulation S Global Covered Bond to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

(i) 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;

(ii) 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 40 day distribution compliance period (defined as 40 days after the completion of the distribution of the Tranche of Covered Bonds of which such Covered Bonds are a part, as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue), it will do so only (a)(i) outside the United States in compliance with Rule 903 or 904 of Regulation S under the Securities Act and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Global Covered Bonds will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THE COVERED BONDS REPRESENTED BY THIS GLOBAL COVERED BOND HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY (THE "AGENCY AGREEMENT") AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND IN EACH CASE, PURSUANT TO AN EXCLUSION FROM REGISTRATION UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT") UNTIL THE EXPIRY
OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE COVERED BONDS OF THE TRANCHE OF WHICH THE COVERED BONDS REPRESENTED BY THIS CERTIFICATE ARE A PART, SALES MAY NOT BE MADE IN THE UNITED STATES OR TO U.S. PERSONS UNLESS MADE PURSUANT TO RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT"

(iii) 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 (ii) above, if then applicable;

(iv) that Covered Bonds offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Covered Bonds;

(v) that the Covered Bonds, other than the Regulation S Global Covered Bonds, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THE COVERED BONDS REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY (THE "AGENCY AGREEMENT") AND PURSUANT TO AN AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (B) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. UNTIL THE EXPIRY OF THE PERIOD 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE COVERED BONDS OF THE TRANCHE OF WHICH THE REGULATION S GLOBAL COVERED BONDS REPRESENTED BY THIS CERTIFICATE ARE A PART, SALES MAY NOT BE MADE IN THE UNITED STATES OR TO U.S. PERSONS.

THE COVERED BONDS REPRESENTED BY THIS CERTIFICATE AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON)."; and

(vi) 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 and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or in transactions not subject to, the registration requirements of the Securities Act and the Investment Company Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Covered Bonds in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

In connection with any Covered Bonds which are offered or sold outside the United States in reliance on Regulation S ("Regulation S Covered Bonds"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Regulation S Covered Bonds (i) as part of its distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Tranche of Covered Bonds of which such Covered Bonds are a part, as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue, and except in either case in accordance with Regulation S under the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Covered Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Covered Bonds within the United States or to, or for the account or benefit of, U.S. Persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of a Tranche of Covered Bonds, an offer or sale of such Covered Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issuance of Index Linked Covered Bonds or Dual Currency Covered Bonds shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer(s) may agree as a term of the issuance and purchase of such Covered Bonds, which additional selling restrictions shall be set out in the applicable Final Terms.

Public Offer Selling Restrictions under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), it has not made and will not make an offer of Covered Bonds, which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto, to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such covered bonds to the public in that Relevant Member State at any time:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,
provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression "an offer of Covered Bonds to the public" in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

**United Kingdom Selling Restrictions**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which Section 21(1) of the FSMA does not, or in the case of the Issuer, would not, if it was not an authorised person, 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 United Kingdom.

**General**

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Covered Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the LLP, the Bond Trustee, the Security Trustee nor any of the other Dealers shall have any responsibility therefor. Furthermore, they will not directly or indirectly offer, sell or deliver any Covered Bonds or distribute or publish any form of application, base prospectus/prospectus, advertisement or other offering material except under circumstances that will, to the best of their knowledge and belief, result in compliance with any applicable laws and regulations, and all offers, sales and deliveries of Covered Bonds by them will be made on the same terms.

None of the Issuer, the LLP, the Bond Trustee, the Security Trustee or any of the Dealers represents that Covered Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer(s) will be required to comply with such other additional or modified restrictions (if any) as the Issuer and the relevant Dealer(s) shall agree as a term of issue and purchase as indicated in the applicable Final Terms.

Each Dealer will, unless prohibited by applicable law, furnish to each person to whom they offer or sell Covered Bonds a copy of the Base Prospectus as then amended or supplemented or, unless delivery of the Base Prospectus is required by applicable law, inform each such person that a copy will be made available upon request. The Dealers are not authorised to give any information or to make any representation not contained in the Base Prospectus in connection with the offer and sale of Covered Bonds to which the Base Prospectus relates.

This Base Prospectus may be used by the Dealers for offers and sales related to market-making transactions in the Covered Bonds. Any or each of the Dealers may act as principal or agent in these
transactions. These sales will be made at prices relating to prevailing market prices at the time of sale. None of the Dealers has any obligation to make a market in the Covered Bonds, and any market-making may be discontinued at any time without notice. The Dealers are participating in the initial distribution of the Covered Bonds.
GENERAL INFORMATION

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 20 October 2010 and 21 October 2011, resolutions of an administration committee established by the board of directors dated 16 November 2010 and resolutions of delegates of the board of directors dated 25 May 2012 and the giving of the Covered Bond Guarantee has been duly authorised by a resolution of the LLP Management Committee dated 16 November 2010 and 25 May 2012.

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 Regulated Market of the London Stock Exchange will be admitted separately as and when issued, subject only to the issue of a Temporary Global Covered Bond, a Permanent Global Covered Bond, a Regulation S Global Covered Bond, as the case may be, initially representing the Covered Bonds of such Tranche.

RCB Regulations

The Issuer was admitted to the register of issuers on 1 December 2010 and the Programme and the Covered Bonds issued under the Programme have been and will be admitted to the register of regulated covered bonds under the RCB Regulations.

Clearing and Settlement

The Bearer Covered Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Bearer Covered Bonds allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Issuer may make an application for any Registered Covered Bonds to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Covered Bonds, together with the relevant ISIN and Common Code, will be specified in the applicable Final Terms. If the Covered Bonds are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Final Terms.

The Covered Bonds (other than the N Covered Bonds) may be accepted for clearance through the Clearstream, Luxembourg and Euroclear systems and DTC (which are entities in charge of keeping the records). The common code and/or CINS or CUSIP number for each Series of Covered Bonds allocated by Clearstream, Luxembourg and Euroclear or DTC will be contained in the applicable Final Terms, along with the International Securities Identification Number for that Series. Transactions will normally be effected for settlement not earlier than three days after the date of the transaction. The applicable Final Terms shall specify any other clearing system as shall have accepted the relevant Covered Bonds for clearance together with any further appropriate information.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of The Depository Trust Company is 55 Water Street, New York, NY10041-0099, USA. The address of any alternative clearing system will be specified in the applicable Final Terms.

Eurosystem Eligibility

It may be intended that the Covered Bonds be held in a manner which would allow Eurosystem eligibility. Please note, however, that the designation of the Covered Bonds as registered new global covered bonds simply means that the Covered Bonds are intended upon issue to be deposited with the Common Safekeeper and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.
**Significant or Material Change**

There has been no material adverse change in the financial position or the prospects of the Issuer since 30 September 2011 except as described above on pages 91 - 92 (see "The Issuer – Recent Events") and there has been no significant change in the financial or trading position of the Issuer or the Clydesdale Group since 31 March 2012 except as described on pages 91 - 92 above (see "The Issuer – Recent Events").

There has been no significant change in the financial or trading position of the LLP and there has been no material adverse change in the financial position or the prospects of the LLP since 30 September 2011.

**Litigation**

Except as described on pages 90 - 91 above (see "The Issuer – Legal and arbitration proceedings"), there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Clydesdale is aware) in the 12-month period before the date of this Base Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of Clydesdale.

The LLP is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened (of which the LLP is aware) in the 12-month period before the date of this Base Prospectus, which may have or have had, in the recent past, a significant effect on the LLP's financial position or profitability.

**Auditors**

The auditors of the Issuer are Ernst & Young LLP, chartered accountants and registered auditors (authorised and regulated by the FSA for designated investment business) who have audited the Issuer's accounts, without qualification, in accordance with generally accepted auditing standards in the United Kingdom for the financial years ended on 30 September 2010 and 30 September 2011.

The auditors of the LLP are Ernst & Young LLP, chartered accountants and registered auditors (authorised and regulated by the FSA for designated investment business) who have audited the LLP's accounts, without qualification, in accordance with generally accepted auditing standards in the United Kingdom for the financial year ended on 30 September 2011.

**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 Covered Bondholders during usual business hours 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:

(i) the constitutive documents of the LLP and the Issuer;

(ii) the consolidated audited financial statements of the Issuer in respect of the financial periods ended 30 September 2010 and 30 September 2011. The Issuer currently prepares audited accounts on an annual basis;

(iii) Clydesdale's interim Reports and Financial Statements for the six month period ended 31 March 2012;

(iv) the most recently published audited annual financial statements of the Issuer and the most recently published consolidated unaudited interim financial statements (if any) of the Issuer. The Issuer currently prepares unaudited consolidated interim accounts on a semi-annual basis. The LLP will prepare unaudited non-consolidated accounts on an annual basis;

(v) an accountant's report issued by Ernst & Young LLP, the reporting accountants to the LLP;

(vi) the forms of the Global Covered Bonds, the Definitive Covered Bonds, the Receipts, the Coupons and the Talons;

(vii) a copy of this Base Prospectus;
any future base 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 Base Prospectus and any other documents incorporated herein or therein by reference; and

(ix) each Programme Document.

Reports

The Trust Deed provides that the Trustee may rely on any certificate or report by the auditors of the Issuer or any other expert called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with the provisions of the Trust Deed as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith contains a monetary or other limit on the liability of the auditors of the Issuer or such other expert in respect thereof.
APPENDIX

FORM OF FINAL TERMS

Set out below is the form of Final Terms which, subject to any necessary amendment, will be completed for each Tranche of Covered Bonds issued under the Programme with the exception of the N Covered Bonds. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated [*]
(to the Base Prospectus dated [*] 2012)

Clydesdale Bank PLC

Issue of [[Regulated] [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds] irrevocably and unconditionally guaranteed as to payment of principal and interest by Clydesdale Covered Bonds No. 2 LLP under the €10 billion Global Covered Bond Programme

The Issuer has been registered and notice of the issue of these Covered Bonds [has been/ will be] made, under the RCB Regulations (S.I. 2008/346). In this respect, see also the paragraph "The RCB Regulations" in the section "Risk Factors" of the Base Prospectus.

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the conditions (the "Conditions") set forth in the Base Prospectus dated [*] [and the Supplemental Prospectus dated [*]] which [together] constitute(s) a base prospectus (the "Base Prospectus") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive"). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5(4) of the Prospectus Directive and must be read in conjunction with such Base Prospectus. Full information on the Issuer, the Guarantor and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectuses [and the Supplemental Prospectus] [is] [are] available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the Base Prospectus dated [original date]. This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5(4) of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive") and must be read in conjunction with the Base Prospectus dated [current date] and the Supplemental Prospectus dated [*], which together constitute(s) a base prospectus (the "Base Prospectus") for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [original date] and are attached hereto. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus dated [current date] [and the Supplemental Prospectus dated [*] and [*]]. The Base Prospectus [and the Supplemental Prospectus] [is] [are] available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Final Terms.]

[When adding any other final terms or information including final terms at items [10,11,17,18,19 or 30] of Part A or in relation to disclosure relating to the interests of natural and legal persons involved in the issue/offer in Part B consideration should be given as to whether such terms or information constitute "significant new facts" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]
1. (i) Issuer: Clydesdale Bank PLC
(ii) Guarantor: Clydesdale Covered Bonds No. 2 LLP

2. (i) Series Number: [•]
(ii) Tranche Number: [•]

   [If fungible with an existing Series, details of that Series, including the date on which the Covered Bonds become fungible]

3. Specified Currency or Currencies: [•]

4. [Nominal Amount of Covered Bonds to be issued:] [•]

5. Aggregate Nominal Amount of the Covered Bonds Admitted to trading:
   (i) [Series: [•]
   (ii) Tranche: [•]

6. (i) Issue Price: [•]
   (ii) [Net proceeds: [•]

   [(Required only for listed issues)]

7. Specified Denominations:
   [in the case of Registered Covered Bonds, this means the minimum integral amount in which transfers can be made] [•]

   [N.B. The minimum denomination of each Covered Bond admitted to trading on a regulated exchange in the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive is €100,000 (or, if the Covered Bonds are denominated in a currency other than euro, the equivalent amount in such currency) or such other higher amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. Please see paragraph [13] below for tradeable amount]

8. (i) Issue Date: [•]
   (ii) Interest Commencement Date: [•]

---

1 If Covered Bonds are offered or sold in The Netherlands with a denomination of less than €50,000 (or its foreign currency equivalent) then they may only be offered or sold as a block or package having an aggregate value of at least €50,000 (or its foreign currency equivalent) and a selling restriction to this effect should be included in the Final Terms or offered or sold to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises) and a selling restriction to this effect should be included in the Final Terms.
9. Final Maturity Date: [Interest Payment Date falling in or nearest to [specify month and year]]

Extended Due for Payment Date of Guaranteed Amounts corresponding to the Final Redemption Amount under the Covered Bond Guarantee:

[Interest Payment Date falling in or nearest to [specify month and year] / [N/A]]

10. Interest Basis:

[[•] per cent. Fixed Rate]
[[LIBOR/EURIBOR] +/- [•] per cent. Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[Dual Currency Interest]
[specify other]
(further particulars specified below)

11. Redemption/Payment Basis:

[Redemption at par]
[Index Linked Redemption]
[Dual Currency Redemption]
[Partly Paid]
[Instalment]
[Hard Bullet Covered Bond]
[specify other]

12. Change of Interest Basis or Redemption/Payment Basis:

[Specify details of any provision for change of Covered Bonds into another Interest Basis or Redemption/Payment Basis]

13. Tradeable amount: [Integral Multiples]

14. Put/Call Options:

[Investor Put]
[Issuer Call]

[(further particulars specified below)]

15. (i) Status of the Covered Bonds: Senior

(ii) Status of the Guarantee: Senior

(iii) [Date Board/Committee approval for issuance of Covered Bonds obtained: [•] and [•], respectively]]

[N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Covered Bonds or related Guarantee]

16. Method of distribution: [Syndicated/ Non-syndicated]
<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>17. Fixed Rate Covered Bond Provisions</td>
<td>[Applicable/Not Applicable]</td>
<td>[If not applicable, delete the remaining sub-paragraphs of this paragraph]</td>
</tr>
<tr>
<td>(i) Fixed Rate(s) of Interest:</td>
<td>[*] per cent. Per annum [payable [annually/semi-annually/quarterly] in arrear]</td>
<td>[If payable other than annually, consider amending Condition 4 (Interest)]</td>
</tr>
<tr>
<td>(ii) Interest Payment Date(s):</td>
<td>[*] in each year up to and including the [Final Maturity Date] [Extended Due for Payment Date, if applicable]/[specify other] (provided however that after the Extension Determination Date, the Interest Payment Date shall be monthly)</td>
<td>[NB: This will need to be amended in the case of long or short coupons]</td>
</tr>
<tr>
<td>(iii) Business Day Convention:</td>
<td>[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]</td>
<td></td>
</tr>
<tr>
<td>(iv) Business Day(s):</td>
<td>[*]</td>
<td></td>
</tr>
<tr>
<td>(v) Additional Business Centre(s):</td>
<td>[New York], [*]</td>
<td></td>
</tr>
<tr>
<td>(vi) Fixed Coupon Amount(s):</td>
<td>[<em>] per [</em>] in nominal amount</td>
<td></td>
</tr>
<tr>
<td>(vii) Initial Broken Amount(s):</td>
<td>[Insert particulars of any initial broken interest amounts which do not correspond with the Fixed Coupon Amount]</td>
<td></td>
</tr>
<tr>
<td>(viii) Final Broken Amount:</td>
<td>[Insert particulars of any final broken interest amounts which do not correspond with the Fixed Coupon Amount]</td>
<td></td>
</tr>
<tr>
<td>(ix) Day Count Fraction:</td>
<td>[30/360 or Actual/Actual ((ISMA)/(ISDA)) or specify other]</td>
<td></td>
</tr>
<tr>
<td>(x) Determination Date(s):</td>
<td>[*] in each year</td>
<td>[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon] &lt;br&gt; <strong>NB:</strong> This will need to be amended in the case of regular interest payment dates which are not of equal duration. &lt;br&gt; <strong>NB:</strong> Only relevant where Day Count Fraction is Actual/Actual (ISMA)]</td>
</tr>
<tr>
<td>(xi) Other terms relating to the method of calculating interest for Fixed Rate Covered Bonds:</td>
<td>[Not Applicable/Give details]</td>
<td></td>
</tr>
</tbody>
</table>

---

2 This section relates to interest payable under the Covered Bonds and corresponding amounts of Scheduled Interest payable under the Covered Bond Guarantee
18. **Floating Rate Covered Bond Provisions**

(i) Specified Period(s)/Specified Interest Payment Date(s):

[*] *(provided however that after the Extension Determination Date, the Specified Interest Payment Date shall be monthly)*

[NB: Specify the Specified Period(s)/Specified Interest Payment Date(s) up to and including the Extended Due for Payment Date, if applicable]

(ii) Business Day Convention:

[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]

(iii) Additional Business Centre(s):

[*]

(iv) Manner in which the Rate of Interest and Interest Amount is to be determined:

[Screen Rate Determination/ISDA Determination/[specify other]]

(v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent):

[*]

(vi) Screen Rate Determination:

(1) Reference Rate:

[*] *(Either LIBOR, EURIBOR or other, although additional information is required if other, including amendment to fallback provisions in the Agency Agreement)*

(2) Interest Determination Date(s):

[*] *(Second day on which commercial banks are open for general business (including dealings in foreign currency deposits) in London prior to the start of each Interest Period if LIBOR (other than Sterling [or euro LIBOR]), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 is open prior to the start of each Interest Period if EURIBOR [or euro LIBOR])*

[NB: Specify the Interest Determination Date(s) up to and including the Extended Due for Payment Date, if applicable]

(3) Relevant Screen Page:

[*] *(In the case of EURIBOR, if not Reuters page EURIBOR01 or, in the case of LIBOR, Reuters Page LIBOR01, ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
(vii) ISDA Determination:

(1) Floating Rate Option: [*]

(2) Designated Maturity: [*]

(3) Reset Date: [*]

(viii) Margin(s): [+/-] [*] per cent. Per annum.

(ix) Minimum Rate of Interest: [*] per cent. Per annum

(x) Maximum Rate of Interest: [*] per cent. Per annum

(xi) Day Count Fraction: (Actual/365/Actual/365 (Fixed)/Actual/360/30/360/30E/360/(Other))/[adjusted/not adjusted]

(xii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Covered Bonds, if different from those set out in Condition [*] of the Conditions: [*]

19. Zero Coupon Covered Bond Provisions:\(^3\) [Applicable/Not Applicable]

(If not applicable, delete the remaining sub – paragraphs of this paragraph)

(i) Accrual Yield: [*] per cent. Per annum

(ii) Reference Price: [*]

(iii) Any other formula/basis of determining amount payable: [*]

(iv) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]

(v) Business Day(s): [*]

Additional Business [*]

---

\(^3\) Zero Coupon Covered Bonds not to be issued with an Extended Due for Payment Date unless otherwise agreed with the Dealers and the Bond Trustee.
Centre(s):

(vi) Day Count Fraction in relation to Early Redemption Amounts and late payment:
[Consider applicable day count fraction if not U.S. dollar denominated]

20. **Index Linked Interest Covered Bond**

(i) Index/Formula/other variable:
[give or annex details]

(ii) Calculation Agent responsible for calculating the principal and/or interest due:
[*]

(iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable
[*]

(iv) Determination Date
[*]

(v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:
[*]

(vi) Specified Period(s):
[*]

(vii) Specified Interest Payment Dates:
[*] (provided however that after the Extension Determination Date, the Specified Interest Payment Date shall be monthly)

(viii) Business Day Convention:
[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]

(ix) Additional Business Centre(s):
[*]

(x) Minimum Rate of Interest:
[*] per cent. Per annum

(xi) Maximum Rate of Interest:
[*] per cent. Per annum

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4 No Index Linked Covered Bonds will be issued except following an amendment of the Programme by way of supplementary prospectus.
(xii) Day Count Fraction: [•]

21. **Dual Currency Covered Bond Provisions**

(i) Rate of Exchange/method of calculating Rate of Exchange: [•]

(ii) Calculation Agent, if any, responsible for calculating the principal and/or interest payable: [•]

(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [give details]

(iv) Person at whose option Specified Currency(ies) is/are payable: [•]

(v) Business Day(s): [•]

Additional Business Centre(s): [•]

**PROVISIONS RELATING TO REDEMPTION BY THE ISSUER**

22. Issuer Call: [Applicable/Not Applicable]

[If not applicable, delete the remaining sub-paragraphs of this paragraph]

(i) Optional Redemption Date(s): [•]

[NB: Optional Redemption Dates must be Interest Payment Dates unless otherwise agreed with the Dealers and the Bond Trustee]

(ii) Optional Redemption Amount of each Covered Bond and method, if any, of calculation of such amount(s): [•] per Covered Bond of [•] Specified Denomination

(iii) If redeemable in part:

(a) Minimum Redemption Amount: [•]

(b) Higher Redemption Amount: [•]

(iv) Notice period (if other than as set out in the [•] [N.B. If setting notice periods which are different to those
Conditions): provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or Bond Trustee.

23. Put Option: [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Optional Redemption Date(s): [*]

[NB: Optional Redemption Dates must be Interest Payment Dates unless otherwise agreed with the Dealers and the Bond Trustee]

(ii) Optional Redemption Amount(s) of each Covered Bond and method, if any of calculation of such amount(s):

[*] per Covered Bond of [*] Specified Denomination

(iii) Notice period: [*]

24. Final Redemption Amount of each Covered Bond:

[Nominal Amount /specify otherwise]

25. Early Redemption Amount of each Covered Bond payable on redemption for taxation reasons, on acceleration following an Issuer Event of Default or an LLP Event of Default and/or the method of calculating the same (if required or if different from that set out in Condition 6(f) (Early Redemption Amounts):

[*]

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

26. Form of Covered Bonds: [Bearer Covered Bonds:

(i) [Form:]

[Bearer Covered Bonds:

[Temporary Global Covered Bond exchangeable for a Permanent Global Covered Bond which is exchangeable for Bearer Definitive Covered Bonds in definitive form only after an Exchange Event.]

[Temporary Global Covered Bond exchangeable for Bearer Definitive Covered Bonds only after the Exchange Date and an Exchange Event.]

[Permanent Global Covered Bond exchangeable for Bearer Definitive Covered Bonds in definitive form only after an Exchange Event/on not less than 60 days' notice]

[N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Covered Bonds in paragraph 7 above includes language substantially to the following effect: "€100,000 and integral..."
multiples thereof. 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 Note exchangeable for Definitive Covered Bonds.

(Registered Covered Bonds:

Regulation S Global Covered Bond (U.S.$[*] nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/the Common Safekeeper (or its nominee) for Euroclear and Clearstream, Luxembourg] (specify nominal amounts)

(ii) New Global Covered Bond: [Yes]/[No]

27. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]

[Note that this item relates to the place of payment and not Interest Period end dates to which items 18(ii), 19(iii) and 21(viii) relate]

28. Talons for future Coupons or Receipts to be attached to Bearer Definitive Covered Bonds (and dates on which such Talons mature): [Yes/No. If yes, give details]

29. Details relating to Partly-Paid Covered Bonds: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Covered Bonds and interest due on late payment: [Not Applicable/give details. N.B. a new form of Temporary Global Covered Bond and/or Permanent Global Covered Bond may be required for Partly Paid issues]

30. Details relating to Instalment Covered Bonds:

(i) Instalment Amount(s): [Not Applicable/give details]

(ii) Instalment Date(s): [Not Applicable/give details]

31. Redenomination: Redenomination [not] applicable

[If Redenomination is applicable, specify the terms of the redenomination in an annex to the Final Terms]

32. Other final terms: [Not Applicable/give details]

[When adding any other final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive]

33. (i) If syndicated, names and addresses of Managers:

[Not Applicable/give names, addresses and underwriting commitments]
(ii) Stabilising Manager(s) (if any): [Not Applicable/give name]

34. If non-syndicated, name of relevant Dealer(s): [*]

35. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA rules not applicable]

36. Additional selling restrictions: [Not Applicable/give details]

37. Covered Bond Swap Provider [*]

LISTING APPLICATION

These Final Terms comprise the final terms required for issue and admission to trading on the Regulated Market of the London Stock Exchange of the Covered Bonds described herein pursuant to the €10 billion Global Covered Bond Programme of Clydesdale Bank PLC.

RESPONSIBILITY

Each of the Issuer and the Guarantor accept responsibility for the information contained in these Final Terms. [•] has been sourced from [•]. The Issuer [and the Guarantor] confirms that such information has been accurately reproduced and that, so far as it is aware [and able to ascertain from information published by [•]] no facts have been omitted which would render the reproduced information inaccurate or misleading.

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

   (i) Listing: [London/other (specify)/None]

   (ii) Admission to trading: [Application has been made for the Covered Bonds to be admitted to trading on [specify relevant regulated market] with effect from [•]] [Not applicable]

   (iii) Estimate of total expenses related to admission to trading: [•]

2. RATINGS:

   The Covered Bonds to be issued have been rated [insert details] by [insert details].

   [[Insert credit rating agency] is established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended).]

   [[Insert credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) No 1060/2009 (as amended).]

   [[Insert credit rating agency] is not established in the European Union and is endorsed by a credit rating agency [registered/that has applied for registration] under Regulation (EC) No 1060/2009 (as amended).]
[Insert credit rating agency] is not established in the European Union and [is certified in accordance with Regulation (EC) No 1060/2009/is applying to be certified in accordance with Regulation (EC) No 1060/2009 (as amended) but has not yet been certified].

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended) (the "CRA Regulation") unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

[The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating].

3. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(i) Reasons for the offer: [•]

(See ["Use of Proceeds"] wording in Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here)

(ii) Estimated net proceeds: [•]

(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding)

(iii) Estimated total expenses: [•]

[Include breakdown of expenses]

(If the Covered Bonds are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above)

4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

[Save as discussed in "Subscription and Sale and Transfer and Selling Restrictions", so far as the Issuer and the Guarantor are aware, no person involved in the issue of the Covered Bonds has an interest material to the offer. [Amend as appropriate if there are other interests]]

5. YIELD [Fixed Rate Covered Bonds only]

Indication of yield: [•]

[The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield]
6. PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING [Index-Linked or other variable-linked Covered Bonds only]

[Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Include other information concerning underlying required by Paragraph 4 of Annex XII of the Prospectus Directive Regulation]

7. PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT [Dual Currency Covered Bonds only]

[Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained]

8. OPERATIONAL INFORMATION

(i) ISIN Code: [•]
(ii) Common Code: [•]
(iii) CUSIP: [•]
(iv) CINS: [•]
(v) Any clearing system(s) other than DTC, Euroclear or Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s), address, and number(s)]
(vi) Delivery: Delivery [against/free of] payment
(vii) Name and address of initial Paying Agent(s) [•]
(viii) Names and addresses of additional Paying Agent(s) (if any): [•]
(ix) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes]/[No] [Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be deposited with the Common Safekeeper for Euroclear or Clearstream, Luxembourg and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria] [Include this text if "yes" selected in which case the Covered Bonds must be issued in NSSCB or NGCB form]
9. **[SELECTED STATISTICAL INFORMATION]**

The statistical and other information contained in these Final Terms has been compiled by reference to the Mortgage Loans in the Cut Off Date Mortgage Loan Portfolio as of [specify date] (the "Cut Off Date"). The Cut Off Date Mortgage Loan Portfolio comprised an aggregate Current Principal Balance of £[•]. The Mortgage Loans in the Cut Off Date Mortgage Loan Portfolio were originated between [•] and [•].

Unless indicated otherwise, the following description relates to types of Mortgage Loans that could be included in the Mortgage Loan Portfolio as of the [Issue Date]/[applicable assignment date] or on any subsequent date.

The Borrowers in respect of [•]% of the aggregate Current Principal Balance of the Mortgage Loans in the Cut Off Date Mortgage Loan Portfolio as of [•] have agreed to have their Scheduled Mortgage Payments to the Originators directly debited from their bank accounts.

[•]% of the aggregate Current Principal Balance of the Mortgage Loans in the Cut Off Date Mortgage Loan Portfolio as of the Cut Off Date were fixed rate Mortgage Loans. The remaining [•]% of the aggregate Current Principal Balance of the Mortgage Loans in the Cut Off Date Mortgage Loan Portfolio as of the Cut Off Date were Standard Variable Rate Mortgage Loans, Variable Rate Mortgage Loans, Capped Rate Mortgage Loans, Discount Rate Mortgage Loans or Tracker Rate Mortgage Loans, as described below.

[A small proportion of Mortgage Loans (approximately [•]% of the aggregate Current Principal Balance of the Mortgage Loans in the Cut-Off Date Mortgage Loan Portfolio)] are Mortgage Loans extended to the relevant borrowers in connection with the purchase by those Borrowers of properties from local authorities or certain other landlords under the right-to-buy schemes governed by the Housing Act 1985 (as amended by the Housing Act 2004) or (as applicable) the Housing (Scotland) Act 1987 (as amended by the Housing (Scotland) Act 2001).]

As of the Cut Off Date, the Seller's Standard Variable Rate for existing and new Borrowers was [•]% per annum.

The tables set out in "— Combined Mortgage Loan Portfolio" show statistical and other information relating to all Mortgage Loans in the Cut Off Date Mortgage Loan Portfolio as of the Cut Off Date.

The tables set out in "— Home Owner Mortgage Loans" show statistical and other information relating to the home owner Mortgage Loans in the Cut Off Date Mortgage Loan Portfolio as of the Cut Off Date.

The tables set out in "— Buy-To-Let Mortgage Loans" show the statistical and other information relating to the Buy-To-Let Mortgage Loans in the Cut Off Date Mortgage Loan Portfolio as of the Cut Off Date.

Columns stating percentage amounts may not add up to 100% due to rounding.
**Combined Mortgage Loan Portfolio**

*Originators – combined Mortgage Loan Portfolio*

<table>
<thead>
<tr>
<th>Originator</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clydesdale Bank</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
<tr>
<td>YBHL</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
<tr>
<td>Total</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
</tbody>
</table>

*Types of Mortgage Loan – combined Mortgage Loan Portfolio*

<table>
<thead>
<tr>
<th>Type of Mortgage Loan</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
<tr>
<td>Total</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
</tbody>
</table>

*Tenure – combined Mortgage Loan Portfolio*

<table>
<thead>
<tr>
<th>Tenure</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feehold</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
<tr>
<td>Freehold</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
<tr>
<td>Leasehold</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
<tr>
<td>Unknown</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
<tr>
<td>Total</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
</tbody>
</table>

*Seasoning of Mortgage Loans at Closing – combined Mortgage Loan Portfolio*

The following table shows length of time since the Mortgage Loans were originated as of the [Cut Off Date].

<table>
<thead>
<tr>
<th>Age of Mortgage Loans (months)</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
<tr>
<td>Total</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
</tbody>
</table>

The weighted average seasoning of Mortgage Loans, as of the Cut Off Date, was [*] months. The maximum seasoning of such Mortgage Loans, as of the Cut Off Date, was [*] months and the minimum seasoning of such Mortgage Loans, as of the Cut Off Date, was [*] months.

*Years to maturity at Closing – combined Mortgage Loan Portfolio*

<table>
<thead>
<tr>
<th>Years to maturity</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
<tr>
<td>Total</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
</tbody>
</table>
The weighted average remaining term of the Mortgage Loans, as of the Cut Off Date, was [•] years. The maximum remaining term, as of the Cut Off Date, was [•] years.

**Geographical distribution of Mortgaged Properties – combined Mortgage Loan Portfolio**

The following table shows the spread of Mortgaged Properties securing the Mortgage Loans throughout England, Wales and Scotland as of the Cut Off Date. No properties are situated outside England, Wales and Scotland. The geographical location of a property has no impact upon the lending criteria and credit scoring tests.

<table>
<thead>
<tr>
<th>Region</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Anglia</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>East Midlands</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Greater London</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>North</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>North West</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Scotland</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>South East (excluding London)</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>South West</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Wales</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>West Midlands</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Yorkshire</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Total</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
</tbody>
</table>

**Original loan-to-value ratios – combined Mortgage Loan Portfolio**

The following table shows the range of original loan-to-value ratios, which express the current balance of a mortgage loan, as at the date of its origination, divided by the value of the mortgaged property securing that mortgage loan at the same date.

No mortgaged property has been revalued since the date of origination of the related mortgage loan other than where additional lending or re-mortgaging has been applied for since the date of origination or where the mortgage loan was mortgage loan originated by either originator prior to 10 April 2006 (unless originated through the intermediary/broker network) where a self assessment of the property valuation from the potential borrower was used for the valuation of the property, and in applying that self assessment to an LTV calculation, an LTV ratio of less than 75% was determined. In each of the aforementioned cases, the original valuation may have been updated with a more recent valuation, which recent valuation has been used in formulating this data.

<table>
<thead>
<tr>
<th>Original LTV</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Total</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
</tbody>
</table>

The weighted average original loan-to-value ratio of the Mortgage Loans, as of the Cut Off Date was [•]%.

**Current loan-to-value ratios – combined Mortgage Loan Portfolio**

The following table shows the range of current loan-to-value ratios, or LTV ratios, which express the Current Principal Balance of a Mortgage Loan, as of the Cut Off Date, divided by the value of the mortgaged property securing that Mortgage Loan at the same date.
The weighted average current loan-to-value ratio of the Mortgage Loans, as of the Cut Off Date was \([\ast]\)\%.

### Current indexed loan-to-value ratios – combined Mortgage Loan Portfolio

The following table shows the range of current indexed loan-to-value ratios, or LTV ratios, which express the Current Principal Balance of a Mortgage Loan, as of the Cut Off Date, divided by the indexed value of the Mortgaged Property securing that Mortgage Loan, as of the same date [(calculated using the Halifax House Price Index)].

<table>
<thead>
<tr>
<th>Indexed LTV</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>([\ast])</td>
<td>([\ast])</td>
<td>([\ast])</td>
<td>([\ast])</td>
<td>([\ast])</td>
</tr>
<tr>
<td>Total</td>
<td>([\ast])</td>
<td>([\ast])</td>
<td>([\ast])</td>
<td>([\ast])</td>
</tr>
</tbody>
</table>

The weighted average current indexed loan-to-value ratio of the Mortgage Loans, as of the Cut Off Date, was \([\ast]\)\%.

### Current Principal Balances – combined Mortgage Loan Portfolio

The following table shows the Current Principal Balances of the Mortgage Loans (including capitalised fees and/or charges, if applicable), as of the Cut Off Date:

<table>
<thead>
<tr>
<th>Range of Current Principal Balance</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>([\ast])</td>
<td>([\ast])</td>
<td>([\ast])</td>
<td>([\ast])</td>
<td>([\ast])</td>
</tr>
<tr>
<td>Total</td>
<td>([\ast])</td>
<td>([\ast])</td>
<td>([\ast])</td>
<td>([\ast])</td>
</tr>
</tbody>
</table>

The largest Mortgage Loan had a Current Principal Balance, as of the Cut Off Date, of £\([\ast]\). The average Current Principal Balance, as of the Cut Off Date, was approximately £\([\ast]\).

### Flexible Offset Product Type – combined Mortgage Loan Portfolio

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flexible</td>
<td>([\ast])</td>
<td>([\ast])</td>
<td>([\ast])</td>
<td>([\ast])</td>
</tr>
<tr>
<td>Offset</td>
<td>([\ast])</td>
<td>([\ast])</td>
<td>([\ast])</td>
<td>([\ast])</td>
</tr>
<tr>
<td>Total</td>
<td>([\ast])</td>
<td>([\ast])</td>
<td>([\ast])</td>
<td>([\ast])</td>
</tr>
</tbody>
</table>
### Mortgage Loan products – combined Mortgage Loan Portfolio

<table>
<thead>
<tr>
<th>Mortgage loan products</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Total</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
</tbody>
</table>

### Employment status – combined Mortgage Loan Portfolio

<table>
<thead>
<tr>
<th>Employment status</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Total</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
</tbody>
</table>

[Approximately •% of the aggregate Current Principal Balance of the Mortgage Loans, as of the Cut Off Date, were made to borrowers under the non-verified income program as described in the Base Prospectus under "The Mortgage Loans – Characteristics of the Mortgage Loans – Lending criteria".]

### Distribution of Fixed Rate Mortgage Loans – combined Mortgage Loan Portfolio

Fixed Rate Mortgage Loans remain at the relevant fixed rate for a period of time as specified in the offer of advance, after which they move to the standard variable rate of the Originators or some other rate as specified in the offer of advance.

<table>
<thead>
<tr>
<th>Fixed rate %</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Total</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
</tbody>
</table>

### Month/year in which fixed rate period ends – combined Mortgage Loan Portfolio

<table>
<thead>
<tr>
<th>Month/year in which fixed rate period ends %</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Total</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
</tbody>
</table>

### Repayment terms – combined Mortgage Loan Portfolio

<table>
<thead>
<tr>
<th>Type of repayment plan</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Total</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
</tbody>
</table>
Home Owner Mortgage Loans

Originators – Home Owner Mortgage Loans

<table>
<thead>
<tr>
<th>Originator</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clydesdale Bank</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>YBHL</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Total</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
</tbody>
</table>

Tenure – Home Owner Mortgage Loans

<table>
<thead>
<tr>
<th>Tenure</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feuhold</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Freehold</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Leasehold</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Unknown</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Total</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
</tbody>
</table>

Seasoning of Mortgage Loans at Closing – Home Owner Mortgage Loans

The following table shows length of time since the Home Owner Mortgage Loans were originated as of the [Cut Off Date].

<table>
<thead>
<tr>
<th>Age of Mortgage Loans (months)</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Total</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
</tbody>
</table>

The weighted average seasoning of Home Owner Mortgage Loans, as of the Cut Off Date, was [•] months. The maximum seasoning of such Home Owner Mortgage Loans, as of the Cut Off Date, was [•] months and the minimum seasoning of such Home Owner Mortgage Loans, as of the Cut Off Date, was [•] months.

Years to maturity at Closing – Home Owner Mortgage Loans

<table>
<thead>
<tr>
<th>Years to maturity</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Total</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
</tbody>
</table>

The weighted average remaining term of the Home Owner Mortgage Loans, as of the Cut Off Date, was [•] years. The maximum remaining term, as of the Cut Off Date, was [•] years.

Geographical distribution of Mortgaged Properties – Home Owner Mortgage Loans

The following table shows the spread of Mortgaged Properties securing the Home Owner Mortgage Loans throughout England, Wales and Scotland as of the Cut Off Date. No properties are situated outside
England, Wales and Scotland. The geographical location of a property has no impact upon the Lending Criteria and credit scoring tests.

<table>
<thead>
<tr>
<th>Region</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Anglia</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>East Midlands</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Greater London</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>North</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>North West</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Scotland</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>South East (excluding London)</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>South West</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Wales</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>West Midlands</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Yorkshire</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Total</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
</tbody>
</table>

**Original loan-to-value ratios – Home Owner Mortgage Loans**

The following table shows the range of original loan-to-value ratios, which express the current balance of a mortgage loan, as at the date of its origination, divided by the value of the mortgaged property securing that mortgage loan at the same date.

No mortgaged property has been revalued since the date of origination of the related mortgage loan other than where additional lending or re-mortgaging has been applied for since the date of origination or where the mortgage loan was mortgage loan originated by either originator prior to 10 April 2006 (unless originated through the intermediary/broker network) where a self assessment of the property valuation from the potential borrower was used for the valuation of the property, and in applying that self assessment to an LTV calculation, an LTV ratio of less than 75% was determined. In each of the aforementioned cases, the original valuation may have been updated with a more recent valuation, which recent valuation has been used in formulating this data.

<table>
<thead>
<tr>
<th>Original LTV</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Total</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
</tbody>
</table>

The weighted average original loan-to-value ratio of the Home Owner Mortgage Loans, as of the Cut Off Date was [•]%.

**Current loan-to-value ratios – Home Owner Mortgage Loans**

The following table shows the range of current loan-to-value ratios, or LTV ratios, which express the Current Principal Balance of a Home Owner Mortgage Loan, as of the Cut Off Date, divided by the value of the Mortgaged Property securing that Mortgage Loan at the same date.

<table>
<thead>
<tr>
<th>Current LTV</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Total</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
</tbody>
</table>

The weighted average current loan-to-value ratio of the Home Owner Mortgage Loans, as of the Cut Off Date was [•]%.

- 254 -
Current indexed loan-to-value ratios – Home Owner Mortgage Loans

The following table shows the range of current indexed loan-to-value ratios, or LTV ratios, which express the Current Principal Balance of a Home Owner Mortgage Loan, as of the Cut Off Date, divided by the indexed value of the Mortgaged Property securing that Home Owner Mortgage Loan, as of the same date [(calculated using the Halifax House Price Index)].

<table>
<thead>
<tr>
<th>Indexed LTV</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Total</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
</tbody>
</table>

The weighted average current indexed loan-to-value ratio of the Home Owner Mortgage Loans, as of the Cut Off Date, was [•]%.

Current Principal Balances – Home Owner Mortgage Loans

The following table shows the Current Principal Balances of the Home Owner Mortgage Loans (including capitalised fees and/or charges, if applicable), as of the Cut Off Date:

<table>
<thead>
<tr>
<th>Range of Current Principal Balance</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Total</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
</tbody>
</table>

The largest Mortgage Loan had a Current Principal Balance, as of the Cut Off Date, of £[•]. The average Current Principal Balance, as of the Cut Off Date, was approximately £[•].

Flexible Offset Product Type – Home Owner Mortgage Loans

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flexible</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Offset</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Total</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
</tbody>
</table>

Mortgage Loan products – Home Owner Mortgage Loans

<table>
<thead>
<tr>
<th>Mortgage loan products</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Total</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
</tbody>
</table>
### Employment status – Home Owner Mortgage Loans

<table>
<thead>
<tr>
<th>Employment status</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
</tbody>
</table>

[Approximately [*]% of the aggregate Current Principal Balance of the Home Owner Mortgage Loans, as of the Cut Off Date, were made to Borrowers under the non-verified income program as described in the Base Prospectus under "The Mortgage Loans – Characteristics of the Mortgage Loans – Lending Criteria".]

### Distribution of Fixed Rate Mortgage Loans – Home Owner Mortgage Loans

Fixed Rate Home Owner Mortgage Loans remain at the relevant fixed rate for a period of time as specified in the offer of advance, after which they move to the standard variable rate of the Originators or some other rate as specified in the offer of advance.

<table>
<thead>
<tr>
<th>Fixed rate %</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
</tbody>
</table>

### Month/year in which fixed rate period ends – Home Owner Mortgage Loans

<table>
<thead>
<tr>
<th>Month/year in which fixed rate period ends %</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
</tbody>
</table>

### Repayment terms – Home Owner Mortgage Loans

<table>
<thead>
<tr>
<th>Type of repayment plan</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
</tr>
</tbody>
</table>
Buy-To-Let Mortgage Loans

**Originators – Buy-To-Let Mortgage Loans**

<table>
<thead>
<tr>
<th>Originator</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clydesdale Bank</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>YBHL</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Total</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
</tbody>
</table>

**Tenure – Buy-To-Let Mortgage Loans**

<table>
<thead>
<tr>
<th>Tenure</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feuhold</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Freehold</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Leasehold</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Unknown</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Total</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
</tbody>
</table>

**Seasoning of Mortgage Loans at Closing – Buy-To-Let Mortgage Loans**

The following table shows length of time since the Buy-To-Let Mortgage Loans were originated as of the [Cut Off Date].

<table>
<thead>
<tr>
<th>Age of Mortgage Loans (months)</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
<tr>
<td>Total</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
</tbody>
</table>

The weighted average seasoning of Buy-To-Let Mortgage Loans, as of the Cut Off Date, was [*] months. The maximum seasoning of such Buy-To-Let Mortgage Loans, as of the Cut Off Date, was [*] months and the minimum seasoning of such Buy-To-Let Mortgage Loans, as of the Cut Off Date, was [*] months.

**Years to maturity at Closing – Buy-To-Let Mortgage Loans**

<table>
<thead>
<tr>
<th>Years to maturity</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
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<td>[*]</td>
</tr>
<tr>
<td>Total</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
</tbody>
</table>

The weighted average remaining term of the Mortgage Loans, as of the Cut Off Date, was [*] years. The maximum remaining term, as of the Cut Off Date, was [*] years.

**Geographical distribution of Mortgaged Properties – Buy-To-Let Mortgage Loans**

The following table shows the spread of Mortgaged Properties securing the Buy-To-Let Mortgage Loans throughout England, Wales and Scotland as of the Cut Off Date. No properties are situated outside England, Wales and Scotland. The geographical location of a property has no impact upon the Lending Criteria and credit scoring tests.
Original loan-to-value ratios – Buy-To-Let Mortgage Loans

The following table shows the range of original loan-to-value ratios, which express the current balance of a mortgage loan, as at the date of its origination, divided by the value of the mortgaged property securing that mortgage loan at the same date.

No mortgaged property has been revalued since the date of origination of the related mortgage loan other than where additional lending or re-mortgaging has been applied for since the date of origination or where the mortgage loan was mortgage loan originated by either originator prior to 10 April 2006 (unless originated through the intermediary/broker network) where a self assessment of the property valuation from the potential borrower was used for the valuation of the property, and in applying that self assessment to an LTV calculation, an LTV ratio of less than 75% was determined. In each of the aforementioned cases, the original valuation may have been updated with a more recent valuation, which recent valuation has been used in formulating this data.

<table>
<thead>
<tr>
<th>Region</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Anglia</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
<tr>
<td>East Midlands</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
<tr>
<td>Greater London</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
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<tr>
<td>North</td>
<td>[*]</td>
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<td>Scotland</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
<tr>
<td>South East (excluding London)</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
<tr>
<td>South West</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
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<tr>
<td>Wales</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
<tr>
<td>West Midlands</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
<tr>
<td>Yorkshire</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>[*]</strong></td>
<td><strong>[*]</strong></td>
<td><strong>[*]</strong></td>
<td><strong>[*]</strong></td>
</tr>
</tbody>
</table>

The weighted average original loan-to-value ratio of the Buy-To-Let Mortgage Loans, as of the Cut Off Date was [*]%.

Current loan-to-value ratios – Buy-To-Let Mortgage Loans

The following table shows the range of current loan-to-value ratios, or LTV ratios, which express the Current Principal Balance of a Buy-To-Let Mortgage Loan, as of the Cut Off Date, divided by the value of the Mortgaged Property securing that Buy-To-Let Mortgage Loan at the same date.

<table>
<thead>
<tr>
<th>Original LTV</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>[*]</strong></td>
<td><strong>[*]</strong></td>
<td><strong>[*]</strong></td>
<td><strong>[*]</strong></td>
</tr>
</tbody>
</table>

The weighted average current loan-to-value ratio of the Buy-To-Let Mortgage Loans, as of the Cut Off Date was [*]*%.
**Current indexed loan-to-value ratios – Buy-To-Let Mortgage Loans**

The following table shows the range of current indexed loan-to-value ratios, or LTV ratios, which express the Current Principal Balance of a Buy-To-Let Mortgage Loan, as of the Cut Off Date, divided by the indexed value of the Mortgaged Property securing that Buy-To-Let Mortgage Loan, as of the same date [(calculated using the Halifax House Price Index)].

<table>
<thead>
<tr>
<th>Indexed LTV</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Total</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
</tbody>
</table>

The weighted average current indexed loan-to-value ratio of the Buy-To-Let Mortgage Loans, as of the Cut Off Date, was [•]%.

**Current Principal Balances – Buy-To-Let Mortgage Loans**

The following table shows the Current Principal Balances of the Buy-To-Let Mortgage Loans (including capitalised fees and/or charges, if applicable), as of the Cut Off Date:

<table>
<thead>
<tr>
<th>Range of Current Principal Balance</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
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<tbody>
<tr>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Total</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
</tbody>
</table>

The largest Buy-To-Let Mortgage Loan had a Current Principal Balance, as of the Cut Off Date, of £[•]. The average Current Principal Balance, as of the Cut Off Date, was approximately £[•].

**Flexible Offset Product Type – Buy-To-Let Mortgage Loans**

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flexible</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Offset</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Total</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
</tbody>
</table>

**Mortgage Loan products – Buy-To-Let Mortgage Loans**

<table>
<thead>
<tr>
<th>Mortgage loan products</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
<tr>
<td>Total</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
<td>[•]</td>
</tr>
</tbody>
</table>
**Employment status – Buy-To-Let Mortgage Loans**

<table>
<thead>
<tr>
<th>Employment status</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>[*]</td>
<td>[*]</td>
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<tr>
<td><strong>Total</strong></td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
</tbody>
</table>

(Approximately [*]% of the aggregate Current Principal Balance of the Buy-To-Let Mortgage Loans, as of the Cut Off Date, were made to Borrowers under the non-verified income program as described in the Base Prospectus under "The Mortgage Loans – Characteristics of the Mortgage Loans – Lending Criteria").

**Distribution of Fixed Rate Mortgage Loans – Buy-To-Let Mortgage Loans**

Fixed rate Buy-To-Let Mortgage Loans remain at the relevant fixed rate for a period of time as specified in the offer of advance, after which they move to the standard variable rate of the Originators or some other rate as specified in the offer of advance.

<table>
<thead>
<tr>
<th>Fixed rate %</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
</tbody>
</table>

**Month/year in which fixed rate period ends – Buy-To-Let Mortgage Loans**

<table>
<thead>
<tr>
<th>Month/year in which fixed rate period ends %</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
</tbody>
</table>

**Repayment terms – Buy-To-Let Mortgage Loans**

<table>
<thead>
<tr>
<th>Type of repayment plan</th>
<th>Aggregate Current Principal Balance (£)</th>
<th>% of total</th>
<th>Number of Mortgage Loans</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
<td>[*]</td>
</tr>
</tbody>
</table>

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

*If the applicable Final Terms Document specifies any modification to the Terms and Conditions of the Covered Bonds as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 5, 6, 7 (except Condition (b)), 12, 13, 14, 15 (insofar as such Covered Bonds are not listed or admitted to trade on any stock exchange) or 18, they will not necessitate the preparation of a supplement to this Base Prospectus. If the Terms and Conditions of the Covered Bonds of any Series are to be modified in any other respect, a supplement to this Base Prospectus will be prepared, if appropriate.*
FORM OF N COVERED BOND

N COVERED BOND

(NAMENSSCHULDVERSCHREIBUNG)

THIS SECURITY AND ANY GUARANTEE IN RESPECT THEREOF HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS.

CLYDESDALE BANK PLC

SERIES [•] N COVERED BOND (NAMENSSCHULDVERSCHREIBUNG)

[insert currency and principal amount]

Issue date: [insert date]
Final Maturity Date: [insert date]

[Extended Due for Payment Date under the Covered Bond Guarantee: [insert date]]

unconditionally and irrevocably guaranteed as to payments of interest and principal in accordance with the Regulated Covered Bonds Regulations 2008 of England and Wales (S.I. 2008/346) by

CLYDESDALE COVERED BONDS No. 2 LLP

(a limited liability partnership incorporated under the Laws of England and Wales)

This certificate evidences the Series [•] N Covered Bond (Namensschuldverschreibung) (the "N Covered Bond") of Clydesdale Bank plc (the "Issuer") described, and having the provisions specified, in the N Covered Bond Conditions attached as Schedule 1 hereto (the "N Covered Bond Conditions"). Words and expressions defined or set out in the N Covered Bond Conditions shall have the same meaning when used in this certificate.

The Issuer shall pay to the registered holder of this N Covered Bond the amounts payable in respect thereof pursuant to the N Covered Bond Conditions.

The Issuer hereby certifies that at the date hereof [insert name] of [insert address] has been entered in the Register as the holder of this N Covered Bond in the aforesaid principal amount.

This N Covered Bond shall not be valid unless authenticated by the Registrar.

IN WITNESS whereof the Issuer has caused this N Covered Bond to be duly executed on its behalf.

[insert issue date]

CLYDESDALE BANK PLC

SIGNED by [insert name of individual] )
as an authorised signatory ) ..............................................................
for CLYDESDALE BANK PLC )
in the presence of: )
SCHEDULE 1 TO FORM OF N COVERED BOND

N COVERED BOND CONDITIONS

1. CURRENCY AND PRINCIPAL AMOUNT, FORM, TRANSFER AND OTHER

1.1 Currency and Principal Amount. This N Covered Bond (gedeckte Namensschuldverschreibung) is issued by Clydesdale Bank plc (the "Issuer") in [insert specified currency] (the "Specified Currency") in the principal amount of [insert principal amount] (the "Principal Amount") on [insert issue date] (the "Issue Date"). [This N Covered Bond is issued at a price of [•] per cent. of the Principal Amount (the "Issue Price").]

1.2 Form. This N Covered Bond is represented by a certificate (the "Certificate") which bears the manual, facsimile signature of one duly authorised signatory of the Issuer and is manually authenticated by or on behalf of the Registrar.

1.3 Transfer

(a) The rights of the N Covered Bondholder arising from this N Covered Bond and title to this Certificate may be transferred in whole or in part by assignment and surrender of this Certificate, together with the duly completed and executed assignment agreement (the "Assignment Agreement"), such Assignment Agreement to be substantially in the form of the form of assignment agreement attached as Schedule 2 to the Certificate (the "Form of N Covered Bond Assignment Agreement") at the specified office of the Registrar or its nominee and the entry of the assignee in the Register by the Registrar provided that the assignee has agreed in the executed Assignment Agreement to be bound by the confirmation originally entered into by the initial N Covered Bondholder (the "N Covered Bond Confirmation") as set out in the Form of N Covered Bond Assignment Agreement. Copies of the N Covered Bond Confirmation and the N Covered Bond Confirmation Terms are available from the Issuer or the Registrar. Any transfer of part only of this N Covered Bond is permitted only for a minimum principal amount of [insert Specified Currency and such minimum principal amount] or an integral multiple thereof.

(b) The date stated in the executed Assignment Agreement as the date on which the economic effects of the assignment shall occur shall be the Transfer Date to be entered into the Register by the Registrar. Except as ordered by a court of competent jurisdiction or as required by law, the Issuer and the Registrar shall deem and treat the registered holder of this N Covered Bond as the sole holder of the rights arising from this N Covered Bond and owner of the Certificate.

(c) In case of a transfer of this N Covered Bond in whole and provided the requirements specified above have been met, a new certificate will be issued and delivered to the assignee. In case of a transfer of a part only of this N Covered Bond and provided the requirements specified above have been met, new certificates in respect of the balance transferred and the balance not transferred will be issued and delivered to the transferor and to the assignee respectively.

(d) Each new certificate to be issued upon the registration of the transfer of this N Covered Bond (in whole or in part) 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 its nominee or, as the case may be, the relevant Transfer Agent is located) following the surrender of the Certificate and the executed Assignment Agreement to the specified office of the Registrar [or, as the case may be, the relevant Transfer Agent] (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), be available for collection at the specified office of the Registrar or (at the request and risk of the N Covered Bondholder entitled to the certificate) be sent by uninsured mail to such address as may be specified in the Assignment Agreement.

(e) The N 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...
from the N Covered Bondholders the payment of a sum sufficient to enable it to pay or satisfy any stamp duty, tax or other governmental charge that may be imposed in relation to the registration and/or the transfer of the relevant N Covered Bond.

(f) The N Covered Bondholder shall not require the transfer of this N Covered Bond to be registered during a period of [15] days ending on any due date for any payment of principal or interest in respect of this N Covered Bond. Any registration of transfer required during such period shall be deemed to have been required on the business day (as referred to in (c) above) immediately following the last day of such period. The N Covered Bondholder shall not require the transfer of this N Covered Bond to be registered after such N Covered Bond has been called for redemption.

1.4 Other terms: [specify as applicable].

1.5 In these N Covered Bond Conditions:

"N Covered Bond Confirmation" means a confirmation incorporating the N Covered Bond Confirmation Terms and signed by the N Covered Bondholder, the LLP, the Issuer and the Bond Trustee substantially in the form set out in Schedule [•] to the Trust Deed.

"N Covered Bond Confirmation Terms" means the standard set of confirmation terms relating to each N Covered Bond Confirmation, substantially in the form set out in Schedule [•] to the Trust Deed as may be amended from time to time in accordance with the Trust Deed.

"N Covered Bondholder" means the registered holder of this N Covered Bond.

"Register" means the register maintained by the Registrar in relation to N Covered Bonds issued under the Programme.

Where the context requires and unless the context requires otherwise, any reference in these N Covered Bond Conditions to "N Covered Bond" or "this N Covered Bond" is a reference or includes a reference to any N Covered Bond transferred pursuant to an executed Assignment Agreement, and/or any certificate issued in relation to this N Covered Bond and/or any new certificate issued upon any transfer of this N Covered Bond or part thereof.

2. STATUS

2.1 This N Covered Bond constitutes direct, unconditional, unsubordinated and unsecured obligations of the Issuer and ranks, pari passu without any preference or priority with other Covered Bonds issued under the Programme (as defined below) and (subject to any applicable statutory provisions) pari passu with all other present and future unsecured and unsubordinated obligations of the Issuer.

2.2 This N Covered Bond is subject to the terms of the N Covered Bond Confirmation and is issued under and, subject to the execution of the N Covered Bond Confirmation by the initial N Covered Bondholder and receipt by the Issuer of that executed N Covered Bond Confirmation, forms part of the Issuer's €10 billion global Covered Bond Programme (the "Programme") under which the liabilities of the Issuer as to the payments of interest and principal are unconditionally and irrevocably guaranteed by Clydesdale Covered Bonds No. 2 LLP (the "LLP") in favour of Deutsche Trustee Company Limited (the "Bond Trustee") for the benefit of the Covered Bondholders under the Programme in the circumstances further described in the Trust Deed dated 1 December 2010 (as amended, modified, superseded or replaced from time to time, the "Trust Deed"). Until confirmation of receipt by the Issuer of the N Covered Bond Confirmation, the N Covered Bond shall not constitute a Covered Bond for the purposes of the Programme and will not get the benefit of any guarantee granted by the LLP.
3. INTEREST

[In the case of a Fixed Rate N Covered Bond with a fixed Interest Period insert the following or other applicable provisions:

3.1 This N Covered Bond bears interest on its Principal Amount Outstanding from (and including) [insert issue date as a calendar date or other date as required] (the "Interest Commencement Date") to but excluding the first Interest Payment Date and during each successive period from and including an Interest Payment Date to but excluding the following Interest Payment Date up to (and including) the Final Maturity Date (as defined in Condition 4.1 (Final Redemption) of these N Covered Bond Conditions).

[If Rate of Interest is applicable, insert: This N Covered Bond bears interest at the rate(s) per annum equal to [Insert Rate(s) of Interest] (the "Rate(s) of Interest") payable in arrear on [insert Interest Payment Date(s)] in each year (each such date an "Interest Payment Date(s)". The first payment of interest shall be made on [insert first Interest Payment Date].]

[If Fixed Coupon Amount is applicable insert: The amount of interest payable on [insert Interest Payment Date(s)] in each year (each such date, an "Interest Payment Date(s)") will amount to [insert the Fixed Coupon Amount] (the "Fixed Coupon Amount"). The first payment of interest shall be made on [insert first Interest Payment Date].]

[If first Interest Payment Date is not first anniversary of Interest Commencement Date insert: The first payment of interest will amount to [insert initial broken interest amount] on its Principal Amount Outstanding.] [If the Maturity Date is not an Interest Payment Date insert: Interest in respect of the period from and including [insert Interest Payment Date preceding the Maturity Date] to but excluding the Final Maturity Date (as defined in Condition 4.1 (Final Redemption) of these N Covered Bond Conditions) will amount to [insert final Broken Interest Amount] on its Principal Amount Outstanding.]

3.2 As used in these N Covered Bond 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.

3.3 If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to the Principal Amount Outstanding, multiplying such sum by the day count fraction (the "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:

[if "Actual/Actual (ISDA)" applies, insert:

(A) in the case 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 that would occur in one calendar year; or

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

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

(ii) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; or]
Period and (y) the number of Determination Dates that would occur in one calendar year; [if 30/360 applies, insert:

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.]

[Specify other]

In these N Covered Bond Conditions:

["Determination Date" means [specify Determination Dates];]

["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);]

"Principal Amount Outstanding" means in respect of an N Covered Bond on any day the Principal Amount of that N Covered Bond on the relevant Issue Date thereof less principal amounts received by the N Covered Bondholder in respect thereof on or prior to that day; and

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

[In the case of a Floating Rate N Covered Bond or an Index Linked Interest N Covered Bond insert the following or other applicable provisions:

3.4 Interest Payment Dates

This N Covered Bond bears interest on its Principal Amount Outstanding from (and including) [insert interest commencement date as a calendar date] (the "Interest Commencement Date") to but excluding the next following Interest Payment Date and during each successive period from and including an Interest Payment Date to but excluding the following Interest Payment Date up to (and including) the Final Maturity Date (as defined in Condition 4.1 (Final Redemption) of these N Covered Bond Conditions) (each such period an "Interest Period"). Interest on this N Covered Bond shall be payable in arrear on each Interest Payment Date.

"Interest Payment Date" means [in the case of Specified Interest Payment Date(s) insert: [Specified Interest Payment Dates] in each year [as the same may be adjusted in accordance with the Business Day Convention]] [such period being the "Specified Period"]. [if no Specified Interest Payment Dates, insert: each date which falls [insert number] [insert months/other period] after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date [in each case as the same may be adjusted by the Business Day Convention.]

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

[the "Following Business Day Convention", which means that such date shall be postponed to the next day that is a Business Day.]

[the "Modified Following Business Day Convention", which means that such date shall be postponed to the next day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day.]
[the "Preceding Business Day Convention", which means that such date shall be brought forward to the immediately preceding day that is a Business Day.]

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

In these N Covered Bond Conditions, "Business Day" means a day which is:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London [and Frankfurt]; and

(ii) in the case of any sum payable, either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London [and Frankfurt]), respectively or (2) in relation to any Covered Bonds denominated or payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor thereto (the "TARGET2 System") is open.

3.5 Rate of Interest

The Rate of Interest payable from time to time will be determined in the following manner [Insert as applicable]:

[If ISDA Determination for Floating Rate Covered Bonds is the manner in which the Rate of Interest is to be determined, insert:

The Rate of Interest for each Interest Period will be the relevant ISDA Rate [plus]/[minus] [•] per cent. per annum (the "Margin").

"ISDA Rate" [to be adjusted as appropriate] for an Interest Period means a rate equal to the Floating Rate that would be determined by the [Principal Paying Agent or other person] under an interest rate swap transaction if the [Principal Paying Agent or that other person] were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Covered Bonds (the "ISDA Definitions") and under which:

(i) the Floating Rate Option is [•];

(ii) the Designated Maturity is [Specify Period]; and

(iii) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate ("LIBOR") or the Euro-zone inter-bank offered rate ("EURIBOR") for a currency, the first day of that Interest Period, or (ii) [Insert Date].

[For the purposes of this sub-paragraph, "Floating Rate", "Calculation Agent Floating Rate Option", "Designated Maturity" and "Reset Date" have the meanings given to those terms in the ISDA Definitions [as amended by the Series [•] Covered Bond Swap Agreement].]

[If Screen Rate Determination for Floating Rate Covered Bonds is the manner in which the Rate of Interest is to be determined, insert:
The Rate of Interest for each Interest Period will, subject as provided below, be either:

(i) the offered quotation (if there is only one quotation on the [Insert Relevant Screen Rate] (the "Relevant Screen Page")); or

(ii) if there is more than one quotation on the Relevant Screen Page, 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 [Insert Reference Rate] the "Reference Rate" which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the [Insert Interest Determination Date] the "Interest Determination Date" [(plus)/(minus) [*] per cent. per annum (the "Margin")], all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

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

If the Reference Rate from time to time in respect of Floating Rate Covered Bonds is not LIBOR or EURIBOR, the Rate of Interest in respect of such N Covered Bonds will be [*].]

If the applicable N Covered Bond Confirmation 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 3.5 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 N Covered Bond Confirmation 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 3.5 is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

3.6 Determination of Rate of Interest and calculation of Interest Amounts

The [in the case of Floating Rate N Covered Bonds insert: Principal Paying Agent] [in the case of Index Linked Interest N Covered Bonds insert: Calculation Agent] will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. [In the case of Index Linked Interest N Covered Bonds insert: The Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.] The Principal Paying Agent [or Calculation Agent (as the case may be)] will calculate the amount of interest payable on this N Covered Bond in respect of the Principal Amount Outstanding (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.

In respect of the calculation of an amount of interest for any Interest Period the "Day Count Fraction" shall be:

["Actual/365" or "Actual/Actual (ISDA)" which means 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);]

["Actual/365 (Fixed)" which means the actual number of days in the Interest Period divided by 365;]

["Actual/360" which means the actual number of days in the Interest Period divided by 360;]

["30/360", "360/360" or "Bond Basis" which means the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));]

["30E/360" or "Eurobond Basis" which means the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Final Maturity Date (or, as the case may be, Extended Due for Payment Date) is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).]

3.7 Notification of Rate of Interest and Interest Amounts

The Principal Paying Agent [or Calculation Agent (as the case may be)] 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 Registrar, the Bond Trustee, the Issuer and the N Covered Bondholder in accordance with Condition 9 (Notices) of these N Covered Bond Conditions as soon as possible after their determination but in no event later than the fourth Business Day (as defined in Condition 3.4 (Interest Payment Dates) of these N Covered Bond Conditions) thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment or alternative arrangements will be promptly notified to the Issuer, the Registrar, the Bond Trustee and the N Covered Bondholder in accordance with Condition 9 (Notices) of these N Covered Bond Conditions.

3.8 Determination or Calculation by the Bond Trustee

If for any reason at any relevant time after the Issue Date, the Principal Paying Agent [or Calculation Agent (as the case may be)] defaults in its obligation to determine the Rate of Interest or in its obligation to calculate any Interest Amount in accordance with Condition 3.3 of these N Covered Bond Conditions above or as otherwise specified herein, as the case may be, the Bond Trustee may determine (or appoint an agent to determine) the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, [but subject always to any Minimum Rate of Interest or Maximum Rate of Interest of [Specify Maximum and Minimum Rates of Interest]] it shall deem fair and reasonable in all the circumstances or, as the case may be, the Bond Trustee may calculate (or appoint an agent to calculate) the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent [or the Calculation Agent (as the case may be)]. Following such calculation, the Bond Trustee may notify such or cause such to be notified in accordance with Condition 3.7 (Notification of Rate of Interest and Interest Amounts).

3.9 Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 3 (Interest) of these N Covered Bond Conditions, whether by the Principal Paying Agent or the Bond Trustee shall (in
the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the LLP, the Principal Paying Agent, the other Paying Agents, the Bond Trustee and the N Covered Bondholders.

3.10 **Accrual of Interest after the due date**

Interest (if any) will cease to accrue on this N Covered Bond (or in the case of the redemption of part only of the N Covered Bond, that part only of this N Covered Bond) on the due date for redemption therefor unless, upon due presentation or surrender thereof, payment of principal is improperly withheld or refused or default otherwise occurs in respect thereof. In such event, interest shall continue to accrue as provided in the Trust Deed.

[3.[•]] **[In case of Dual Currency Interest N Covered Bonds]**

**[Insert applicable interest provisions.]**

4. **REDEMPTION**

4.1 **Final Redemption**

Unless previously redeemed in full, or purchased and cancelled, this N Covered Bond will be redeemed by the Issuer at [insert Final Redemption Amount] (the "Final Redemption Amount") in the Specified Currency on [insert Final Maturity Date] (the "Final Maturity Date").

4.2 **Redemption for Taxation Reasons**

This N Covered Bond may be redeemed at the option of the Issuer in whole, but not in part, [for Fixed Interest N Covered Bonds insert: at any time] [for Floating Rate N Covered Bonds, Index Linked Interest N Covered Bonds or Dual Currency Interest N Covered Bonds insert: on any Interest Payment Date] on giving not less than 30 nor more than 60 days' notice to the Bond Trustee and, in accordance with Condition 9 (Notices) of these N Covered Bond Conditions, the N 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 Interest Payment Date, the Issuer is or will be required to pay additional amounts as provided in Condition 6 (Taxation) of these N Covered Bond Conditions. If this N Covered Bond is redeemed pursuant to this Condition 4.2 (Redemption for Taxation Reasons) of these N Covered Bond Conditions it will be redeemed at its Early Redemption Amount (referred to in Condition 4.9 (Early Redemption Amounts) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

4.3 **General**

Prior to the publication of any notice of redemption pursuant to Condition 4.2 (Redemption for Taxation Reasons), the Issuer shall deliver to the Bond Trustee a certificate signed by two directors stating that the Issuer is entitled to effect such redemption in accordance with Condition 4.2 (Redemption for Taxation Reasons) and the Bond Trustee shall be entitled to accept the certificate as sufficient evidence of the Issuer's rights under Condition 4.2 (Redemption for Taxation Reasons) in which event it shall be conclusive and binding on the relevant N Covered Bondholders.

[4.4] **Redemption at the option of the Issuer (Issuer Call)**

The Issuer may, having given not less than 30 nor more than 60 days' notice to the Bond Trustee, the Principal Paying Agent, the Registrar and the N Covered Bondholder in accordance with Condition 9 (Notices) of these N Covered Bond Conditions (which notice shall be irrevocable), redeem, subject to, and in accordance with, [specify conditions.] on the date specified by such notice all [but not part only]/[or part only] of this N Covered Bond on [insert dates] (each, an "Optional Redemption Date") at [specify amount per Calculation Amount] (the "Optional Redemption Amount[s]") together with accrued interest (if any) thereon to (but excluding) the Optional Redemption Date. The Issuer shall be bound to redeem this N Covered Bond on the date specified in the notice. In the event of a partial redemption of this N Covered Bond, such
Redemption must be made in accordance with Condition [4.6] (Partial Redemption) of these N Covered Bond Conditions.

4.[5] **Redemption at the option of the N Covered Bondholders (Investor Put)**

Upon the N Covered Bondholder giving to the Issuer, in accordance with Condition 9 (Notices) of these N Covered Bond Conditions, not less than 30 nor more than 60 days' written notice (which notice shall be irrevocable) (the "Put Notice"), the Issuer will, upon the expiry of such Put Notice, provided that the Cash Manager has notified the Bond Trustee in writing that there will be sufficient funds available to pay any termination payment due to the relevant Covered Bond Swap Provider(s), redeem, subject to, and in accordance with, specify conditions, such N Covered Bond in whole (but not in part) on [insert dates] (each, an "Optional Redemption Date") and at [specify amount per Calculation Amount] (the "Optional Redemption Amount") together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

The N Covered Bondholder(s) must deliver the certificate representing such N Covered Bond to the Registrar at its specified office, together with a duly signed and completed Put Notice in the form obtainable from the Registrar (as applicable) within the above-mentioned notice period. No N Covered Bond or certificate so deposited and option exercised may be withdrawn without the prior consent of the Issuer.

4.[6] **Partial Redemption**

If this N Covered Bond is to be redeemed in part only on any date in accordance with Condition 4.[4] (Redemption at the option of the Issuer (Issuer Call)) of these N Covered Bond Conditions, such redemption must be for an amount not less than [•] per Calculation Amount (the "Minimum Redemption Amount") or not more than [•] per Calculation Amount (the "Maximum Redemption Amount").

In the case of the redemption of part only of this N Covered Bond, a new N Covered Bond certificate in respect of the unredeemed balance shall be issued in accordance with Condition 1.3(c) (Transfer) of these N Covered Bond Conditions, which shall apply as in the case of a transfer of this N Covered Bond as if such new N Covered Bond were in respect of the untransferred balance and the Registrar shall update the Register accordingly.

For the purposes of these N Covered Bond Conditions, "Calculation Amount" shall mean [•].

4.[7] **Purchase of N Covered Bond**

(a) The Issuer may at any time purchase or otherwise acquire this N Covered Bond at any price and in any manner.

(b) Any subsidiaries of the Issuer or the LLP may at any time purchase or otherwise acquire this N Covered Bond at any price and in any manner.

4.[8] **Cancellation of N Covered Bond upon Redemption or Purchase**

If this N Covered Bond is redeemed in accordance with this Condition 4 (Redemption) of these N Covered Bond Conditions or purchased in accordance with Condition 4.[7](a) (Purchase of N Covered Bond) of these N Covered Bond Conditions, it will be cancelled forthwith and may not be reissued or resold. If this N Covered Bond is purchased in accordance with Condition 4.[7](b) (Purchase of N Covered Bond) of these N Covered Bond Conditions it may be cancelled or may be held, reissued or resold or at the option of the Issuer, the relevant subsidiary or the LLP, surrendered to the Paying Agent and/or the Registrar for cancellation.

4.[9] **Early Redemption Amounts**

For the purposes of Condition 4.2 (Redemption for Taxation Reasons) of these N Covered Bond Conditions above [and Condition 4.[10] (Late payment on Zero Coupon Covered Bonds) of these N Covered Bond Conditions below], each N Covered Bond will be redeemed at its "Early Redemption Amount" which shall be:
[Specify Early Redemption Amount]

[In the case of a Covered Bond (other than a Zero Coupon Covered Bond but including an
Instalment Covered Bond or a partly paid Covered Bond)] with a Final Redemption Amount
which is or may be less or greater than the Issue Price or which is payable in a Specified
Currency other than that in which the N Covered Bond is denominated, at the amount specified
in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or
manner is so specified in the applicable Final Terms, at its nominal amount.

[In the case of a Zero Coupon Covered Bond], at an amount (the "Amortised Face Amount")
equal to the sum of:

(c) the Reference Price; and

(d) the product of the Accrual Yield (compounded annually) being applied to the Reference
Price from (and including) the Issue Date of the N Covered Bond to (but excluding) the
date fixed for redemption or (as the case may be) the date upon which such N Covered
Bond becomes due and repayable.

[specify other amount]

Where such calculation is to be made for a period which is not a whole number of years, it shall
be made

[In the case of a Zero Coupon N 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

[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)

[Specify other calculation basis]

[For the purposes of this Condition 4.9] "Reference Price" means [insert price] and "Accrual
Yield" means [insert yield]

[4.10] [Late payment on Zero Coupon N Covered Bonds]

If the amount payable in respect of this N Covered Bond upon redemption pursuant to Condition
4.1 (Final Redemption) of these N Covered Bond Conditions, Condition 4.2 (Redemption for
Taxation Reasons) of these N Covered Bond Conditions or Condition 4.3 (Redemption at the
option of the Issuer (Issuer Call)) of these N Covered Bond Conditions above as applied to this N
Covered Bond is improperly withheld or refused or default otherwise occurs with respect thereto,
the amount due and repayable in respect of this N Covered Bond shall be the amount calculated
as provided in Condition 4.9 (Early Redemption Amounts) of these N Covered Bond Conditions
above as though the references therein to the date fixed for the redemption or the date upon
which this N Covered Bond becomes due and repayable were replaced by references to the date
which is the earlier of:

(i) the date on which all amounts due in respect of this N Covered Bond have been paid;

and

(ii) the date on which the full amount of the monies payable in respect of this Zero Coupon
Covered Bond 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 N Covered Bondholders
either in accordance with Condition 9 (Notices) of these N Covered Bond Conditions or
individually.]

[4.11] [In the case of Instalment N Covered Bonds:]
This N Covered Bond will be redeemed in the amounts of [specify] (each an "Instalment Amount") on [specify dates] (each an "Instalment Date").

[4.12] [In the case of Partly-Paid N Covered Bonds]

Partly-Paid N Covered Bonds will be redeemed, whether at maturity, early redemption or otherwise, in the amounts of [specify] on [specify dates].


For the purposes of this Condition 4 (Redemption), "Calculation Amount" shall mean [*].

[Specify other relevant provisions, if applicable.]

5. PAYMENTS

5.1 General

Subject as provided below, payments will be made by credit or electronic transfer [if the Specified Currency is euro, insert: 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][if the Specified Currency is other than euro, insert: to an account in the 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].

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment but without prejudice to the provisions of Condition 6 (Taxation) of these N Covered Bond Conditions. References to [Insert Specified Currency] will include any successor currency under applicable law.

5.2 Repayments in respect of Principal

Repayment of principal (other than instalments of principal prior to the final instalment) in respect of this N Covered Bond will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of this N Covered Bond at the specified office of the Registrar [or its nominee]. Any such presentation must be made by the N Covered Bondholder at the specified office of the Registrar [or its nominee] two business days (being for this purpose a day on which banks are open for business in the city where the specified offices of the Registrar [or its nominee] are located) before the relevant due date. Such repayments will be made on the due date by electronic transfer to the Designated Account (as defined below) of the N Covered Bondholder appearing in 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 offices of the Registrar or its nominee are located) before the relevant due date. Notwithstanding the previous sentence, if [(i) a N Covered Bondholder does not have a Designated Account [or (ii) the Principal Amount Outstanding of this N Covered Bond 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 the N Covered Bondholder with a Designated Bank and identified as such in the Register and "Designated Bank" means [if the Specified Currency is euro, insert: any bank which processes payments in euro][if the Specified Currency is other than euro, insert: a bank in the principal financial centre of the country of such Specified Currency].

[The Registrar has appointed [*] at its specified office set out in Condition 8 (Principal Paying Agent, Paying Agents, Registrar[, Exchange Agent] and Transfer Agent) of these N Covered Bond Conditions as its nominee for the purposes of accepting presentation and surrender (or endorsement) of this N Covered Bond for the purposes of this Condition 5.2 of these N Covered Bond Conditions.]
5.3 Payments of Interest

Payments of interest and repayments of instalments of principal (other than the final instalment) will be made by the Principal Paying Agent by electronic transfer on the due date in the manner provided in Condition 5.2 (Repayments in Respect of Principal) of these N Covered Bond Conditions above. The N Covered Bondholder shall provide its payment account details to the Principal Paying Agent in order to facilitate such payment. Payment of the interest due in respect of this N Covered Bond on redemption will be made in the same manner as payment of the final instalment of principal in accordance with Condition 5.2 (Repayments in Respect of Principal) of these N Covered Bond Conditions above.

In case of a transfer of this N Covered Bond (in whole or in part) occurring during any Interest Period, payment of interest on this N Covered Bond (or in case of a transfer in part on a pro rata basis on the resulting N Covered Bond), unless agreed separately between the relevant previous N Covered Bondholder and the new N Covered Bondholder and notified accordingly to the Registrar and the Paying Agent shall be made on the respective due date to (i) the assignee shown in the Register as the new N Covered Bondholder, for the period from and including the relevant Transfer Date to but excluding the relevant Interest Payment Date and (ii) the previous N Covered Bondholder for the period from and including the last Interest Payment Date or the Interest Commencement Date, as the case may be, to but excluding the relevant Transfer Date, and (iii) if more than one assignment of the N Covered Bond occurs during one Interest Period, to each N Covered Bondholder, with respect to the period of his holding of the N Covered Bond.

[Upon application of the N Covered Bondholder payments of interest and repayments of instalments of principal (other than the final instalment) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed (on a Business Day in the city where the specified office of the Registrar is located) by uninsured mail to the N Covered Bondholder appearing in the Register at the close of business on the [fifteenth] day (whether or not such [fifteenth] day is a Business Day) before the relevant due date (the "Record Date") at the N Covered Bondholder's address shown in the Register on the Record Date and at the risk of the N Covered Bondholder.

The N Covered Bondholder will not be entitled to claim any interest or other payment resulting from any delay in it receiving any amount due in respect of this N 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 the N Covered Bondholder by the Registrar in respect of any payments of principal or interest in respect of this N Covered Bond.]

5.4 Interpretation of principal and interest

Any reference in these N Covered Bond Conditions to principal in respect of this N Covered Bond shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 6 (Taxation) of these N Covered Bond Conditions 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 this N Covered Bond;

(c) the Optional Redemption Amount(s) (if any) of this N Covered Bond;

(d) the Early Redemption Amount of this N Covered Bond (other than any amount representing accrued but unpaid interest amounts or other amounts specified in these N Covered Bond Conditions);

(e) [in relation to N Covered Bonds redeemable in instalments, the Instalment Amounts;]

(f) [in relation to Zero Coupon N Covered Bonds, the Amortised Face Amount (as defined in Condition 4.[9] (Early Redemption Amounts)) of these N Covered Bond Conditions;]
any premium and any other amounts (other than interest) which may be payable under or in respect of this N Covered Bond;

(b) [in relation to Dual Currency N Covered Bonds, the principal payable in any relevant Specified Currency;] and

(i) any Excess Proceeds which may be payable by the Bond Trustee under or in respect of this N Covered Bond.

"Excess Proceeds" means monies received by the Bond Trustee from the Issuer or any administrator, administrative receiver, receiver, liquidator, trustee in sequestration, bank administrator, bank liquidator or other similar official appointed in relation to the Issuer.

Any reference in these N Covered Bond Conditions to interest in respect of the N Covered Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 6 (Taxation) of these N Covered Bond Conditions or under any undertakings given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

5.5 Payment Day

If the date for payment of any amount in respect of this N Covered Bond is not a Payment Day (as defined below), the holder thereof shall not be entitled to payment of the relevant amount due until the next following Payment Day and shall not be entitled to any interest or other sum in respect of any such delay. In this Condition 5.5, "Payment Day" means any day which (subject to Condition 7 (Prescription and Counterclaims) of these N Covered Bond Conditions) 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:

(A) the relevant place of presentation;

(B) London [and Frankfurt]; and

(C) any Additional Business Centre specified in the N Covered Bond Confirmation; and

(b) [if the Specified Currency is euro, insert: a day on which the TARGET2 System is open.] [if the Specified Currency is other than euro, insert: 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 [insert the principal financial centre of the country of the relevant Specified Currency] (if other than the place of presentation, London and any Additional Business Centre).]

6. TAXATION

All payments of principal and interest (if any) in respect of this N Covered Bond by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges whatsoever, unless such withholding or deduction of such taxes, duties or other charges is required by law. In the event of a withholding or deduction being made by the Issuer in respect of a payment made by it in respect of any present or future taxes, duties, assessments or governmental charges imposed or levied by or on behalf of the United Kingdom or any political sub-divisions thereof or by any authority therein or thereof having power to tax, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the N Covered Bondholder shall equal the amount which would otherwise have been receivable in respect of this N Covered Bond in the absence of such withholding or deduction; except that no such additional amounts shall be payable by the Issuer with respect to any payment in respect of this N Covered Bond:

(a) if it is presented for payment in the United Kingdom; or
(b) if the N Covered Bondholder (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 this N Covered Bond by reason of his having some connection with the United Kingdom other than merely by reason of the holding of this N Covered Bond; or

(c) if it is presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on the last day of such period of 30 days; or

(d) where the N Covered Bondholder is able to avoid such withholding or deduction by presenting an appropriate certificate; or

(e) where such withholding or deduction is imposed on a payment and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26 to 27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, any such Directive; or

(f) if it is presented for payment by or on behalf of an N Covered Bondholder who would be able to avoid such withholding or deduction by presenting this N Covered Bond to another Paying Agent in a Member State of the European Union.

As used herein:

"Relevant Date" means the date on which such payment in respect of this N Covered Bond first becomes due and payable, except that, if the full amount of the monies payable on such date has not been duly received by the Bond Trustee or the Principal Paying Agent on or prior to such date, the Relevant Date shall be the date on which such monies have been so received, notice to that effect having been given to the N Covered Bondholder in accordance with Condition 9 (Notices) of these N Covered Bond Conditions.

Notwithstanding any other provision in these N Covered Bond Conditions, the Issuer and LLP shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the US Internal Revenue Service ("FATCA withholding"). Neither the Issuer nor the LLP will have any obligation to pay additional amounts or otherwise indemnify a holder for any FATCA withholding deducted or withheld by the Issuer, a Paying Agent or any other party as a result of any person (other than an agent of the Issuer) not being entitled to receive payments free of FATCA withholding.

Should any payments made by the LLP under the Covered Bond Guarantee be made subject to any withholding or deduction on account of taxes or duties of whatever nature, the LLP will not be obliged to pay any additional amounts as a consequence.

7. PRESCRIPTION AND COUNTERCLAIMS

7.1 Prescription

The obligations of the Issuer to pay principal and interest in respect of this N Covered Bond shall be discharged unless presented for payment within (i) ten years (in the case of principal) and (ii) five years (in the case of interest) in each case from the Relevant Date (as defined in Condition 6 (Taxation) of these N Covered Bond Conditions) therefor, subject in each case to the provisions of Condition 5 (Payments) of these N Covered Bond Conditions.

The Issuer shall be discharged from its obligation to pay principal on an N Covered Bond to the extent that the relevant Certificate has not been surrendered to the Registrar by, or a cheque
which has been duly despatched in the Specified Currency remains uncashed at, the end of the period of ten years from the Relevant Date for such payment.

The Issuer shall be discharged from its obligation to pay interest on an N Covered Bond to the extent that a cheque which has been duly dispatched in the Specified Currency remains uncashed at the end of the period of five years from the Relevant Date in respect of such payment.

7.2 Counterclaims. As long as, and to the extent that, this N Covered Bond forms part of the restricted assets (gebundenes Vermögen) within the meaning of § 54 of the German Act Concerning the Supervision of Insurance Companies (Gesetz über die Beaufsichtigung der Versicherungsunternehmen – Versicherungsaufsichtsgesetz) of 17 December, 1992 (as amended) and the German Regulation Concerning the Investment of the Restricted Assets of Insurance Companies (Verordnung über die Anlage des gebundenen Vermögens von Versicherungsunternehmen) of 20 December, 2001 (as amended), the Issuer waives (also in the event of insolvency of the N Covered Bondholder or in the event that insolvency proceedings or similar proceedings are instituted against the N Covered Bondholder) any right of set-off as well as any right to exercise any pledges, rights of retention and other rights which could affect the rights under the N Covered Bond.

8. PRINCIPAL PAYING AGENT, PAYING AGENTS, REGISTRAR [, EXCHANGE AGENT][, CALCULATION AGENT] AND TRANSFER AGENT

8.1 The names of the initial Principal Paying Agent, the other initial Paying Agents, the initial Registrar (and its nominee for the purposes of Condition 5.2 of these N Covered Bond Conditions), the initial Transfer Agent, the initial Exchange Agent[, the initial Calculation Agent] and their initial specified offices are set out below:

[insert details]

8.2 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 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.

8.3 The Issuer is entitled, with the prior written approval of the Bond Trustee (other than where the Paying Agent is a "foreign financial institution" as such term is defined pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code (the "Code") and any regulations thereunder or official interpretations thereof and is not, or ceases to be, a "participating foreign financial institution" at any time after the date which is six months before the relevant effective date of withholding on "passthru payments" (as such terms are defined pursuant to Sections 1471 through 1474 of the Code and any regulations thereunder or official interpretations thereof), in which case the Issuer shall be entitled to take action without consent and with immediate effect), 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 ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive if any; and

(c) the Issuer will ensure that it appoints a Paying Agent in a Member State of the European Union (other than the United Kingdom) in the event that it is required to withhold or deduct tax on payments made in the United Kingdom.
Notice of any variation, termination, appointment or change will be given by the Issuer to the N Covered Bondholders as soon as reasonably practicable in accordance with Condition 9 (Notices) of these N Covered Bond Conditions.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the LLP and, in certain circumstances specified therein, of the Bond Trustee and do not assume any obligation to, or relationship of agency or trust with, any holders of the N Covered Bonds. 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.

9. **NOTICES**

Notices to the N Covered Bondholder may be given by first class mail (or equivalent) or, if posted to an overseas address, by air mail to it at its address as recorded in the Register. Notices will be deemed to have been validly given on the fourth day after the date of such mailing. If sent by email notices will be deemed to have been validly given on the next Business Day following the dispatch of such email. Notices from the N Covered Bondholder to the Issuer may be given by first class mail (or equivalent) to the Issuer's registered address. Notices will be deemed to have been validly given on the fourth day after the date of such mailing.

10. **REPLACEMENT OF THE CERTIFICATE**

If the Certificate (as defined in Condition 1.2 of these N Covered Bond Conditions) is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar upon payment by the applicant 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. A mutilated or defaced certificate must be surrendered before a replacement certificate will be issued. In addition, the Issuer may require the N Covered Bondholder requesting delivery of a replacement certificate to pay, prior to delivery of such replacement certificate, any stamp or other tax or governmental charges required to paid in connection with such replacement.

11. **GOVERNING LAW, PLACE OF JURISDICTION, PARTIAL INVALIDITY**

11.1 **Governing Law**

With the exception of Condition 2.2 of these N Covered Bond Conditions, which shall be governed by and construed in accordance with English law, this N Covered Bond and all rights and obligations arising under this N Covered Bond (including any non-contractual rights and obligations) shall be governed by and construed in accordance with the laws of the Federal Republic of Germany.

11.2 **Place of Jurisdiction**

The courts of England and Wales shall have the exclusive jurisdiction for any dispute arising out of or in connection with this N Covered Bond and the Issuer and the N Covered Bondholder waive any right to invoke, and undertake not to invoke, any claim of *forum non conveniens* and irrevocably submit to the jurisdiction of the courts of England and Wales in respect of any action or proceeding relating in any way to this N Covered Bond.

11.3 **Partial Invalidity**

If any provision of these N Covered Bond Conditions is or becomes invalid in whole or in part, the remaining provisions shall remain unaffected thereby. Invalid provisions shall be deemed to be replaced by such valid provisions which taking into consideration the purpose and intent of these N Covered Bond Conditions have to the extent legally possible the same economic effect as the invalid provisions. This shall apply *mutatis mutandis* to any gap in these N Covered Bond Conditions.
12. **LANGUAGE**

These N Covered Bond Conditions are written in the English language and a German language translation may be provided. Only the English language version shall be binding.
SCHEDULE 2 TO FORM OF N COVERED BOND

FORM OF N COVERED BOND ASSIGNMENT AGREEMENT

THIS N COVERED BOND ASSIGNMENT AGREEMENT (the "Agreement") is made on [insert date] BETWEEN:

(1) [insert name and complete address of assignor] (the "Assignor"); and

(2) [insert name and complete address of assignee] (the "Assignee");

together the "Parties" and each a "Party".

WHEREAS:

(A) The Assignor is holder of the [insert currency and principal amount] [insert series] N Covered Bond due [insert maturity date] (the "N Covered Bond") issued by Clydesdale Bank plc (the "Issuer").

(B) Pursuant to an N Covered Bond Confirmation and N Covered Bond Confirmation Terms the N Covered Bond forms part of the Issuer's €10 billion global Covered Bond Programme (the "Programme") under which the liabilities of the Issuer as to the payments of interest and principal are unconditionally and irrevocably guaranteed by Clydesdale Covered Bonds No. 2 LLP (the "LLP") in favour of Deutsche Trustee Company Limited (the "Bond Trustee") for the benefit of the bondholders under the Programme pursuant to an English law governed trust deed dated 1 December 2010 (as amended and restated or supplemented from time to time, the "Trust Deed").

NOW IT IS HEREBY AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

Unless specified otherwise, capitalised terms used, but not defined in this Agreement shall have the meaning given to them in the "N Covered Bond Conditions" which are attached as Schedule 1 to the N Covered Bond.

2. ASSIGNMENT

2.1 The Assignor hereby assigns to the Assignee its [insert in case of a partial transfer: partial] claims against the Issuer under the N Covered Bond together with all rights relating thereto,

in the amount of: [insert currency and amount transferred]

(in words: [insert amount transferred in words])

with effect from: [insert transfer date] (the "Transfer Date").

2.2 The Assignee hereby accepts such assignment.

3. NOTIFICATION AND EFFECTIVENESS OF THE ASSIGNMENT

3.1 In accordance with condition 1.3 (Transfer) of the N Covered Bond Conditions, the Assignor shall immediately notify Deutsche Bank Trust Company Americas as Registrar of the assignment contemplated hereunder by sending an executed copy of this Agreement together with the certificate evidencing the N Covered Bond to [details of the Registrar to be inserted].

3.2 The assignment shall only become effective upon registration thereof in the Register maintained by the Registrar. The Registrar will register the transfer if the requirements set out in Condition 1.3 (Transfer) of the N Covered Bond Conditions, have been met, in particular, that the Assignor on behalf of the Assignee has delivered to the Registrar this duly executed Assignment Agreement and that the Assignee has agreed to be bound by the terms of the N Covered Bond Confirmation (as provided in Clause 4 (N Covered Bond Confirmation) below).
4. **N COVERED BOND CONFIRMATION**

Upon the execution by the Assignee of this Agreement, the Assignee agrees in relation to the N Covered Bond assigned hereunder that it has seen, and agrees to be bound by, the confirmation entered into by the initial N Covered Bondholder (the "N Covered Bond Confirmation") as if it were an original signatory thereto.

The Issuer or the Registrar shall make a copy of the N Covered Bond Confirmation and the N Covered Bond Confirmation Terms relating thereto available to the Assignee for these purposes.

5. **DESIGNATED ACCOUNT OF THE ASSIGNEE**

5.1 For the purposes of Condition 5.2 (Repayments in respect of Principal) of the N Covered Bond Conditions the Designated Account of the Assignee shall be the bank account held by the Assignee with [insert bank] which has the following references: [insert account details].

5.2 All notices that are required to be given to the Assignee as a holder of N Covered Bonds shall be delivered in accordance with Condition 9 (Notices) of the N Covered Bond Conditions to:

Company Name: []
Address: []
Telephone: []
Fax: []
e-mail: []
Attention: []

6. **COPIES**

6.1 This Agreement shall be executed in three original copies. One original copy shall be retained by the Assignor and Assignee respectively and one original copy shall be sent to the Registrar by the Assignor as further described in condition 1.3 (Transfer) of the N Covered Bond Conditions.

6.2 The Parties instruct and authorise the Registrar to forward copies of this Agreement to the Issuer, the LLP and the Bond Trustee.

7. **PARTIAL INVALIDITY**

If any provision of this Agreement or part thereof should be or become invalid or unenforceable, this shall not affect the validity or enforceability of the remaining provisions hereof. The invalid or unenforceable provision shall be replaced by such valid and enforceable provision which taking into consideration the purpose and intent of this Agreement has to the extent legally possible the same economic effect as the invalid or unenforceable provision. This shall apply mutatis mutandis to any gap (Vertragslücke) in this Agreement.

8. **GOVERNING LAW, PLACE OF JURISDICTION**

8.1 This Agreement, including any non-contractual rights and obligations arising out of or in connection with this Agreement, (other than Clause 4 (N Covered Bond Confirmation)) shall be governed by and construed in accordance with German law. Clause 4 (N Covered Bond Confirmation) of this Agreement, including any non-contractual rights and obligations arising out of or in connection with Clause 4 (N Covered Bond Confirmation) shall be governed by and construed in accordance with English law.

8.2 The courts of England and Wales shall have the exclusive jurisdiction over any dispute arising out of or in connection with this Agreement.

9. **LANGUAGE**

This Agreement is written in the English language and may be provided with a German language translation. Only the English language version shall be binding.
FORM OF N COVERED BOND CONFIRMATION TERMS

THESE N COVERED BOND CONFIRMATION TERMS (the "Confirmation Terms") are effective by virtue of an N Covered Bond Confirmation signed by an N Covered Bondholder.

WHEREAS:

(A) The Issuer has established a €[10] billion global covered bond programme (the "Programme") pursuant to which the Issuer may from time to time issue Covered Bonds denominated in any currency as may be agreed by the Issuer, the relevant Dealer(s) and the Principal Paying Agent.

(B) Deutsche Trustee Company Limited has agreed to act as the Bond Trustee for the benefit of the Covered Bondholders, the Receiptholders and the Couponholders under the Programme, upon and subject to the terms of an English law governed trust deed dated 1 December 2010 and made between the Issuer, the LLP and the Bond Trustee (as amended and restated or supplemented from time to time, the "Trust Deed").

(C) The LLP has agreed to guarantee interest and principal payments on all Covered Bonds (including, without limitation, the N Covered Bonds) issued under the Programme as more particularly set out in the Trust Deed and in the circumstances described therein.

(D) In consideration for the Issuer lending the proceeds of the issuance of each N Covered Bond to the LLP (and subject to the relevant N Covered Bondholder signing an N Covered Bond Confirmation and delivering the same to the Issuer), the LLP has agreed to extend the terms of its Covered Bond Guarantee to each relevant N Covered Bond.

(E) The Issuer has issued or will issue N Covered Bonds (each, an "N Covered Bond") each of which forms or will form a separate Series of Covered Bonds under the Programme.

(F) Each registered holder of an N Covered Bond will agree that these Confirmation Terms shall apply to the relevant N Covered Bond and the N Covered Bond Conditions by execution of an N Covered Bond Confirmation. Additionally, upon an assignment of an N Covered Bond, which shall be effected by way of a duly executed and delivered N Covered Bond Assignment Agreement, the relevant assignee shall agree, in that N Covered Bond Assignment Agreement, to be bound by that N Covered Bond Confirmation and as a result these Confirmation Terms shall apply to the relevant N Covered Bond.

1. DEFINITIONS AND INTERPRETATION

1.1 For the purposes of these Confirmation Terms, the following definitions shall apply:

"Extended Due for Payment Date" has the meaning given to it in the relevant N Covered Bond Confirmation.

"Extension Determination Date" means the date falling two London Business Days after the expiry of seven days starting on (and including) the Final Maturity Date.

"Final Maturity Date" has the meaning given to it in the relevant N Covered Bond Conditions.

"N Covered Bond" has the meaning given to it in recital E above.

"N Covered Bond Assignment Agreement" means the N Covered Bond assignment that is substantially in the form of Schedule 2 to the N Covered Bond.

"N Covered Bond Conditions" means the relevant terms and conditions of the N Covered Bond annexed as Schedule [1] to the relevant N Covered Bond.

"N Covered Bond Confirmation" means, in relation to each N Covered Bond, the confirmation made by the relevant N Covered Bondholder the form of which is attached at Schedule 1 hereto, pursuant to which the relevant N Covered Bondholder agrees that these Confirmation Terms will apply to the relevant N Covered Bond.
"N Covered Bondholder" means, in relation to each N Covered Bond, the registered holder of the N Covered Bond from time to time (provided that such holder has executed and delivered to the Issuer an N Covered Bond Confirmation or, in relation to an N Covered Bond which has been assigned pursuant to an N Covered Bond Assignment Agreement, that the relevant assignee has agreed in that N Covered Bond Assignment Agreement to be bound by that N Covered Bond Confirmation and as a result the terms of these Confirmation Terms, and has delivered that duly executed N Covered Bond Assignment Agreement to the Registrar).

"Programme Conditions" means the terms and conditions set out in Schedule [1] of the Trust Deed as the same may from time to time be modified in accordance with the Trust Deed.

"Rating Agency" means any one of Moody's Investors Service Limited and Fitch Ratings Ltd. (together the "Rating Agencies") or their successors, to the extent they provide ratings in respect of the Covered Bonds.

1.2 The master definitions schedule made between the parties to the Programme Documents on 1 December 2010 (as the same may be amended, varied and/or supplemented from time to time with the consent of the parties thereto) (the "Master Definitions Schedule") is expressly and specifically incorporated into these Confirmation Terms and is expressly and specifically incorporated into the related N Covered Bond Confirmation and, accordingly, the expressions defined in the Master Definitions Schedule shall, except where the context otherwise requires and save where otherwise defined (i) in the N Covered Bond Conditions, or (ii) herein, have the same meanings in these Confirmation Terms, including the recitals hereto and these Confirmation Terms shall be construed in accordance with the interpretation provisions set out in Clause 2 (Interpretation and Construction) of the Master Definitions Schedule.

2. N COVERED BOND CONFIRMATION TERMS

Each N Covered Bondholder agrees with the Issuer, the LLP and the Bond Trustee with respect to the relevant N Covered Bond that it shall take the benefit of and be bound by and subject to:

(a) (as if it was a party thereto) the Trust Deed (excluding, except as specified herein, the Programme Conditions but including, without limitation and for the avoidance of doubt, the declaration of trust pursuant to [Clause 2.2 (Covenant to repay principal and to pay interest)] thereof, the Covered Bond Guarantee granted pursuant to [Clause 7] thereof, the provisions on proceedings, action and indemnification pursuant to [Clause 10] thereof, the provisions relating to waiver, authorisation and modification pursuant to [Clause 21] thereof, the provisions relating to substitution, consolidation, merger, amalgamation and transfer pursuant to [Clause 23] thereof and the provisions in relation to meetings of Covered Bondholders pursuant to [Schedule 4] thereof), and the other Programme Documents to the extent relevant to the relevant N Covered Bond, the relevant N Covered Bond Confirmation and these Confirmation Terms;

(b) the provisions of these Confirmation Terms; and

(c) [Condition 9 (Events of Default and Enforcement), Condition 14 (Meetings of Covered Bondholders, Modification and Waiver), Condition 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) and Condition 16 (Further Issues)] of the Programme Conditions.

Reference in Programme Condition 9(b)(i) to Programme Condition 6(a) (Final Redemption) shall, for the purposes of the N Covered Bond Conditions be to N Covered Bond Condition 4.1 as [amended / supplemented] by the N Covered Bond Confirmation and Clause 3.2 and 3.3 of the N Covered Bond Confirmation Terms.

3. COVERED BOND GUARANTEE

3.1 General

Subject to and in accordance with the terms of the Trust Deed, including but not limited to [Clause 7] (Covered Bond Guarantee) of the Trust Deed, and [Condition 9] (Events of Default
and Enforcement) of the Programme Conditions, under the Covered Bond Guarantee the LLP shall, following service of an Issuer Acceleration Notice on the Issuer and the LLP and Notice to Pay on the LLP or, if applicable, an LLP Acceleration Notice on the Issuer and the LLP, pay or procure to be paid the Guaranteed Amounts in respect of the relevant N Covered Bond on their Original Due for Payment Date and/or their Extended Due for Payment Date (if applicable).

3.2 **Hard Bullet Covered Bond**

An N Covered Bond to which these Confirmation Terms relate is a Hard Bullet Covered Bond if stated to be so in the relevant N Covered Bond Confirmation.

3.3 **Extended Due for Payment Date**

Subject to [Clause 3.6 (Applicability)] of the Programme Conditions, if the Issuer has failed to pay the Final Redemption Amount on or before the Final Maturity Date specified in the N Covered Bond Conditions (or after expiry of the grace period set out in [Condition 9.1(a)(i)] of the Programme Conditions) and, following the service of a Notice to Pay on the LLP by no later than the date falling one Business Day prior to the Extension Determination Date (and an LLP Acceleration Notice has not been served on the Issuer and the LLP), the LLP or the Cash Manager, on its behalf, determines that the LLP will not have sufficient moneys available (after providing for liabilities ranking in priority thereto or pari passu therewith subject to and in accordance with the Guarantee Priority of Payments to pay in full the Guaranteed Amounts corresponding to the unpaid portion of the Final Redemption Amount in respect of the N Covered Bond on the date falling on the earlier of (a) the later of (1) the date which falls two London Business Days after service of such Notice to Pay on the LLP and (2) the Final Maturity and (b) the Extension Determination Date, then (subject as provided below) payment of the Guaranteed Amount Shortfall by the LLP under the Covered Bond Guarantee shall be deferred until the Extended Due for Payment Date in respect of the relevant N Covered Bond, **provided that** such Guaranteed Amount Shortfall (or part thereof) shall (subject to 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 to the extent it has funds available for such purpose.

Payment of the Guaranteed Amount Shortfall shall not be deferred beyond the Extended Due for Payment Date when such amount shall be due and payable.

The LLP shall notify each N Covered Bondholder (in accordance with the N Covered Bond Conditions), the Rating Agencies, the Bond Trustee, the Security Trustee, the Principal Paying Agent and the Registrar as soon as reasonably practicable and in any event at least two Business Days prior to the earliest to occur of the dates specified in (a) and (b) above of any inability of the LLP to pay in full (subject to the Guarantee Priority of Payments) the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of the N Covered Bond pursuant to the Covered Bond Guarantee. For the avoidance of doubt, failure to notify shall not affect the validity of such extension.

In the circumstances outlined above, the LLP shall on the earlier of:

(a) the date falling two London Business Days after the service of a Notice to Pay on the LLP or if later the Final Maturity Date, and

(b) the Extension Determination Date,

under the Covered Bond Guarantee, apply the monies (if any) available (after paying or providing for payment of higher ranking or pari passu amounts in accordance with the Guarantee Priority of Payments) **pro rata** in part payment of an amount equal to the Final Redemption Amount of the relevant N Covered Bond and shall pay Guaranteed Amounts constituting the Scheduled Interest in respect of the N Covered Bond on such date. The obligation of the LLP to pay such Guaranteed Amount Shortfall shall be deferred as described above. Such failure to pay the Guaranteed Amount Shortfall by the LLP on the earlier to occur of the dates specified in paragraphs (a) and (b) above shall not constitute an LLP Event of Default under [Condition 9.2(b)(i)] of the Programme Conditions.
3.4 **Excess Proceeds**

Any discharge of the obligations of the Issuer as the result of the payment of Excess Proceeds to the Bond Trustee shall be disregarded for the purposes of determining the amounts to be paid by the LLP under the Covered Bond Guarantee in connection with this [Clause 3].

3.5 **Accrual of Interest after the Final Maturity Date**

Subject to [Clause 3.6 (*Applicability*)], on and from the relevant Final Maturity Date and ending on the relevant Extended Due for Payment Date, interest will continue to accrue on the Principal Amount Outstanding of the N Covered Bond and be payable on any unpaid amount at a Rate of Interest determined in accordance with [Condition 4.2] of the Programme Conditions (in the same manner as the Rate of Interest for Floating Rate Covered Bonds) (which is incorporated into these Confirmation Terms for such purpose), provided that terms used in [Condition 4.2] of the Programme Conditions shall, where applicable, be modified as set out in the relevant N Covered Bond Confirmation.

3.6 **Applicability**

[Clauses 3.3 and 3.5] of these Confirmation Terms shall only apply to an N Covered Bond if the relevant N Covered Bond Confirmation specifies that an Extended Due for Payment Date shall apply in respect of such N Covered Bonds.

4. **REDEMPTION DUE TO ILLEGALITY**

4.1 An N Covered Bond may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bond Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 9 (*Notices*) of the N Covered Bond Conditions, each N Covered Bondholder (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 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.

4.2 If an N Covered Bond is redeemed pursuant to [this Clause 13], it will be redeemed at its Early Redemption Amount referred to in the N Covered Bond Conditions together (if appropriate) with interest accrued to (but excluding) the date of redemption.

5. **TAXATION**

5.1 Any payments made by the Issuer to an N Covered Bondholder shall be made subject to the terms and conditions of the relevant N Covered Bond Conditions.

5.2 If any payments made by the LLP under the Covered Bond Guarantee are or become subject to any withholding or deduction for or on account of any taxes, duties or other charges of whatever nature imposed or levied by or on behalf of the United Kingdom or by any authority therein or thereof having power to tax, the LLP shall make such payments net of such withholding or deduction and the LLP will not be obliged to pay any additional amounts to any N Covered Bondholder as a consequence.

5.3 In the event that any payments made by the LLP under the Covered Bond Guarantee to an N Covered Bondholder are, or become, subject to any withholding or deduction for, or on account of, any taxes as set out in Clause 5.2 above, relief pursuant to the provisions of any applicable double taxation treaty may be available to such N Covered Bondholder.

6. **REPRESENTATIONS**

The Issuer hereby represents and warrants that it is a bank within the meaning of section 991 of the Income Tax Act 2007 (the "ITA") and that all payments of interest on the N Covered Bonds
are made in the ordinary course of its business as that term is understood for the purposes of section 878 of the ITA.

7. CONFLICTS

7.1 Each N Covered Bondholder agrees with the LLP, the Issuer and the Bond Trustee that in the event of any conflict between the provisions of (i) the relevant N Covered Bond Conditions, these Confirmation Terms (including, for the avoidance of doubt, the Programme Documents and any other documents (in each case other than the Trust Deed) by which the N Covered Bondholder is bound) and the relevant N Covered Bond Confirmation and (ii) the Trust Deed, unless stated otherwise in these Confirmation Terms the provisions of the N Covered Bond Conditions and these Confirmation Terms (including, for the avoidance of doubt, the Programme Documents and any other documents (in each case other than the Trust Deed) by which the N Covered Bondholder is bound) and the relevant N Covered Bond Confirmation will prevail.

7.2 Each N Covered Bondholder agrees with the LLP, the Issuer and the Bond Trustee that in the event of any conflict between the provisions of the N Covered Bond Conditions and any provisions contained in these Confirmation Terms (including, for the avoidance of doubt, the Programme Documents and any other documents by which the N Covered Bondholder is bound) and the relevant N Covered Bond Confirmation, these Confirmation Terms (including, for the avoidance of doubt, the Programme Documents and any other documents by which the N Covered Bondholder is bound) and the relevant N Covered Bond Confirmation will prevail.

7.3 Each N Covered Bondholder agrees with the LLP, the Issuer and the Bond Trustee that in the event of any conflict between the provisions of the relevant N Covered Bond Confirmation and these Confirmation Terms (including, for the avoidance of doubt, the Programme Documents and any other documents by which the N Covered Bondholder is bound), the N Covered Bond Confirmation will prevail.

8. AMENDMENTS

8.1 Any amendments to any relevant N Covered Bond Conditions or to any relevant N Covered Bond Confirmation (except for these Confirmation Terms, in which case Clause 8.2 below will apply) will be made only with the written consent of each party to that N Covered Bond and/or that N Covered Bond Confirmation. No waiver of the relevant N Covered Bond Conditions and/or N Covered Bond Confirmation, as the case may be, shall be effective unless it is in writing and signed by (or by some person duly authorised by) each of the parties thereto. Where an N Covered Bond has been assigned pursuant to an N Covered Bond Assignment Agreement, any such consent or waiver shall be required of the relevant assignee and not, for the avoidance of doubt, the assignor. No single or partial exercise of, or failure or delay in exercising, any right under the N Covered Bond Conditions or under the relevant N Covered Bond Confirmation shall constitute a waiver or preclude any other or further exercise of that or any other right.

8.2 Any amendments to these Confirmation Terms shall be made in accordance with [Clause 20] (Waiver, Authorisation and Modification) of the Trust Deed.

9. ASSIGNMENT

Neither these Confirmation Terms nor any of the rights or obligations under these Confirmation Terms will be assignable or transferable by any party except (i) by an N Covered Bondholder together with the transfer of the N Covered Bond as further described in the relevant N Covered Bond Conditions; (ii) by the Issuer in accordance with [Condition 19] of the Programme Conditions and [Clause 21] of the Trust Deed; and (iii) by the Bond Trustee, if any successor or new Bond Trustee has been appointed pursuant to the terms of the Trust Deed.

10. NO ENFORCEMENT BY N COVERED BONDHOLDER

Subject to and in accordance with the Trust Deed and specifically Condition 9 (Events of Default and Enforcement) of the Programme Conditions, each N Covered Bondholder agrees with the LLP, the Issuer and the Bond Trustee that only the Bond Trustee may take action to enforce the terms of the N Covered Bond and the Trust Deed and it shall not take any steps or institute proceedings unless the Bond Trustee having become bound to so proceed fails to do so within a
reasonable time and such failure is continuing in which case the relevant N Covered Bondholder shall be entitled to take such steps (subject to and in accordance with Condition 9 (Events of Default and Enforcement) of the Programme Conditions).

11. GOVERNING LAW

These Confirmation Terms and all non contractual or other obligations arising out of or in connection with them are governed by English law.

12. PLACE OF JURISDICTION

The courts of England and Wales shall have the exclusive jurisdiction for any actions or other legal proceedings arising out of or in connection with the relevant N Covered Bond Confirmation and these Confirmation Terms and the parties to the N Covered Bond Confirmation (incorporating these Confirmation Terms) agree to waive any right to invoke, and agree not to invoke, any claim of forum non conveniens and each party hereto irrevocably submits to the jurisdiction of the courts of England and Wales in respect of any action or proceeding relating in any way to the N Covered Bond Confirmation and these Confirmation Terms. Any documents relating to such dispute may be served on the relevant N Covered Bondholder by being delivered to the address stated in the relevant N Covered Bond Confirmation.

13. PARTIAL INVALIDITY

If any provision of the N Covered Bond Confirmation and/or these Confirmation Terms is or becomes invalid in whole or in part, the remaining provisions shall remain unaffected thereby. Invalid provisions shall be replaced by such valid provisions which taking into consideration the purpose and intent of the relevant N Covered Bond Confirmation and these Confirmation Terms have to the extent legally possible the same economic effect as the invalid provisions. This shall apply mutatis mutandis to any gap in the relevant N Covered Bond Confirmation and/or these Confirmation Terms.

14. THIRD PARTY BENEFICIARIES

Subject to any provision(s) of the relevant N Covered Bond Confirmation and these Confirmation Terms under which rights are granted to third parties by express reference to the Contracts (Rights of Third Parties) Act 1999, a person who is not a party to the relevant N Covered Bond Confirmation has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the N Covered Bond Confirmation (incorporating these Confirmation Terms) but this does not affect any right or remedy of a third party which exists or is available apart from that Act.
FORM OF N COVERED BOND CONFIRMATION

SERIES [•] N COVERED BOND DUE [•]

In consideration of the Issuer issuing the Series [•] [insert currency and principal amount] N Covered Bond Due [•] (the "N Covered Bond") and the LLP extending its Covered Bond Guarantee to the N Covered Bond, we agree to be bound by all the provisions of this N Covered Bond Confirmation (including the confirmation terms which are incorporated into this N Covered Bond Confirmation (the "N Covered Bond Confirmation Terms")).

The N Covered Bond Confirmation Terms are incorporated into this N Covered Bond Confirmation.

1. [TO BE INCLUDED IF THE RELEVANT N COVERED BOND HAS AN EXTENDED DUE FOR PAYMENT DATE][EXTENSION PERIOD]
   1.1 An extension period applies in relation to the N Covered Bond. Clauses 3.3 (Extended Due for Payment Date) and 3.5 (Accrual of Interest after the Final Maturity Date) of the N Covered Bond Confirmation Terms are applicable to the N Covered Bond.
   1.2 Terms used in Condition 4(b) (Interest on Floating Rate Covered Bonds and Index Linked Interest Covered Bonds) of the Programme Conditions (as incorporated into the N Covered Bond Confirmation Terms) shall be modified as set out in Schedule 1 hereto.

2. [TO BE INCLUDED IF THE N COVERED BOND IS A HARD BULLET COVERED BOND][HARD BULLET]

The N Covered Bond is a Hard Bullet Covered Bond.

3. NOTICES AND ACCOUNT DETAILS
   3.1 All notices that are required to be given to the N Covered Bondholder pursuant to this N Covered Bond Confirmation and the N Covered Bond Confirmation Terms shall be delivered in accordance with Condition [9] of the N Covered Bond Conditions.
   3.2 Address for Notices and for inclusion in the Register by the Registrar:

   Details of N Covered Bondholder
   Company Name: [•]
   Address: [•]
   Telephone: [•]
   Fax: [•]
   e-mail: [•]
   Attention: [•]

   Account Details:

   For the purposes of Condition 5 (Payments) of the N Covered Bond Conditions the Designated Account of [name of N Covered Bondholder] shall be as follows:

   Name of Bank: [•]
   Account Number: [•]
   Account Name: [•]
4. MISCELLANEOUS

4.1 Terms used but not defined in this N Covered Bond Confirmation shall have the meanings given to them in (i) the N Covered Bond Conditions, (ii) the N Covered Bond Confirmation Terms and (iii) in the Master Definitions Schedule (as defined in the N Covered Bond Confirmation Terms).

4.2 This N Covered Bond Confirmation and all non contractual or other obligations arising out of or in connection with it are governed by English law. This N Covered Bond Confirmation and the N Covered Bond Confirmation Terms (incorporated herein) shall constitute an agreement between the parties hereto in accordance with English law.

4.3 The courts of England and Wales shall have the exclusive jurisdiction for any actions or other legal proceedings arising out of or in connection with this N Covered Bond Confirmation and the parties hereto agree to waive any right to invoke, and agree not to invoke, any claim of forum non conveniens and each party hereto irrevocably submits to the jurisdiction of the courts of England and Wales in respect of any action or proceeding relating in any way to this N Covered Bond Confirmation. [Any documents relating to such dispute may be served on the N Covered Bondholder by being delivered to [insert agent for service of process]].

4.4 This N Covered Bond Confirmation may be executed in any number of counterparts, each of which is an original and all of which together evidence the same agreement. This N Covered Bond Confirmation shall not come into effect until each party has executed at least one counterpart.

4.5 Upon the assignment by the N Covered Bondholder of its rights in relation to the relevant N Covered Bond pursuant to a duly executed and delivered N Covered Bond Assignment Agreement, the assignee will agree pursuant to Clause 4 of that N Covered Bond Assignment Agreement to be bound by the terms of this N Covered Bond Confirmation.

SIGNED by

[*]

by [its duly authorised attorney]

SIGNED by

CLYDESDALE PLC
by its duly authorised attorney

CLYDESDALE COVERED BONDS LLP acting by its duly authorised attorney

DEUTSCHE TRUSTEE COMPANY LIMITED acting by its duly authorised attorney
SCHEDULE 1 TO N COVERED BOND CONFIRMATION

Series: [•]
Principal Amount on Issue: [•]
Final Maturity Date: [•]
Interest [prior to Final Maturity Date]: [Fixed/Floating]
Calculation of Interest: Refer to N Covered Bond Conditions
Other Provisions: [Clauses 3.3 and 3.5 of the N Covered Bond Confirmation Terms are applicable] [This is a Hard Bullet Covered Bond]
Extended Due for Payment Date: [Specify/ Not Applicable]
N Covered Bond governing law: German
N Covered Bond Confirmation Terms governing law: English

Ratings: The Covered Bonds to be issued have been rated [insert details] by [insert details].

[[Insert credit rating agency] is established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended).]

[[Insert credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) No 1060/2009 (as amended).]

[[Insert credit rating agency] is not established in the European Union and is endorsed by a credit rating agency [registered/that has applied for registration] under Regulation (EC) No 1060/2009 (as amended).]

[[Insert credit rating agency] is not established in the European Union and [is certified in accordance with Regulation (EC) No 1060/2009/is applying to be certified in accordance with Regulation (EC) No 1060/2009 (as amended) but has not yet been certified].]

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under Regulation (EU) No 1060/2009 (the CRA Regulation) unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

(The above disclosure should reflect the rating allocated to Covered Bonds of the type being
Floating Rate Covered Bond Provisions for the period from and including the Final Maturity Date to [and including/but excluding] the Extended Due for Payment Date:

1. Specified Period(s) / Specified Interest Payment Date(s): [Each LLP Payment Date]

2. Business Day Convention [Floating Rate Convention/ Following Business Day Convention/Modified Following Day Convention/ Preceding Business Day Convention] [specify other]

3. Additional Business Centre(s): [*]

4. Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ ISDA Determination/ specify other]

5. Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [*]

6. Screen Rate Determination
   (a) Reference Rate [*]
   [Either LIBOR, EURIBOR or other. If other, provide additional information, including amendment to fallback provisions in the Agency Agreement]
   (b) Interest Determination Date(s) [*]
   [Second day on which commercial banks are open for general business (including dealings in foreign currency deposits) in London prior to the start of each Interest Period if LIBOR (other than Sterling [or euro LIBOR]), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR [or euro LIBOR]]
   [N.B. Specify the Interest Determination Date(s) up to and including the Extended Due for Payment Date, if applicable]
   (c) Relevant Screen Page [*]
   [In the case of EURIBOR, if not Reuters page EURIBOR01 or, in the case of LIBOR, Reuters page LIBOR01, ensure it is page which shows a composite rate or amend the fallback provisions appropriately]
GLOSSARY

"$", "U.S. Dollars" and "USS" The lawful currency for the time being of the United States of America;

"£", "Sterling" and "Pounds Sterling" The lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland;

"€", "Euro" or "euro" The lawful currency for the time being of the Member States of the European Union that have adopted or may adopt the single currency in accordance with the treaty of the Functioning of the European Union;


"30/360" (i) in relation to a Series of Fixed Rate Covered Bonds, if 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;

(ii) in relation to a Series of Floating Rate Covered Bonds, if specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and

(iii) in relation to N Covered Bonds, the meaning set out in the relevant N Covered Bond Conditions (if applicable);

"30E/360" In relation to a Series of Covered Bonds, if specified in the applicable Final Terms the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Final Maturity Date (or, as the case may be, the Extended Due for Payment Date) is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);

"360/360" In relation to a Series of Covered Bonds, if specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that
includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);
(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:

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

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

(ii) in relation to a Series of Floating Rate Covered Bonds, if 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); and

(iii) in relation to N Covered Bonds, the meaning set out in the relevant N Covered Bond Conditions (if applicable);

"Adjusted Aggregate Mortgage Loan Amount" The meaning given in "Summary of the Principal Documents" on page 121;

"Adjusted Required Redemption Amount" For each Series of Covered Bonds means:

(a) the Sterling Equivalent of Required Redemption Amount; plus or minus

(b) the Sterling Equivalent of any swap termination amounts (if any) payable under the Swap Agreements to or by the LLP in respect of the relevant Series of Covered Bonds less (where applicable):

(i) in respect of a sale of Mortgage Loans in connection with the Pre-Maturity Liquidity Test, amounts standing to the credit of the Pre-Maturity Liquidity Ledger that are not otherwise required to provide liquidity for any Series of Hard Bullet Covered Bonds which mature prior to or on the same date as the relevant Series of Hard Bullet Covered Bonds; or

(ii) in respect of a sale of Mortgage Loans following service of a Notice to Pay, amounts standing to the credit of the GIC Account 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 pay or repay higher ranking amounts in the Guarantee Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds.

"Agency Agreement" The agency agreement (as supplemented, amended and/or restated from time to time) dated on the Programme Date and made between the Issuer, the LLP, the Bond Trustee, the Principal Paying Agent and the other Paying Agents, the Exchange Agent, the Registrar and the Transfer Agent;

"Agents" The Paying Agents, the Registrar, the Exchange Agent and the Transfer Agent and each an "Agent";

"All Moneys Mortgage" A Mortgage that purports to secure the repayment of Associated Debt as well as a Mortgage Loan;

"All Moneys Mortgage Trust Account" The account of such name held at the All Moneys Mortgage Trust Account Bank for the LLP and maintained pursuant to the terms of the Account Bank Agreement and such additional or replacement bank account of the LLP as may, from time to time, be in place pursuant to the terms of the Account Bank Agreement and the Mortgage Sale Agreement;

"All Moneys Mortgage Trust Account Bank" NAB, in its capacity as All Moneys Mortgage Trust Account Bank pursuant to the Account Bank Agreement;

"All Moneys Mortgage Trust Account Bank Minimum Rating" (a) a short-term unsecured, unsubordinated and unguaranteed debt rating of at least P-1 by Moody's;

(b) a short-term unsecured, unsubordinated and unguaranteed debt rating of at least F1 by Fitch;

(c) a long term unsecured, unsubordinated and unguaranteed debt obligations of at least A by Fitch;

"Amortisation Test" The test as to whether the Amortisation Test Aggregate Mortgage 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 following the service of a Notice to Pay on the LLP;

"Amortisation Test Aggregate Mortgage Loan Amount" The meaning given in "Summary of the Principal Documents" on page 124;

"Amortisation Test Current Principal Balance" The meaning given in "Summary of the Principal Documents" on page 125;

"Amortised Face Amount" The meaning given in "Terms and Conditions of Covered Bonds" on page 211;

"applicable Final Terms" In relation to a Series of Covered Bonds, the Final Terms (or the relevant provisions thereof) attached to or endorsed on the Covered Bonds;

"applicable Final Terms Document" The applicable Final Terms document;

"Arranger" Barclays Bank PLC acting through its office at 5 the North
"Arrears of Interest" As at any date in respect of any Mortgage Loan, interest (other than Capitalised Interest or Accrued Interest) on that Mortgage Loan which is currently due and payable and unpaid on that date; 

"Asset Coverage Test" The test as to whether the Adjusted Aggregate Mortgage 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 on the LLP and the Issuer if the Asset Coverage Test has not been met on two consecutive Calculation Dates; 

"Asset Monitor" Ernst & Young LLP whose registered office is at 1 More Place, London SE1 2AF; 

"Asset Monitor Agreement" The asset monitor agreement entered into on the Programme Date, as supplemented, amended and/or restated from time to time, between the Asset Monitor, the LLP, the Cash Manager, the Issuer, the Bond Trustee and the Security Trustee; 

"Asset Monitor Report" The results of the tests conducted by the Asset Monitor in accordance with the Asset Monitor Agreement to be delivered to the Cash Manager, the LLP, the Issuer, the Bond Trustee and the Security Trustee; 

"Asset Percentage" The meaning given in "Summary of the Principal Documents" on page 124; 

"Asset Pool" The pool of assets owned at any time by the LLP which back the payment of any claims attached to the Covered Bonds and may comprise the following items: 

(a) sums derived from the issue of Covered Bonds; 
(b) eligible property in accordance with Regulation 2(1) of the RCB Regulations which is acquired by the LLP or transferred by the Issuer or a connected person to the Issuer or the LLP in accordance with the RCB Regulations; 
(c) contracts relating to the asset or pool to any Covered Bonds; and 
(d) sums derived from any of the assets referred to in (b) or (c) above and sums lent to the LLP by persons other than the Issuer, in accordance with the RCB Regulations. 

"Associated Debt" The indebtedness which a Borrower owes or may owe to the Seller and/or YBHL from time to time which is not (i) a Mortgage Loan or (ii) not assignable to the LLP pursuant to the terms of the Mortgage Sale Agreement; 

"Authorised Institution" An institution authorised to take deposits under the Financial Services and Markets Act 2000; 

"Authorised Investments" (a) Sterling gilt-edged securities and (b) sterling demand or time deposits, certificates of deposit and short term debt obligations.
(including commercial paper) (which may include deposits into any account which earns a rate of interest related to LIBOR) provided that in all cases such investments have a maturity date of 90 days or less and mature on or before the next following LLP Payment Date and the short term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an Authorised Institution) are rated at least equal to "P-1" by Moody's and "F1+" by Fitch or which are otherwise acceptable to the Rating Agencies (if they are notified in advance) to maintain the then current rating of the Covered Bonds provided that any such authorised investment satisfies the requirements for eligible assets that may collateralise covered bonds in accordance with paragraph 68 of Annex VI of the Banking Consolidation Directive;

"Available Principal Receipts"

On a relevant Calculation Date, an amount equal to the aggregate of (without double counting):

(a) the amount of Mortgage Loan Principal Receipts received during the immediately preceding Calculation Period (where an Insolvency Event has occurred in respect of the Collection Account Bank, or the Transaction Account Bank including any part of the Account Reserve designated and allocated as Mortgage Loan Principal Receipts for such Calculation Period) or, received with respect to repurchases of any Mortgage Loans and their Related Security relating to the immediately preceding Calculation Period and credited to the Principal Ledger on the GIC Account (but, for the avoidance of doubt, excluding any Mortgage Loan Principal Receipts received in the Calculation Period beginning in the month in which the relevant Calculation Date falls unless they are applied towards the purchase of the relevant Mortgage Loans and their Related Security relating to the immediately preceding Calculation Period);

(b) any other amount standing to the credit of the Principal Ledger including (i) the proceeds of any Term Advance (where such proceeds have not been applied to acquire New Mortgage Loan Portfolios, refinance an existing Term Advance or invest in Substitution Assets), (ii) any Cash Capital Contributions received from a Member (excluding any Cash Capital Contribution made which is, or is required to be, credited to the Coupon Payment Ledger or the Reserve Ledger in accordance with the LLP Deed) and (iii) the proceeds from any sale of Selected Mortgage Loans pursuant to the terms of the LLP Deed or the Mortgage Sale Agreement but excluding any amount of principal received under the Swap Agreements; and

(c) any principal amounts received under the Swap Agreements which are available to be applied as Available Principal Receipts in accordance with the provisions of the LLP Deed.
"Available Revenue Receipts" On a relevant Calculation Date, an amount equal to the aggregate of:

(a) the amount of Mortgage Loan Revenue Receipts received during the previous Calculation Period and credited to the Revenue Ledger on the GIC Account (where an Insolvency Event has occurred in respect of the Collection Account Bank and/or the Transaction Account Bank, including any part of the Account Reserve designated and allocated as Mortgage Loan Revenue Receipts for such Calculation Period);

(b) other net income of the LLP including all amounts of interest received on the LLP Accounts, the Substitution Assets and Authorised Investments during the previous Calculation Period but excluding amounts received by the LLP under the Swap Agreements;

(c) such part of (i) any contributions made by the Seller to the LLP to fund the application of any Offset Benefit in respect of any Mortgage Loan in the Mortgage Loan Portfolio, which will be received on or prior to the relevant Calculation Date and (ii) any amounts standing to the credit of the Offset Benefit Reserve Ledger as determined in accordance with the methodology described in "Summary of the Principal Documents – LLP Deed – Offset Mortgage Loans" on page 125;

(d) prior to the service on the LLP of a Notice to Pay amounts standing to the credit of the Reserve Fund in excess of the Reserve Fund Required Amount;

(e) any other Mortgage Loan Revenue Receipts not referred to in paragraphs (a) to (c) (inclusive) above received during the previous Calculation Period and standing to the credit of the Revenue Ledger on the GIC Account;

(f) prior to the service on the LLP of a Notice to Pay amounts standing to the credit of the Reserve Fund provided that such amounts shall only be applied in satisfaction of items (i) to (iv) of the Pre-Acceleration Revenue Priority of Payments;

(g) following the service on the LLP of a Notice to Pay, amounts standing to the credit of the Reserve Fund provided that such amounts shall only be applied in satisfaction of items (i) to (v) of the Guarantee Priority of Payments; and

(h) amounts standing to the credit of the Coupon Payment Ledger in excess of the aggregate, calculated in respect of all Term Advances then outstanding, of the Required Coupon Amounts for (i) in respect of each Term Advance where a Covered Bond Swap has not been entered into with respect to the Series of Covered Bonds which funded the making of such Term Advance or where a Covered Bond Swap has been entered into but the Effective Date of such Covered Bond Swap has not occurred, the Interest Payment Date for such Term Advance, immediately succeeding such
Calculation Date and (ii) in respect of each Term Advance where a Covered Bond Swap has been entered into with respect to the Series of Covered Bonds which funded the making of such Term Advance and the Effective Date of such Covered Bond Swap has occurred, the Party B Payment Date for such Covered Bond Swap immediately succeeding such Calculation Date; and

(i) any revenue amounts received under the Swap Agreements which are available to be applied as Available Revenue Receipts in accordance with the provisions of the LLP Deed;

less

(a) Third Party Amounts, which shall be paid on receipt in cleared funds to the Seller;

excluding:

(a) amounts standing to the credit of the Coupon Payment Ledger being an amount up to but not exceeding the aggregate, calculated in respect of all Term Advances, then outstanding, of the Required Coupon Amount for (i) in respect of each Term Advance where a Covered Bond Swap has not been entered into with respect to the Series of Covered Bonds which funded the making of such Term Advance or where a Covered Bond Swap has been entered into but the Effective Date of such Covered Bond Swap has not occurred, the Interest Payment Date for such Term Advance immediately succeeding such Calculation Date or (ii) the Party B Payment Date, in respect of each Term Advance where a Covered Bond Swap has been entered into with respect to the Series of Covered Bonds which funded the making of such Term Advance and the Effective Date of such Covered Bond Swap has occurred, the Party B Payment Date for such Covered Bond Swap immediately succeeding such Calculation Date;

(b) any Cash Capital Contribution made in respect of the Required Coupon Amount or the Reserve Fund Required Amount in accordance with the LLP Deed; and

(c) Swap Collateral Excluded Amounts which shall be used or returned in accordance with the terms of the relevant Swap Agreements.


"Base Prospectus" Means this base prospectus;

"Basel Committee" Basel Committee on Banking Supervision;

"Bearer Covered Bonds" Covered Bonds in bearer form;
Bearer Covered Bonds in definitive form constituted or, as the case may require, to be constituted under the Trust Deed and issued or, as the case may require, to be issued by the Issuer in accordance with the provisions of the Programme Agreement or any other agreement between the Issuer and the relevant Dealer(s), the Agency Agreement and the Trust Deed in exchange for either a Temporary Global Covered Bond or part thereof or a Permanent Global Covered Bond or part thereof (all as indicated in the applicable Final Terms), such Bearer Covered Bond in definitive form being in the form or substantially in the form set out in Part C of Schedule 2 to the Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer (in the case of syndicated Issues) and having the Conditions endorsed thereon or, if permitted by the relevant stock exchange, incorporating the Conditions by reference as indicated in the applicable Final Terms and having the relevant information supplementing, replacing or modifying the Conditions appearing in the applicable Final Terms endorsed thereon or attached thereto and (except in the case of a Zero Coupon Covered Bonds in bearer form) having Coupons and, where appropriate, Receipts and/or Talons attached thereto on issue;
"Buildings Policies" (a) all buildings insurance policies relating to the freehold English properties or Scottish properties which have been taken out in the name of the relevant Borrower and the Seller or YBHL or in the name of the Borrower with the interest of the Seller or YBHL noted, in accordance with the applicable Mortgage Conditions;

(b) all landlord's buildings insurance policies relating to leasehold Mortgaged Properties including Mortgage Properties in Scotland held under a long lease;

"Business Day" The meaning given in "Terms and Conditions of the Covered Bonds" on page 200;

"Buy-to-Let Mortgage Loan" A Mortgage Loan which is secured by a property that is not owner-occupied;

"Calculation Agent" In relation to all or any Series of the Covered Bonds, the person initially appointed as calculation agent in relation to such Covered Bonds by the Issuer and the LLP pursuant to the Agency Agreement or, if applicable, any successor or separately appointed calculation agent in relation to all or any Series of the Covered Bonds;

"Calculation Date" The day falling one Business Day prior to the LLP Payment Date (or, if that day is not a Business Day, then the immediately preceding Business Day);

"Calculation Period" The period from, and including, the first day of each month to, and including, the last day of each month;

"Capital Account Ledger" The ledger maintained by the Cash Manager on behalf of the LLP in respect of each Member to record the balance of each Member's Capital Contributions;

"Capital Contribution" In relation to each Member, any amount of capital contributed by that Member to the LLP from time to time by way of Cash Capital Contributions and Capital Contributions in Kind as determined in accordance with the LLP Deed;

"Capital Contribution Balance" In relation to a Member, the balance of that Member's Capital Contributions as determined in accordance with the LLP Deed;

"Capital Contributions in Kind" A contribution of Mortgage Loans and their Related Security to the LLP in an amount equal to (a) the aggregate of the Current Principal Balance of those Mortgage Loans as at the relevant Transfer Date minus (b) any cash payment paid by the LLP for the Mortgage Loans and their Related Security on that Transfer Date;

"Capital Distribution" Any return on a Member's Capital Contribution paid to that Member in accordance with the terms of the LLP Deed (and excluding, for the avoidance of doubt, any Deferred Consideration);

"Capitalised Arrears" For any Mortgage Loan at any date, interest or other amounts which are overdue in respect of that Mortgage Loan and which as at that date have been added to the Current Principal Balance of the Mortgage Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower;
"Capitalised Interest" For any Mortgage Loan at any date, interest which is overdue in respect of that Mortgage Loan and which as at that date has been added to the Current Principal Balance of that Mortgage Loan in accordance with the Mortgage Conditions or interest that is capitalised by agreement from time to time with the relevant Borrower (excluding for the avoidance of doubt, any Arrears of Interest which have not been so capitalised on that date);

"Cash Capital Contributions" A Capital Contribution made in cash;

"Cash Management Agreement" The cash management agreement entered into on the Programme Date, as supplemented, amended and/or restated from time to time, between the LLP, Clydesdale in its capacity as the Cash Manager and the Security Trustee;

"Cash Manager" Clydesdale, in its capacity as cash manager under the Cash Management Agreement together with any successor cash manager appointed from time to time;

"Cash Manager Relevant Event" If the Issuer is acting as the Cash Manager and the Cash Manager's long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's falls below Baa1, or by Fitch falls below BBB+ or the Cash Manager's short-term unsecured, unguaranteed and unsubordinated debt obligation rating by Fitch falls below F2;

"Cash Re-Draws" In respect of any Flexible Mortgage Loan, an option available to the relevant Borrower that allows the Borrower, subject to the Mortgage Conditions, to request that the relevant Originator refund some or all of the Overpayments that the Borrower has made under the Mortgage Loan;

"CB Sterling Transaction Account" The CB Sterling account designated as the Transaction Account in the name of the LLP, held with the Transaction Account Bank and maintained subject to the terms of the Account Bank Agreement and the Deed of Charge;

"CCA" Consumer Credit Act 1974;

"Certificate of Title" A solicitor's, licensed conveyancer's or (in Scotland) qualified conveyancer's report or certificate of title obtained by or on behalf of the Seller or YBHL (as applicable) in respect of each Property;

"Charged Property" The property charged, mortgaged, assigned, pledged or otherwise encumbered by the LLP pursuant to Clauses 3.1 to 3.9 (inclusive) (Security and Declaration of Trust) of the Deed of Charge;

"Clearing Systems" DTC, Euroclear and/or Clearstream, Luxembourg;

"Clearstream, Luxembourg" Clearstream Banking, société anonyme;

"Clydesdale" Clydesdale Bank PLC, a public limited company registered in Scotland under company number SC001111 having its registered office at 30 St. Vincent Place, Glasgow G1 2HL;

"Clydesdale Group" The Issuer and its subsidiary undertakings;
"Collection Account" The account in the name of the Servicer held at the Collection Account Bank into which each Borrower will make all payments due under the Mortgage Loan in the Mortgage Loan Portfolio;

"Collection Account Bank" Clydesdale, in its capacity as collection account bank under the Collection Account Declaration of Trust and/or such other banks as may be appointed from time to time in accordance with the Programme Documents;

"Collection Account Bank Minimum Rating" (a) a short-term unsecured, unsubordinated and unguaranteed debt rating of at least P-1 by Moody's;

(b) a short-term unsecured, unsubordinated and unguaranteed debt rating of at least F2 by Fitch;

(c) a long term unsecured, unsubordinated and unguaranteed debt obligations of at least A by Fitch;

"Collection Account Declaration of Trust" The amended and restated English law declaration of trust entered into on the Programme Date between, inter alios, Clydesdale, YBHL, the LLP, the Security Trustee, Lanark Funding Limited, Lanark Trustees Limited and Clydesdale Covered Bonds LLP over the amounts in the Collection Accounts pursuant to which the Seller will hold such amounts upon trust for itself and the LLP in the manner and in the proportions specified in such declaration of trust;

"Common Depositary" The common depositary for Euroclear and Clearstream, Luxembourg;

"Common Safekeeper" If a Tranche of Covered Bonds is constituted as Bearer Global Covered Bonds which are issued in NGCB form, such person as stated in the applicable Final Terms to whom they are to be delivered on or prior to the issue date of the relevant Tranche;

"Conditions" The terms and conditions of the Covered Bonds and in respect of the N Covered Bonds, the applicable N Covered Bond Conditions as modified and/or supplemented by the N Covered Bond Confirmation (incorporating the N Covered Bond Confirmation Terms);

"Corporate Services Agreement" The corporate services agreement entered into by the Liquidation Member, with, inter alios, the Corporate Services Provider and the LLP on the Programme Date;

"Corporate Services Provider" Deutsche Bank AG, London Branch, a company incorporated in England and Wales in its capacity as corporate services provider to the Liquidation Member under the Corporate Services Agreement, together with any successor corporate services provider appointed from time to time;

"Couponholders" The holders of the Coupons (which expression shall, unless the context otherwise requires, include the holders of the Talons);

"Coupon Payment Ledger" The ledger maintained by the Cash Manager pursuant to the Cash Management Agreement, to record the crediting of Required Coupon Amounts and any debiting of the same;

"Covered Bond Guarantee" The unconditional and irrevocable guarantee by the LLP in the Trust Deed for the payment of Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for
"Covered Bondholders"

The meaning given in "Terms and Conditions of the Covered Bonds" on page 193;

"Covered Bond Swap"

Each swap and/or basis transaction entered into between the LLP, the Security Trustee and the relevant Covered Bond Swap Provider with respect to each Series of Covered Bonds issued by the Issuer (excluding the TRS);

"Covered Bond Swap Agreement"

A Swap Agreement entered into between the LLP, the Security Trustee and a Covered Bond Swap Provider with respect to a Series of Covered Bonds issued by the Issuer but does not include the TRS Agreement;

"Covered Bond Swap Provider"

Each entity appointed as Covered Bond Swap Provider under a Covered Bond Swap together with any transferee or successor thereto;

"Covered Bonds"

Covered bonds (including N Covered Bonds provided that the relevant N Covered Bondholder, in the case of the initial N Covered Bondholder, has entered into the related Covered Bond Confirmation or, in the case of an assignee, has agreed to be bound by the terms of such N Covered Bond Confirmation by way of an N Covered Bond Assignment Agreement) issued or to be issued pursuant (except in the case of N Covered Bonds) to the Programme Agreement and which are or are to be constituted under the Trust Deed, which covered bonds may be represented by a Global Covered Bond or any Definitive Covered Bond or, in the case of any N Covered Bond, by an N Covered Bond Certificate and includes any replacements or a Covered Bond issued pursuant to Condition 10 (Replacement of Covered Bonds, Receipts, Coupons and Talons) of the Conditions or, in the case of N Covered Bonds, pursuant to the relevant Condition of the N Covered Bond Conditions and each a "Covered Bond";

"CRA Regulations"

Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (as amended);

"Current Principal Balance"

For any Mortgage Loan as at any given date, the principal balance of that Mortgage Loan to which the Seller applies the relevant interest rate to and on which interest on that Mortgage Loan accrues interest, and which is the aggregate (but avoiding double counting) of:

(a) the original principal amount advanced to the relevant Borrower and any further amount advanced on or before any given date to the relevant Borrower under that Mortgage Loan secured or intended to be secured by the Related Security; and

(b) the amount of any Re-Draws under any Flexible Mortgage Loan secured or purported to be secured by the Related Security; and

(c) any interest, disbursement, legal expense, fee, charge, premium or payment which has been properly capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent (including interest capitalised on any Cash Re-draw
under a Flexible Mortgage Loan),
less any repayment or payment of any of the foregoing made on
or before the end of the London Business Day immediately
preceding that given date and excluding any retentions made
but not released and any Further Advances or Flexible Loan
Reserve Advances committed to be made but not made by the
end of the London Business Day immediately preceding that
given date;

"Custodian"
Any custodian with whom the relevant Regulation S Global
Covered Bonds have been deposited;

"Day Count Fraction"
In the case of a Fixed Rate Covered Bond, the meaning given in
Condition 4(a) (Interest on Fixed Rate Covered Bonds) in
"Terms and Conditions of the Covered Bonds" on page 198; in
the case of a Floating Rate Covered Bond or an Index Linked
Covered Bond, the meaning given in Condition 4(b) (Interest
on Floating Rate Covered Bonds and Index Linked Interest
Covered Bonds) in "Terms and Conditions of the Covered
Bonds" on page 202 and in the case of an N Covered Bond, the
meaning set out in the relevant N Covered Bond Conditions (if
applicable);

"Dealer"
Barclays Bank, the investment banking division of Barclays
Bank PLC (acting through its office at 5 the North Colonnade,
London E14 4BB) 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
(together, the "Dealers"). References in this Base Prospectus to
the relevant Dealer(s) shall, in the case of an issue of Covered
Bonds being (or intended to be) subscribed for by more than
one Dealer, be to all Dealers agreeing to subscribe for such
Covered Bonds;

"Deed of Charge"
The deed of charge dated on the Programme Date (such deed of
charge as amended and/or supplemented and/or restated from
time to time) and made between the LLP, the Bond Trustee, the
Security Trustee and the other Secured Creditors;

"Deed of Consent"
A deed whereby a person in or intended to be in occupation of a
Property agrees with the Seller or YBHL (as applicable) to
postpone his or her interest (if any) in the Property so that it
ranks after the interest created in the relevant Mortgage;

"Deed of Postponement"
A deed or agreement whereby a mortgagee of, or (in Scotland)
the heritable creditor in relation to a Property, agrees with the
Seller or YBHL (as applicable) to postpone its mortgage or
standard security (as appropriate) over the property so that the
sums secured by it will rank for repayment after the sums
secured by the relevant Mortgage;

"Defaulted Mortgage Loan"
Any Mortgage Loan in the Mortgage Loan Portfolio which is
more than three months in arrears;

"Deferred Consideration"
The consideration payable to a Seller in respect of the Mortgage
Loans sold to the LLP from time to time, which is payable after
making payments of a higher order of priority as set out in the
relevant Priorities of Payments;
"Definitive Covered Bond" A Bearer Definitive Covered Bond and/or, as the context may require, a Registered Definitive Covered Bond;

"Definitive Regulation S Covered Bond" A Registered Covered Bond in definitive form sold to non-U.S. Persons outside the United States in reliance on Regulation S;

"Designated Account" The meaning given in Condition 5(d) (Payments in respect of Registered Covered Bonds) in "Terms and Conditions of the Covered Bonds" on page 205 or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions (if applicable);

"Designated Bank" The meaning given in Condition 5(d) (Payments in respect of Registered Covered Bonds) in "Terms and Conditions of the Covered Bonds" on page 205 or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions (if applicable);

"Designated Maturity" The meaning given in the ISDA Definitions;

"Designated Member" Each Member appointed and registered as such from time to time having those duties and obligations set out in sections 8 and 9 of the LLPA 2000 being, as at the date of this Base Prospectus, Clydesdale and the Liquidation Member (together, the "Designated Members");

"Determination Date" (i) in relation to the Asset Coverage Test, the Amortisation Test and the TRS, the first day of each calendar month;

(ii) in relation to the determination of the interest rate of a Series of Fixed Rate Covered Bonds, the date set out in the applicable Final Terms;

"Determination Period" The meaning given in Condition 4(a) (Interest on Fixed Rate Covered Bonds) in "Terms and Conditions of the Covered Bonds" on page 198 or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions (if applicable);

"Direct Participants" The meaning given in "Book-Entry Clearance Systems" on page 184;

"Directors" The board of directors for the time being of the Issuer or YBHL, as applicable;

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

"DMD" The Distance Marketing of Financial Services Directive;

"Dollar Transaction Account" The Dollar account designated as such in the name of the LLP, held with the Transaction Account Bank and maintained subject to the terms of the Account Bank Agreement and the Deed of Charge;

"DTC" Depository Trust Company;

"DTC Covered Bonds" Covered Bonds accepted into DTC's book-entry settlement system;
"DTCC"  The Depository Trust & Clearing Corporation;

"DTI"  Department of Trade and Industry or any successor government department;

"Dual Currency Covered Bonds"  Covered Bonds in respect of which payments (whether in respect of principal or interest and whether at maturity or otherwise) will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer(s) may agree as indicated in the applicable Final Terms;

"Dual Currency Interest Covered Bond"  A Covered Bond in respect of which payments whether in respect of principal or interest are made in such different currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree as indicated in the applicable Final Terms;

"Dual Currency Redemption Covered Bond"  A Covered Bond in respect of which payments of principal are made or to be made in such different currencies, and at rates of exchange calculated upon such basis, as the Issuer and the relevant Dealers may agree (as indicated in the applicable Final Terms);

"Due for Payment"  The requirements by the LLP to pay any Guaranteed Amounts following the service of a Notice to Pay on the LLP:

(a) prior to the occurrence of an LLP Event of Default and the service of an LLP Acceleration Notice on the Issuer and the LLP on:

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

(ii) in relation to any Guaranteed Amounts in respect of the Final Redemption Amount payable on the Final Maturity Date for a Series of Extendable Maturity 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, as the LLP has insufficient moneys available under the Guarantee Priority of Payments to pay such Guaranteed Amounts in full on the earlier of (a) the date which falls two Business
Days after service of such Notice to Pay on the LLP or, if later, the Final Maturity Date (or, in each case, after the expiry of the grace period set out in Condition 9(b)(i)) under the terms of the Covered Bond Guarantee or (b) the Extension Determination Date,

or, if, in either case, such day is not a Business Day, the next following Business Day. For the avoidance of doubt, Due for Payment does not refer to any earlier date upon which payment of any Guaranteed Amounts may become due under the guaranteed obligations, by reason of prepayment, acceleration of maturity, mandatory or optional redemption or otherwise; or

(b) following the occurrence of an LLP Event of Default, the date on which an LLP Acceleration Notice is served on the Issuer and the LLP;

"Earliest Maturing Covered Bonds" At any time, the Series of the Covered Bonds (other than any Series which is fully collateralised by amounts standing to the credit of the GIC Account) that has or have the earliest Final Maturity Date as specified in the applicable Final Terms (ignoring any acceleration of amounts due under the Covered Bonds prior to the occurrence of an LLP Event of Default);

"Early Redemption Amount" In relation to a Series of Covered Bonds, the amount calculated as such in relation to such Covered Bonds in accordance with Condition 6(f) of the Conditions or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions (if applicable);

"Early Repayment Charge" Any charge or fee which a Borrower is required to pay in accordance with the Mortgage Conditions applicable to a Mortgage Loan in the event that the Borrower repays all or part of the relevant Mortgage Loan before a specified date (other than, for the avoidance of doubt, any redemption fees);

"Effective Date" In relation to a Covered Bond Swap, the date specified as such in the relevant Covered Bond Swap Agreement;

"Eligibility Criteria" The meaning given on page 98;

"English Mortgage" A first ranking legal mortgage over a residential property situated in England or Wales;

"English Mortgage Loans" Mortgage Loans secured by an English Mortgage;

"Enterprise Act" Enterprise Act 2002;

"EU" European Union;

"EURIBOR" Euro-zone inter-bank offered rate;

"Eurobond Basis" As specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Final Maturity Date (or, as the case may be, the Extended Due for Payment Date) is the last day of the month of February, in which case the month of February shall not be
considered to be lengthened to a 30-day month);

"Euroclear" Euroclear Bank S.A./N.V.;

"Euro Transaction Account" The Euro account designated as such in the name of the LLP, held with the Transaction Account Bank and maintained subject to the terms of the Account Bank Agreement and the Deed of Charge;

"Excess Proceeds" Moneys received (following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice) by the Bond Trustee from the Issuer or any administrator, administrative receiver, receiver, liquidator, trustee in sequestration or other similar official appointed in relation to the Issuer;


"Exchange Agent" Deutsche Bank Trust Company Americas in its capacity as exchange agent (which expression shall include any successor exchange agent) under the Agency Agreement;

"Exchange Date" On or after the date which is 40 days after a Temporary Global Covered Bond is issued;

"Exchange Event" In the case of Bearer Covered Bonds, the meaning given in "Form of Covered Bonds" on page 189 and in the case of Registered Covered Bonds, the meaning given in "Form of Covered Bonds" on page 190;

"Excluded Swap Termination Amount" In relation to a Swap Agreement, an amount equal to the amount of any termination payment due and payable (a) to the relevant Swap Provider as a result of a Swap Provider Default with respect to such Swap Provider or (b) to the relevant Swap Provider following a Swap Provider Downgrade Event with respect to such Swap Provider;

"Extendable Maturity Covered Bonds" A Series of Covered Bonds in respect of which an Extended Due for Payment Date is specified in the applicable Final Terms;

"Extended Due for Payment Date" In relation to a Series of Covered Bonds, the date, if any, specified as such in the applicable Final Terms to which the payment of all or part (as applicable) 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 Final Maturity Date or the Extension Determination Date, as applicable, in accordance with Condition 6(a) (Final Redemption);

"Extension Determination Date" In respect of a Series of Extendable Maturity 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;

"Final Maturity Date" In relation to a Series of Covered Bonds the Interest Payment Date specified as such in the applicable Final Terms on which such Series of Covered Bonds is required to be redeemed at their Principal Amount Outstanding in accordance with the
Conditions or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions (if applicable);

"Final Redemption Amount" In relation to a Series of Covered Bonds the meaning given in the applicable Final Terms;

"Final Terms" (i) Final terms which, with respect to a Series or Tranche of Covered Bonds to be admitted to the Official List and admitted to trading on the Regulated Market by the London Stock Exchange, will be delivered to the UK Listing Authority and the London Stock Exchange on or before the date of issue of the applicable Tranche of Covered Bonds; and

(ii) with respect to any N Covered Bond, means (taken together) the N Covered Bond Conditions applicable to the N Covered Bond and the relevant N Covered Bond Confirmation (incorporating the N Covered Bond Confirmation Terms);

"First Issue Date" The first Issue Date on which the Issuer issued a Series of Covered Bonds under the Programme;

"First Transfer Date" The date on which the Seller, subject to the fulfilment of certain conditions, will sell and assign the Initial Mortgage Loan Portfolio to the LLP in accordance with the Mortgage Sale Agreement;

"Fitch" Fitch Ratings Ltd and any successor to its rating business;

"Fixed Coupon Amount" In relation to a Series of Covered Bonds, 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 which will amount to the fixed coupon amount specified in the applicable Final Terms;

"Fixed Interest Period" The meaning given in Condition 4(a) (Interest on Fixed Rate Covered Bonds) in "Terms and Conditions of the Covered Bonds" on page 198;

"Fixed Rate Covered Bonds" Covered Bonds paying a fixed rate of interest on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s);

"Flexible Loan Reserve" In relation to an Offset Mortgage Loan, the difference between:

(a) the total amount actually drawn by the Borrower either at the time of the origination of the Mortgage Loan or at any subsequent time; and

(b) the amount the relevant Originator agreed that it was prepared to lend at the time of the origination of the Mortgage Loan;

"Flexible Loan Reserve Advance" In relation to an Offset Mortgage Loan, an additional advance requested by the relevant Borrower up to the Flexible Loan Reserve available to the Borrower;
"Flexible Mortgage Loan" A type of Mortgage Loan product which allows the relevant Borrower to obtain a Mortgage Loan with either a variable or fixed rate, depending on the product type, and which, in certain circumstances, permits the Borrower to take Payment Holidays, receive Cash Re-Draws, receive Flexible Loan Reserve Advances and make Overpayments;

"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 194 or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions (if applicable);

"Floating Rate Covered Bonds" Covered Bonds which bear interest at a rate determined:

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

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

(c) on such other basis as may be agreed between the Issuer and the relevant Dealer(s), as set out in the applicable Final Terms;

"Floating Rate Option" The meaning given in the ISDA Definitions;

"Following Business Day Convention" The meaning given in "Terms and Conditions of the Covered Bonds" on page 199 or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions (if applicable);

"FSA" Financial Services Authority;

"FSMA" Financial Services and Markets Act 2000, as amended;

"Further Advance" In relation to a Mortgage Loan, any advance of further money to the relevant Borrower following the making of the initial advance of monies in respect of such Mortgage Loan (the "Initial Advance") which is secured by the same Mortgage as the Initial Advance and includes any Flexible Loan Reserve Advances (unless a Rating Agency Confirmation has been received in relation to the assignment to the LLP of a Mortgage Loan with a Flexible Loan Reserve) but does not include any Re-Draw;

"GIC Account" The account in the name of the LLP held with the GIC Account Bank and maintained subject to the terms of the Account Bank Agreement and the Deed of Charge and/or such additional or replacement account as may from time to time, be in place pursuant to the terms of the Account Bank Agreement and the Deed of Charge;

"GIC Account Bank" NAB, in its capacity as GIC Account Bank pursuant to the Account Bank Agreement;

"GIC Account Bank Minimum" (a) a short-term unsecured, unsubordinated and
Rating"  unguaranteed debt rating of at least P-1 by Moody's;  
(b)  a short-term unsecured, unsubordinated and unguaranteed debt rating of at least F1 by Fitch;  
(c)  a long term unsecured, unsubordinated and unguaranteed debt obligations of at least A by Fitch;  
"GIC Provider"  NAB, in its capacity as GIC provider under the Account Bank Agreement together with any successor GIC provider appointed from time to time;  
"Global Covered Bond"  A Bearer Global Covered Bond and/or Regulation S Global Covered Bond, as the context may require;  
"Guarantee"  Each guarantee in support of the obligations of a Borrower under a Mortgage Loan;  
"Guarantee Priority of Payments"  The meaning given in "Cashflows" on page 152;  
"Guaranteed Amounts"  (a) Prior to the service of an LLP Acceleration Notice, with respect to any Original Due for Payment Date or, if applicable, any Extended Due for Payment Date, the sum of Scheduled Interest and Scheduled Principal, in each case, payable on that Original Due for Payment Date or, if applicable, that Extended Due for Payment Date, or (b) after service of an LLP Acceleration Notice, an amount equal to the relevant Early Redemption Amount as specified in the Conditions or, if applicable, the relevant Final Terms plus all accrued and unpaid interest and all other amounts due and payable in respect of the Covered Bonds (other than any additional amounts payable by the Issuer pursuant to Condition 7 (Taxation) in respect of any deduction or withholding in respect of United Kingdom taxes), 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;  
"Hard Bullet Covered Bonds"  A Series of Covered Bonds which is scheduled to be redeemed in full on the Final Maturity Date for such Covered Bonds and without any provision for scheduled redemption other than on the Final Maturity Date;  
"Index Linked Covered Bonds"  Index Linked Redemption Covered Bonds and Index Linked Interest Covered Bonds;  
"Index Linked Interest Covered Bonds"  Covered Bonds in respect of which payments of interest will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer(s) may agree;  
"Index Linked Redemption Covered Bonds"  Covered Bonds in respect of which payments of principal will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer(s) may agree;  
"Indexed Valuation"  At any date in relation to any Mortgage Loan secured over any Property:  
(a)  where the Latest Valuation of that Property is equal to or greater than the Nationwide Price Indexed Valuation as at that date, the Nationwide Price Indexed Valuation;
(b) where the Latest Valuation of that Property is less than
the Nationwide Price Indexed Valuation as at that date,
the Latest Valuation plus 75 per cent. of the difference
between the Latest Valuation and the Nationwide Price
Indexed Valuation;

"Indirect Participants" The meaning given in "Book-Entry Clearance Systems" on page 184;

"Initial Consideration" On a Transfer Date, the amount equal to:

(i) A cash payment to be made by the LLP from the
proceeds of the relevant Term Advance and/or from
Available Principal Receipts on such date; and

(ii) the Seller being treated as having made a Capital
Contribution in kind on such date in an amount equal to
the difference between the Current Principal Balance of
the Mortgage Loans sold by the Seller as at such
Transfer Date and the cash payment (if any) made by
the LLP;

"Initial Mortgage Loan Portfolio" The meaning given in "The Mortgage Loan Portfolio" on page 159;

"Insolvency Act" The Insolvency Act 1986, as amended;

"Insolvency Event" In respect of the Seller, the Servicer, the Cash Manager, the
Collection Account Bank or an Account Bank (each, for the
purposes of this definition, a "Relevant Entity") means:

(a) an order is made or petition presented or an effective
resolution passed for the winding up of the Relevant
Entity (except, in any such case, a winding-up or
dissolution for the purpose of a reconstruction or
amalgamation the terms of which have been previously
approved by the Security Trustee);

(b) the Relevant Entity ceases or threatens to cease to carry
on its business (otherwise than for the purposes of an
amalgamation or reconstruction the terms of which
have been previously approved by the Security Trustee)
or stops payment or threatens to stop payment of its
debts or is deemed unable to pay its debts within the
meaning of section 123(1)(a), (b), (c), (d) or (e) of the
Insolvency Act (as amended, modified or re-enacted)
or becomes unable to pay its debts as they fall due or
the value of its assets is less than the amount of its
liabilities (taking into account its contingent and
prospective liabilities) or otherwise becomes insolvent;

(c) proceedings are initiated against the Relevant Entity or
any steps are taken in respect of a Relevant Entity
under any applicable liquidation, administration,
reorganisation (other than a reorganisation where the
Relevant Entity is solvent), insolvency or other similar
laws, save where such proceedings are being contested
in good faith; or an administrative or other receiver,
administrator, bank administrator, bank liquidator or
other similar official is appointed in relation to the
whole or any substantial part of the undertaking or assets of the Relevant Entity; or a distress, execution or diligence or other process is enforced upon the whole or any substantial part of the undertaking or assets of the Relevant Entity and in any of the foregoing cases it is not discharged within 30 London Business Days; or if the Relevant Entity initiates or consents to judicial proceedings relating to itself under any applicable liquidation, administration, insolvency, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of its creditors generally;

"Instalment Amount" In relation to Covered Bonds redeemable in instalments, the amount that can be redeemed on each Instalment Date in relation to the Covered Bonds;

"Instalment Covered Bonds" Covered Bonds which will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Final Terms;

"Instalment Date" The date on which Covered Bonds redeemable in instalments can be redeemed;

"Insurance Policies" This means the following insurance policies:

(a) the MIG Policies;
(b) the Properties in Possession Policy;
(c) the Buildings Policies; and
(d) the Title Insurance Policies;

"Intercompany Loan Agreement" The term loan agreement dated on the Programme Date as supplemented, amended and/or restated from time to time between the Issuer, the LLP and the Security Trustee;

"Interest Amount" The amount of interest payable on the Floating Rate Covered Bonds or Index Linked Interest Covered Bonds in respect of each Specified Denomination for the relevant Interest Period;

"Interest Only Mortgage Loan" A Mortgage Loan advanced on an interest-only basis with interest paid on a weekly, fortnightly or monthly basis through to the maturity date for that Mortgage Loan on which date the entire principal amount of the Mortgage Loan is due (with or without a capital repayment vehicle);

"Interest Payment Date" In relation to any Series of Covered Bonds, the date or dates specified as the Specified Interest Payment Date(s) in the applicable Final Terms (as the case may be);

"Interest Period" In relation to a Series of Covered Bonds the period from (and including) an Interest Payment Date for such Covered Bonds (or, in the case of the first Interest Period for such Covered Bonds the Interest Commencement Date for such Covered Bonds) to (but excluding) the next (or first) Interest Payment Date for such Covered Bonds;

"Interest Rate Shortfall Test" The meaning given to it on page 114.

"Investor Put" The meaning given to such term in Condition 6(d) (Redemption at the Option of the Covered Bondholders (Investor Put)) in
"Investor Report" The monthly report made available to the Covered Bondholders, the Security Trustee, the Bond Trustee and the Rating Agencies detailing, *inter alia*, compliance with the Asset Coverage Test in a form agreed from time to time by the Issuer, the LLP and the Cash Manager;

"ISDA" International Swaps and Derivatives Association, Inc.;

"ISDA 1995 Credit Support Annex" The ISDA 1995 Credit Support Annex as published by ISDA;

"ISDA Definitions" The 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 "Terms and Conditions of the Covered Bonds" on page 200;

"Issue Date" A date on which the Issuer issues Covered Bonds under the Programme;

"Issuer" Clydesdale Bank PLC, a public limited company registered in Scotland under company number SC001111 having its registered office at 30 St. Vincent Place, Glasgow G1 2HL;

"Issuer Acceleration Notice" The meaning given in Condition 9(a) (Issuer Events of Default) in "Terms and Conditions of the Covered Bonds" on page 214;

"Issuer Event of Default" The meaning given in Condition 9(a) (Issuer Events of Default) in "Terms and Conditions of the Covered Bonds" on page 214;

"Latest Valuation" In relation to any Property, the value given to that Property by the most recent valuation undertaken or instructed by the Seller or by YBHL, as applicable according to its policies;

"Ledger" Each of the Principal Ledger, the Revenue Ledger, the Pre-Maturity Liquidity Ledger, the Capital Account Ledger, the Reserve Ledger, the Losses Ledger, the Offset Benefit Reserve Ledger, each Swap Collateral Ledger and the Coupon Payment Ledger;

"Lending Criteria" The lending criteria of the Seller or YBHL, as applicable, which may be amended from time to time (forming part of the Seller's or YBHL's, as applicable, policy) which as at the Programme Date is set out in the Mortgage Sale Agreement and/or such other criteria as would be acceptable to a Prudent Mortgage Lender;

"LIBOR" London inter-bank offered rate;

"Liquidation Member" Aruna Mortgages Limited, a private limited company registered in England and Wales under company number 7110969 having its registered office at Winchester House, 1 Great Winchester Street, London EC2N 2DB;

"Listed" References to Covered Bonds being "listed" means that such Covered Bonds have been admitted to trading on the Regulated Market of the London Stock Exchange and have been admitted to the Official List;
"Listing Rules" The rules relating to the admission to the Official List, in accordance with the FSMA;

"LLP" Clydesdale Covered Bonds No. 2 LLP, a limited liability partnership established under the laws of England and Wales (registered number OC355161), whose first members are Clydesdale and the Liquidation Member;

"LLP Acceleration Notice" The meaning given in Condition 9(b) (LLP Events of Default) in "Terms and Conditions of the Covered Bonds" on page 216;

"LLP Accounts" The All Moneys Mortgage Trust Account, the GIC Account, the Transaction Accounts and the Swap Collateral Accounts (in each case, to the extent maintained) and any additional or replacement accounts opened in the name of the LLP;

"LLP Deed" The limited liability partnership deed entered into on the Programme Date, as supplemented, amended and/or restated from time to time, between the LLP, Clydesdale, the Liquidation Member, the Bond Trustee and the Security Trustee;

"LLP Event of Default" The meaning given in Condition 9(b) (LLP Events of Default) in "Terms and Conditions of the Covered Bonds" on page 216;

"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 21st day of each month or, if such day is not a Business Day, the next following Business Day;

"LLP Payment Period" The period from and including an LLP Payment Date to but excluding the next following LLP Payment Date;

"LLPA 2000" Limited Liability Partnerships Act 2000, as amended;

"London Business Day" A day (other than a Saturday or Sunday or public holiday) on which banks are generally open for business in London;

"London Stock Exchange" The London Stock Exchange plc;

"Long Maturity Covered Bond" A Fixed Rate Covered Bond (other than a Fixed Rate Covered Bond which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Covered Bond shall cease to be a Long Maturity Covered Bond on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the Principal Amount Outstanding of such Covered Bond;

"Losses" All realised losses on the Mortgage Loans which are in the Mortgage Loan Portfolio;

"Losses Ledger" The ledger of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record the Losses in relation to the Mortgage Loans in the Mortgage Loan Portfolio, for each relevant Calculation Period;
"Master Definitions Schedule" The master definitions schedule made between the parties to the Programme Documents on the Programme Date;

"MCOB" Mortgages and Home Finance Conduct of Business Sourcebook, implemented by the FSA in October 2004 as amended, revised or supplemented from time to time;

"Member States" The member states of the European Union;

"Members" Each of Clydesdale and the Liquidation Member and together with any other members who shall be admitted to the LLP after the Programme Date from time to time in accordance with the LLP Deed;

"MHA/CP Documentation" An affidavit, declaration, consent or renunciation granted in terms of the Matrimonial Homes (Family Protection) (Scotland) Act 1981 and/or (as applicable) the Civil Partnership (Scotland) Act 2004 in connection with a Scottish Mortgage or the Property secured thereby;

"MIG Policies" Each MIG insurance policy and any endorsements or extensions thereto as issued from time to time and any additional, replacement or substitute MIG insurance policy which, in each case, relates to the Mortgage Loans in the Mortgage Loan Portfolio from time to time;

"Modified Following Business Day Convention" The meaning given in Condition 4 (Interest) in "Terms and Conditions of the Covered Bonds" on page 200;

"Moody's" Moody's Investors Service Limited and any successor to its rating business;

"Mortgage" An English Mortgage or, as applicable, a Scottish Mortgage;

"Mortgage Conditions" All the terms and conditions applicable to a Mortgage Loan at any time. The Seller is entitled to change its Mortgage Loan terms and conditions, from time to time;

"Mortgage Deed" In respect of any Mortgage, the deed creating that Mortgage;

"Mortgage Loan Files" For each Mortgage Loan, the file or files (including files kept in microfiche format or similar electronic date retrieval system) containing, inter alia, correspondence between the Borrower and the Seller and/or YBHL, as applicable and including the mortgage documentation applicable to the Mortgage Loan, each letter of offer for that Mortgage Loan, the Valuation Report (if applicable) and, to the extent available, the Certificate of Title;

"Mortgage Loan Portfolio" On any particular date, the Initial Mortgage Loan Portfolio and each New Mortgage Loan Portfolio sold and assigned to the LLP pursuant to the terms of the Mortgage Sale Agreement prior to such date, after taking account of, amongst other things, amortisation of the Mortgage Loans and the addition and/or removal of Mortgage Loans and their Related Security to or from the Mortgage Loan Portfolio since the Programme Date;

"Mortgage Loan Principal Receipts" Any payment in respect of principal received from time to time in respect of any Mortgage Loan in the Mortgage Loan Portfolio (including, without limitation whether as all or part of a Mortgage Loan Scheduled Payment by a Borrower on the relevant Mortgage Loan, on redemption (in whole or in part), on enforcement or on disposal of such Mortgage Loan or
"Mortgage Loan Revenue Receipts"  Any payment received from time to time in respect of any Mortgage Loan which is not a Mortgage Loan Principal Receipt (including the Payment Holiday Mortgage Capitalised Interest Portion of any Payment Holiday Mortgage Loan Advance, any Early Repayment Charges of any Mortgage Loan in the Mortgage Loan Portfolio and whether as all or part of a Mortgage Loan Scheduled Payment by a Borrower on the relevant Mortgage Loan, on redemption (in whole or in part), on enforcement or on disposal of such Mortgage Loan or otherwise (including pursuant to any Insurance Policy));

"Mortgage Loan Scheduled Payment"  In respect of a Mortgage Loan, the amount which the applicable Mortgage Conditions require a Borrower to pay on a Mortgage Loan Scheduled Payment Date in respect of such Mortgage Loan;

"Mortgage Loan Scheduled Payment Date"  In respect of a Mortgage Loan, a date on which the relevant Borrower is required to make a payment of interest and, if applicable, principal, in respect of such Mortgage Loan, as required by the applicable Mortgage Conditions;

"Mortgage Loans", each a 
"Mortgage Loan"  Any English Mortgage Loan or Scottish Mortgage Loan originated by the Seller or by YBHL;

"Mortgage Sale Agreement"  The mortgage sale agreement entered into on the Programme Date, as supplemented, amended and/or restated from time to time, between the Seller, the LLP and the Security Trustee;

"Mortgaged Property" collectively, 
"Mortgaged Properties" (i) in relation to any English Mortgage Loan, the freehold or leasehold property in England and Wales subject to the relevant Mortgage securing repayment of the English Mortgage Loan and (ii) in relation to any Scottish Mortgage Loan, the heritable or long leasehold property in Scotland, and all rights and security attached or appurtenant or related thereto and all buildings and fixtures and fittings thereon which are subject to the Mortgage securing repayment of such Mortgage Loan;

"N Covered Bond"  A registered Covered Bond in definitive form made out in the name of a specified N Covered Bondholder issued or to be issued by the Issuer in accordance with the provisions of the Agency Agreement and in accordance with and constituted by the Trust Deed, in the form of a German law governed "Namensschuldverschreibung" substantially in the form set out in Schedule 6 to the Trust Deed with such modifications (if any) as may be agreed between the Issuer, the LLP, the Bond Trustee and the relevant N Covered Bondholder and having the N Covered Bond Conditions applicable to it annexed thereto and subject to the provisions of the N Covered Bond Confirmation (incorporating the N Covered Bond Confirmation Terms) relating thereto;

"N Covered Bond Assignment Agreement"  The German law assignment agreement attached to each N Covered Bond, substantially in the form set out at Schedule 6 to the Trust Deed;

"N Covered Bond Certificate"  The certificate representing the N Covered Bond, substantially in the form set out in Schedule 6 to the Trust Deed;
"N Covered Bond Conditions" The terms and conditions of each N Covered Bond annexed thereto;

"N Covered Bond Confirmation" In relation to each N Covered Bond, an English law governed confirmation incorporating the N Covered Bond Confirmation Terms and signed by the N Covered Bondholder, the LLP, the Issuer and the Bond Trustee, substantially in the form set out in Schedule 6 to the Trust Deed;

"N Covered Bond Confirmation Terms" The standard set of confirmation terms relating to each N Covered Bond, which are governed by English law and substantially in the form set out in Schedule 6 to the Trust Deed as may be amended from time to time in accordance with the Trust Deed;

"N Covered Bondholder" The registered holder of an N Covered Bond as recorded as such in the Register by the Registrar;

"NAB " National Australia Bank Limited;

"NAB Group" The National Australia Bank Group, which comprises, inter alios, Clydesdale Bank PLC, YBHL and National Australia Bank Limited;

"Nationwide Index" The index of increases in house prices issued by the Nationwide Building Society in relation to residential properties in the United Kingdom;

"Nationwide Price Indexed Valuation" In relation to any Property at any date means the Latest Valuation of the property increased or decreased as appropriate by the increase of decrease in the Nationwide Index since the date of that Latest Valuation;

"Negative Carry Factor" The meaning given on page 123;

"New Member" Any new member, who is a UK tax resident company, admitted to the LLP after the Programme Date in accordance with the LLP Deed;

"New Mortgage Loan" Mortgage Loans, which the Seller may assign or transfer to the LLP after the First Transfer Date pursuant to the Mortgage Sale Agreement;

"New Mortgage Loan Portfolio" The meaning given in "The Mortgage Loan Portfolio" on page 159;

"New Mortgage Loan Portfolio Notice" A notice in the form set out in Schedule 5 to the Mortgage Sale Agreement served in accordance with the terms of the Mortgage Sale Agreement;

"New Product Type" A new type of mortgage loan originated or acquired by the Seller, which the Seller intends to transfer to the LLP, the terms and conditions of which are materially different (in the opinion of the Seller, acting reasonably) from the Mortgage Loans in the Mortgage Loan Portfolio. For the avoidance of doubt, a mortgage loan will not constitute a New Product Type if it differs from the Mortgage Loans in the Mortgage Loan Portfolio 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 Safekeeping Structure" means a structure where a Registered Global Covered Bond which is registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and will be deposited on or about the relevant Issue Date with the Common Safekeeper for Euroclear and/or Clearstream, Luxembourg;

"New Seller" Any member of the NAB Group (other than Clydesdale) which accedes to, amongst other things, the Mortgage Sale Agreement, the LLP Deed and the Programme Agreement at any time after the Programme Date;

"NGCB" New Global Covered Bond;

"Non-Cash Re-Draw" A Payment Holiday under a Flexible Mortgage Loan included in the Mortgage Loan Portfolio, which will result in the Seller being required to pay to the LLP an amount equal to the Unpaid Interest associated with that Payment Holiday;

"Notice to Pay" The meaning given in Condition 9(a) (Issuer Events of Default) in "Terms and Conditions of the Covered Bonds" on page 215;

"NSSCB" means a Registered Global Covered Bond which is or will be held under the New Safekeeping Structure;

"Official List" Official list of the UK Listing Authority;

"Offset Benefit" In respect of a Mortgage Loan Scheduled Payment, the difference between:

(a) that part of such Mortgage Loan Scheduled Payment that constitutes interest (prior to the application of the offset provisions of the relevant Mortgage Loan); and

(b) that part of such Mortgage Loan Scheduled Payment that constitutes interest (after the application of the offset provisions of the relevant Mortgage Loan);

"Offset Benefit Contribution Amount" The meaning given in "Summary of the Principal Documents" on page 125;

"Offset Benefit Reserve Ledger" The ledger so named maintained by the Cash Manager in the name of the LLP pursuant to the provisions of the Cash Management Agreement to record the Offset Benefit Contribution Amounts paid by the Seller to the LLP in relation to the Mortgage Loans in the Mortgage Loan Portfolio;

"Offset Mortgage Loan" A Mortgage Loan which allows the relevant Borrower to link the Mortgage Loan with certain deposit and/or current accounts that are held by the Seller;

"OFT" Office of Fair Trading;

"Ombudsman" Financial Ombudsman Service under the FSMA;

"Optional Redemption Amount" means, in respect of any Covered Bond, its principal amount or such other amount as may be specified in, or determined in accordance with, the applicable Final Terms;

"Originator" means either Clydesdale or YBHL, as applicable;

"Original Due for Payment Date" The meaning given in paragraph (a)(i) of the definition of "Due for Payment";

"outstanding" In relation to the Covered Bonds, all the Covered Bonds other than:

(a) those which have been redeemed in full and cancelled in accordance with the Conditions;

(b) those in respect of which the date for redemption, in accordance with the provisions of the Conditions, has occurred and for which the redemption monies (including all interest accrued thereon to such date for redemption) have been duly paid to the Security Trustee or the Principal Paying Agent in the manner provided for in the Agency Agreement (and, where appropriate, notice to that effect has been given to the Covered Bondholders in accordance with Condition 13 (Notices) and remain available for payment in accordance with the Conditions;

(c) those which have been purchased and surrendered for cancellation as provided in Condition 6 (Redemption and Repurchase) and notice of the cancellation of which has been given to the Bond Trustee;

(d) those which have become void under the Conditions;

(e) those mutilated or defaced Covered Bonds which have been surrendered or cancelled and those Covered Bonds which are alleged to have been lost, stolen or destroyed and in all cases in respect of which replacement Covered Bonds have been issued pursuant to the Conditions; and

(f) any Temporary Global Covered Bond, to the extent that it shall have been exchanged for a Permanent Global Covered Bond of the same class or any Permanent Global Covered Bond, to the extent that it shall have been exchanged for the related Definitive Covered Bonds pursuant to the provisions contained therein and the Conditions;

provided that for each of the following purposes, namely:

(g) the right to attend and vote at any meeting of Covered Bondholders;

(h) the determination of how many and which Covered Bonds are for the time being outstanding for the purposes of the provisions of the Trust Deed and Condition 9 (Events of Default and Enforcement) and Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution); and

(i) any discretion, power or authority, whether contained in the Trust Deed or provided by law, which the Bond Trustee is required to exercise in or by reference to the interests of the Covered Bondholders or any of them,
those Covered Bonds of the relevant Series (if any) which are for the time being held by or on behalf of or for the benefit of the Issuer, the LLP, any holding company of any of them or any other subsidiary of any such holding company, in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding except in the case of the Issuer, the LLP, any holding company of any of them and/or any other subsidiary of any such holding company (the "Relevant Persons" and each a "Relevant Person") where all Covered Bonds (or, as applicable, all Covered Bonds of the Relevant Series) are for the time being held by or on behalf of or for the benefit of one or more Relevant Persons;

"Overpayment" In respect of a Flexible Mortgage Loan, any additional amounts of Principal Receipts received above the regular, Mortgage Loan Scheduled Payments due in respect of such Mortgage Loan, paid by the relevant Borrower which (a) is permitted by the terms of such Mortgage Loan or by agreement with the Borrower and (b) reduces the Current Principal Balance of such Mortgage Loan;

"Partial Portfolio" Part of any portfolio of Selected Mortgage Loans and their Related Security;

"Partly-Paid Covered Bonds" Covered Bonds which are only partly paid up on issue, in respect of which interest will accrue in accordance with Condition 4(d) (Interest on Partly-Paid Covered Bonds) on the paid-up amount of such Covered Bonds or on such other basis as may be agreed between the Issuer and the relevant Dealer(s) and indicated in the applicable Final Terms;

"Party A Payment " In relation to a Series of Covered Bonds, the meaning given to such term in the relevant Covered Bond Swap Agreement;

"Party B Payment Date " In relation to a Series of Covered Bonds, the meaning given to such term in the relevant Covered Bond Swap Agreement;

"Paying Agents" The meaning given in "Terms and Conditions of the Covered Bonds" on page 192;

"Payment Day" The meaning given in Condition 5 (Payments) in "Terms and Conditions of the Covered Bonds" on page 206;

"Payment Holiday" The right of a Borrower, under the applicable Mortgage Conditions, to not make a monthly payment for one or more months in certain circumstances and, in respect of any Flexible Mortgage Loan, a period of one or more scheduled payment dates under the Mortgage Loan when the relevant Borrower is permitted by the Seller or YBHL, as applicable, in accordance with the relevant Mortgage Conditions not to make the payments due on such scheduled payments dates;

"Payment Holiday Mortgage Loan Advance" Is the further amount that the Borrower is permitted to borrow, upon application for a Payment Holiday, equal to the scheduled monthly payments of interest and, as the case may be, principal due on the Mortgage Loan;

"Permanent Global Covered Bond" The meaning given in "Form of the Covered Bonds" on page 188;

"Post-Enforcement Priority of The meaning given in "Cashflows" on page 156;
"Payments"

"Potential Issuer Event of Default" The meaning given in Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution) in "Terms and Conditions of the Covered Bonds" on page 222;

"Potential LLP Event of Default" The meaning given in Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution) in "Terms and Conditions of the Covered Bonds" on page 222;

"Pre-Acceleration Principal Priority of Payments" The meaning given in "Cashflows" on page 150;

"Pre-Acceleration Priority of Payments" Means the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments;

"Pre-Acceleration Revenue Priority of Payments" The meaning given in "Cashflows" on page 148;

"Pre-Maturity Test" On a Pre-Maturity Test Date a test which will be breached if any of the following events occur:

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

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

"Pre-Maturity Test Date" Each Business Day prior to the occurrence of an Issuer Event of Default or the occurrence of an LLP Event of Default;

"Pre-Maturity Liquidity Ledger" The ledger maintained by the Cash Manager pursuant to the Cash Management Agreement to record the credits and debits of moneys available to repay any Series of Hard Bullet Covered Bonds on the Final Maturity Date thereof if the Pre-Maturity Test in respect of such Series of Hard Bullet Covered Bonds has been breached;

"Preceding Business Day Convention" The meaning given in Condition 4(b) (Interest on Floating Rate Covered Bonds and Index Linked Interest Covered Bonds) in "Terms and Conditions of the Covered Bonds" on page 200;

"Principal Amount Outstanding" In respect of a Covered Bond, on any day, the nominal amount of that Covered Bond on the relevant Issue Date thereof less principal amounts received by the relevant holder of the Covered Bonds in respect thereof on or prior to such day;

"Principal Ledger" The ledger of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record the credits and debits of Mortgage Loan Principal Receipts in
accordance with the terms of the LLP Deed;

"Principal Paying Agent" The meaning given in "Terms and Conditions of the Covered Bonds" on page 192;

"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, from time to time, in the Mortgage Conditions applicable to a Borrower's Mortgage Loan and/or moving a Borrower to an alternative mortgage product, including a change in Product Type but excluding:

(a) a change which was previously agreed with the Borrower at the time of the origination of the Mortgage Loan (for example, the relevant Originator and the Borrower may agree at the time of origination of a Mortgage Loan that a fixed rate Mortgage Loan may become a standard variable rate Mortgage Loan at a specified time in the future);

(b) a change between an Interest Only Mortgage Loan and a Repayment Mortgage Loan;

(c) a transfer of equity;

(d) a release of a party to a Mortgage Loan or a release of part of the land subject to the Mortgage;

(e) any variation agreed with a Borrower to control or manage arrears on a Mortgage Loan;

(f) any variation which extends the maturity date of the Mortgage Loan unless, as at the date on which such variation takes effect and while any Term Advance under the Intercompany Loan Agreement is outstanding, it is extended beyond a remaining term of less than 40 years;

(g) any variation imposed by statute; and/or

(h) any variation of the interest rate payable in respect of Mortgage Loans in the Mortgage Loan Portfolio where that rate is offered to Borrowers of more than 10% by aggregate Current Principal Balance of the Mortgage Loans in the Mortgage Loan Portfolio in any interest period;

"Product Type" A variety of fixed rate, variable rate, discounted rate and hybrid mortgage products offered by the Seller or by YBHL, as applicable;

"Programme" €10 billion covered bond programme unconditionally and irrevocably guaranteed as to payments of interest and principal by Clydesdale Covered Bonds No. 2 LLP;

"Programme Agreement" The meaning given in "Subscription and Sale, and Transfer and Selling Restrictions" on page 227;

"Programme Date" On or about 1 December 2010;
"Programme Documents"  
(a) Mortgage Sale Agreement;  
(b) YBHL Mortgage Sale Agreement;  
(c) each Scottish Declaration of Trust;  
(d) Servicing Agreement;  
(e) Asset Monitor Agreement;  
(f) Intercompany Loan Agreement (and any documents entered into pursuant to the Intercompany Loan Agreement);  
(g) LLP Deed;  
(h) Cash Management Agreement;  
(i) Swap Agreements;  
(j) Account Bank Agreement;  
(k) Corporate Services Agreement;  
(l) Collection Account Declaration of Trust;  
(m) Deed of Charge (and any documents entered into pursuant to the Deed of Charge, including without limitation each Deed of Accession and each Scottish Supplemental Charge);  
(n) Trust Deed;  
(o) Agency Agreement;  
(p) Programme Agreement;  
(q) each Subscription Agreement (as applicable in the case of each issue of listed Covered Bonds subscribed pursuant to a subscription agreement);  
(r) each set of Final Terms (as applicable in the case of each issue of listed covered Bonds subscribed pursuant to a Subscription Agreement);  
(s) Master Definitions Schedule; and  
(t) any other agreement or document specified as being a Programme Document by all of the Transaction Parties that are party to such agreement or document.

"Programme Resolution"  
Any Extraordinary Resolution to direct the Bond Trustee to accelerate the Covered Bonds pursuant to Condition 9 (Events of Default and Enforcement) or to direct the Bond Trustee or the Security Trustee to take any enforcement action;

"Properties in Possession Policy"  
Each properties in possession insurance policy and any endorsements or extensions thereto as issued from time to time and any additional, replacement or substitute properties in possession insurance policy which, in each case, relates to Mortgage Loans in the Mortgage Loan Portfolio from time to time;
"Property" A freehold or leasehold property (or in Scotland a heritable property or a property held under a long lease) which is subject to a Mortgage;


"Prospectus Rules" The rules made by the UK Listing Authority under the FSMA as amended by the Prospectus Regulations 2005;

"Prudent Mortgage Lender" A reasonably prudent residential mortgage lender lending to borrowers in England, Wales and/or Scotland who generally satisfy the lending criteria of traditional sources of residential mortgage capital;

"Purchaser" The Seller or any third party to whom the LLP offers to sell Selected Mortgage Loans;

"Rate of Interest" In relation to a Series of Covered Bonds, the meaning given in the applicable Final Terms;

"Rating Agencies" Moody's and Fitch, each a "Rating Agency";

"Rating Agency Confirmation" receipt of (i) written confirmation from each Rating Agency that the relevant amendment, action, determination or appointment will not result in the reduction, qualification, suspension or withdrawal of the then current ratings assigned to any outstanding Covered Bonds rated by that Rating Agency; or (ii) a certification in writing by an authorised signatory of the Issuer or, following the occurrence of an Issuer Event of Default, the LLP to the Security Trustee and the Bond Trustee stating that the relevant amendment, action, determination or appointment has been notified to the Rating Agencies and, in its opinion, would not cause the then current ratings assigned to any outstanding Covered Bonds to be reduced, qualified, suspended or withdrawn by any Rating Agency and, where a Rating Agency was prepared to consult with the Issuer or the LLP, as applicable, on its behalf, such opinion is based on such consultation with the relevant Rating Agency; provided however that it is understood that the Rating Agencies shall be under no obligation to provide a Rating Agency Confirmation;

"RCB Regulations" or "Regulated Covered Bonds Regulations 2008" The Regulated Covered Bond Regulations 2008 (Statutory Instrument 2008/346) as amended;

"RCB Sourcebook" The FSA's Regulated Covered Bonds Sourcebook;

"Receiptholders" The holders of the Receipts;

"Receipts" The meaning given in "Terms and Conditions of the Covered Bonds" on page 193;

"Record Date" The meaning given in Condition 5 (Payments) in "Terms and Conditions of the Covered Bonds" on page 205;

"Redeemed Covered Bonds" The meaning given in Condition 6 (Redemption and Purchase) in "Terms and Conditions of the Covered Bonds" on page 210;

"Re-Draw" Either a Cash Re-Draw or a Non-Cash Re-Draw;

"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 constituted or, as the case may require, to be constituted under the Trust Deed and 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 Regulation S Global Covered Bond or part thereof (all as indicated in the applicable Final Terms), such Registered Covered Bond in definitive form being in the form or substantially in the form set out in Part 9 of Schedule 2 to the Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s) and having the Conditions endorsed thereon or, if permitted by the relevant Stock Exchange, incorporating the Conditions by reference (where applicable to the Trust Deed) as indicated in the applicable Final Terms and having the relevant information supplementing, replacing or modifying the Conditions appearing in the applicable Final Terms endorsed thereon or attached thereto and having a Form of Transfer endorsed thereon;

"Registrar" The meaning given in "Terms and Conditions of the Covered Bonds" on page 192;

"Regulated Market" The Regulated Market of the London Stock Exchange;


"Regulated Mortgage Contract" The meaning given in Article 61(3) of The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001;

"Regulation S" Regulation S under the Securities Act;

"Regulation S Covered Bonds" The meaning given in "Subscription and Sale and Transfer and Selling Restrictions" on page 229;

"Regulation S Global Covered Bond" The meaning given in "Form of Covered Bonds" on page 189;

"Regulations" The Financial Services (Distance Marketing) Regulations 2004;

"Related Property" In relation to a Mortgage Loan sold and assigned to Clydesdale Bank pursuant to the terms of the Mortgage Sale Agreement or in relation to a Mortgage Loan sold and assigned to the LLP pursuant to the terms of the Mortgage Sale Agreement:

(a) all sums of principal, interest (including, for the avoidance of doubt, all Accrued Interest, Arrears of Interest and Capitalised Arrears) and any other sum due or to become due under or in respect of such Mortgage Loan and its Related Security on or after the relevant Transfer Date and all sums of interest and other sums payable (but not paid before the relevant Transfer Date) in respect of any period before such Transfer Date and including, without limitation, the right to demand, sue for, recover and give receipts for all such principal, interest or other amounts, the right to sue on all
covenants and undertakings made or expressed to be made in favour of the relevant Originator under the applicable Mortgage Loan and all sums due or to become due in respect of any Early Repayment Charge;

(b) the benefit of all securities for such principal, interest and other sums payable (including without limitation any interest of the Seller or the relevant Originator in any life policy), the benefit of all Deeds of Consent, MHA/CP Documentation and Deeds of Postponement, any Guarantee in respect of such Mortgage Loan or any other collateral security for the repayment of such Mortgage Loan;

(c) the right to exercise all the powers of the Seller or the relevant Originator in relation thereto subject to and in accordance with the relevant Mortgage Conditions;

(d) all the estate and interest in the Mortgaged Properties in relation thereto vested in the Seller or the relevant Originator;

(e) to the extent they are assignable, each Certificate of Title and Valuation Report and any right of action of the Seller or the relevant Originator against any solicitor, valuer or other person in connection with any report, valuation, opinion, certificate or other statement of fact or opinion given in connection with such Mortgage Loan and its Related Security, or any part thereof or affecting the decision of the relevant Originator to make or offer to make such Mortgage Loan or part thereof; and

(f) the Buildings Policies and insurance contracts, in each case so far as they relate to such Mortgage Loan and its Related Security, including the right to receive the proceeds of all claims made or to be made by or on behalf of the Seller or the relevant Originator or to which the Seller or the relevant Originator is or may become entitled.

"Related Security" In relation to a Mortgage Loan, the security for the repayment of that Mortgage Loan including the relevant Mortgage and all other documents, matters and things related thereto and which constitute all or part of the security for the payment of all sums due in respect of the Mortgage Loan including, for the avoidance of doubt, Guarantees, MIG Policies and assignments, assignations in security and charges over Life Policies and with respect to any Related Security that constitutes an All Moneys Mortgage, the beneficial interest of the LLP in the All Moneys Mortgage Trust declared in respect of that Mortgage;

"Relevant Calculation Date" The meaning given in "Summary of the Principal Documents" on page 92;

"Relevant Date" The meaning given in Condition 7 (Taxation) in "Terms and Conditions of the Covered Bonds" on page 213;

"Relevant Dealers" In the case of an issue of Covered Bonds being (or intended to be) subscribed for by more than one Dealer, be all the Dealers agreeing to subscribe for such Covered Bonds;
"Relevant Implementation Date" In relation to a Relevant Member State, the date on which the Prospectus Directive is implemented in that Relevant Member State;

"Relevant Member State" A Member State of the European Economic Area which has implemented the Prospectus Directive;

"Repayment Mortgage Loan" A Mortgage Loan advanced on a repayment basis, with principal and interest paid on a weekly, fortnightly or monthly basis through to the maturity date for that Mortgage Loan;

"Representations and Warranties" The representations and warranties set out in Schedule 1 (Representations and Warranties) of the Mortgage Sale Agreement;

"Required Coupon Amount" means, (i) in respect of a Term Advance where a Covered Bond Swap is not in place or where a Covered Bond Swap is in place but the Effective Date of such Covered Bond Swap has not occurred and on any Interest Payment Date in respect of such Term Advance, an aggregate amount equal to the Sterling Equivalent of interest due from the LLP on that Term Advance on that Interest Payment Date and (ii) in respect of a Term Advance where a Covered Bond Swap is in place and the Effective Date of such Covered Bond Swap has occurred, and on any Party B Payment Date in respect of such Covered Bond Swap, an aggregate amount equal to the Sterling Equivalent of the net amount due from the LLP to the relevant Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement on such Party B Payment Date (other than, where such Party B Payment Date is an Interim Exchange Date or Final Exchange Date (as each of those terms is defined in the relevant Covered Bond Swap Agreement) those amounts due in respect of such Interim Exchange Date or such Final Exchange Date) and, for the avoidance of doubt, (i) a Term Advance where a Covered Bond Swap is not in place refers to a Term Advance where a Covered Bond Swap has not been entered into with respect of the Series of Covered Bonds which funded the making of such Term Advance and (ii) a Term Advance where a Covered Bond Swap is in place refers to a Term Advance where a Covered Bond Swap has been entered into with respect to the Series of Covered Bonds which funded the making of such Term Advance;

"Required Coupon Amount Shortfall" means, in respect of a Required Coupon Amount calculated in respect of a Term Advance (for the purposes of this definition, the "Relevant Required Coupon Amount") and on any date, the amount by which:

(a) the Relevant Required Coupon Amount,

(b) the amount standing to the credit of the Coupon Payment Ledger after deducting the Required Coupon Amounts in respect of all Term Advances calculated for Interest Payment Dates (in the case of Term Advances where a Covered Bond Swap is not in place or where a Covered Bond Swap is in place, but the Effective Date of such Covered Bond Swap has not occurred) or Party B Payment Dates (in the case of Term Advances where a Covered Bond Swap is in place or where a Covered Bond Swap is in place, but the Effective Date of such Covered Bond Swap has not occurred)
place and the Effective Date of such Covered Bond Swap has occurred) occurring prior to or on the same date as the Interest Payment Date or Party B Payment Date, as applicable, for which the Relevant Required Coupon Amount has been calculated, and after taking into account (without double counting) amounts to be credited to or debited from the Coupon Payment Ledger on such date of calculation.

For the avoidance of doubt, (i) a Term Advance where a Covered Bond Swap is not in place refers to a Term Advance where a Covered Bond Swap has not been entered into with respect of the Series of Covered Bonds which funded the making of such Term Advance and (ii) a Term Advance where a Covered Bond Swap is in place refers to a Term Advance where a Covered Bond Swap has been entered into with respect to the Series of Covered Bonds which funded the making of such Term Advance.

"Required Current Principal Balance Amount" The meaning given in "Summary of the Principal Documents" on page 126;

"Required Redemption Amount" In respect of a Series of Covered Bonds, the amount calculated in accordance with the following formula:

\[ A \times \left( 1 + \left( B \times \frac{C}{365} \right) \right) \]

where,

A = the Principal Amount Outstanding of the relevant Series of Covered Bonds;
B = the Negative Carry Factor; and
C = days to maturity of the relevant Series of Covered Bonds.

"Reserve Fund" The reserve fund that the LLP will be required to establish in the GIC Account which will be credited with part of a Term Advance (in the LLP's discretion), the proceeds of Available Revenue Receipts and any Cash Capital Contributions up to an amount equal to the Reserve Fund Required Amount;

"Reserve Fund Required Amount" Either:

(a) if the Issuer's short term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least F1+ by Fitch (where the Issuer's long-term unsecured debt obligations are rated at least A by Fitch) and P-1 by Moody's, nil or such other amount as Clydesdale shall direct the LLP from time to time; or

(b) if the Issuer's short term, unsecured, unsubordinated and unguaranteed debt obligations are not rated at least F1+ by Fitch (but not below F1 and where the Issuer's long-term unsecured debt obligations are rated at least A by Fitch) or P-1 by Moody's, an amount equal to the Sterling Equivalent of one month's then scheduled interest due on each Series of Covered Bonds together with an amount equal to one twelfth of the anticipated
aggregate annual amount payable in respect of the items specified in paragraphs (i) to (iii) of the Pre-Acceleration Revenue Priority of Payments plus £600,000; or

(c) if the Issuer's short term, unsecured, unsubordinated and unguaranteed debt obligations are not rated at least F1 by Fitch, or if the Issuer's long-term unsecured debt obligations are rated below A by Fitch, an amount equal to the Sterling Equivalent of three month's then scheduled interest due on each Series of Covered Bonds together with an amount equal to one-quarter of the anticipated aggregate annual amount payable in respect of the items specified in paragraphs (i) to (iii) of the Pre-Acceleration Revenue Priority of Payments plus £600,000;

"Reserve Ledger"
The ledger of such name maintained by the Cash Manager pursuant to the Cash Management Agreement, to record the crediting of Available Revenue Receipts and any Cash Capital Contributions to the Reserve Fund and the debiting of such Reserve Fund in accordance with the terms of the LLP Deed;

"Reset Date"
The meaning given in the ISDA Definitions;

"Revenue Ledger"
The ledger of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record credits and debits of Mortgage Loan Revenue Receipts in accordance with the terms of the LLP Deed;

"Rules"
The rules, regulations and procedures creating and affecting DTC and its operations;

"S&P" Standard & Poor's Credit Market Services Europe Limited;

"Sale Proceeds" The cash proceeds realised from the sale of Selected Mortgage Loans and their Related Security;

"Scheduled Interest" An amount equal to the amount in respect of interest which would have been due and payable under the Covered Bonds on each Interest Payment Date as specified in Condition 4 (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 or, if the Final Terms specified that an Extended Due for Payment Date is applicable to the relevant Covered Bonds, as if the maturity date of the Covered Bonds had been the Extended Due for Payment Date (but taking into account any principal repaid in respect of such Covered Bonds or any Guaranteed Amounts paid in respect of such principal prior to the Extended Due for Payment Date), less any additional amounts the Issuer would be obliged to pay as a result of any gross-up in respect of any withholding or deduction made under the circumstances set out in Condition 7 (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), each Instalment Date (if applicable, in relation to any Instalment Covered Bonds) as specified pursuant to Condition 6(g) or any Interest Payment Date specified in Condition 6(a) (Final Redemption) and Condition 6(e) (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 or, if the Final Terms specifies that an Extended Due for Payment Date is applicable to the relevant Covered Bonds, as if the maturity date of the Covered Bonds had been the Extended Due for Payment Date;

"Scottish Declaration of Trust"

Each declaration of trust in relation to Scottish Mortgage Loans and their Related Security made pursuant to the Mortgage Sale Agreement or the YBHL Mortgage Sale Agreement (as applicable) by means of which the sale of such Scottish Mortgage Loans and their Related Security by the Seller to the LLP and the transfer of the beneficial interest therein to the LLP are given effect;

"Scottish Mortgage"

A first ranking standard security over a residential property situated in Scotland;

"Scottish Mortgage Loans"

Mortgage Loans secured by Scottish Mortgages;

"Scottish Supplemental Charge"

Each supplemental assignation in security governed by Scots law granted by the LLP in favour of the Security Trustee pursuant to the Deed of Charge;

"SEC"

The U.S. Securities and Exchange Commission;

"Secured Creditors"

The Security Trustee (in its own capacity and on behalf of the other Secured Creditors), the Bond Trustee (in its own capacity and on behalf of the Covered Bondholders), the Covered Bondholders, the Receiptholders, the Couponholders, the Issuer, the Seller, the Servicer, the Account Banks, the GIC Provider, the Cash Manager, the Swap Providers, the Corporate Services Provider, the Paying Agents and any other person who becomes a Secured Creditor pursuant to the Deed of Charge;

"Securities Act"

The U.S. Securities Act of 1933, as amended;

"Security"

The meaning given in "Summary of the Principal Documents" on page 140;

"Security Trustee"

Deutsche Trustee Company Limited in its capacity as security trustee under the Trust Deed and the Deed of Charge together with any additional or successor security trustee appointed from time to time;
"Selected Mortgage Loan Offer Notice" A notice from the LLP served on the Seller offering to sell Selected Mortgage Loans and their Related Security for an offer price equal to the greater of the then Current Principal Balance of the Selected Mortgage Loans and the Adjusted Required Redemption Amount;

"Selected Mortgage Loan Repurchase Notice" A notice from the Seller served on the LLP accepting an offer set out in a Selected Mortgage Loan Offer Notice;

"Selected Mortgage Loans" Mortgage Loans and their Related Security to be sold by the LLP pursuant to the terms of the LLP Deed having in aggregate the Required Current Principal Balance Amount;

"Selection Date" The meaning given in Condition 6 (Redemption and Purchase) in "Terms and Conditions of the Covered Bonds" on page 210;

"Seller" Clydesdale in its capacity as seller pursuant to the Mortgage Sale Agreement entered into on the Programme Date;

"Seller Arranged Insurance Policy" A policy arranged by the Seller on behalf of and at the request of the Borrower in relation to buildings insurance cover required before the completion of a Mortgage Loan;

"Seller's Policy" The originating, lending and underwriting, administration, arrears and enforcement policies and procedures which are applied from time to time by the Seller to Mortgage Loans and the Related Security for their repayment which are beneficially owned solely by the Seller and which may be amended by the Seller from time to time;

"Series" A Tranche of Covered Bonds together with any other Tranche or Tranches of Covered Bonds which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices;

"Series Reserved Matter" In relation to Covered Bonds of a Series:

(a) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds;

(b) alteration of the currency in which payments under the Covered Bonds, Receipts and Coupons are to be made;

(c) alteration of the majority required to pass an Extraordinary Resolution;

(d) any amendment to the Covered Bond Guarantee or the Deed of Charge (except in a manner determined by the Bond Trustee not to be materially prejudicial to the interests of the holders of Covered Bonds of any Series);

(e) except in accordance with Condition 6(j) (Cancellation) or Condition 14 (Meetings of holders of Covered Bonds, Modification, Waiver and Substitution), the sanctioning of any such scheme or
a proposal for the exchange or sale of the Covered Bonds for or the conversion of the Covered Bonds into, or the cancellation of the Covered Bonds in consideration of, shares, stock, covered bonds, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, bonds, covered bonds, debentures, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash and for the appointment of some person with power on behalf of the holders of Covered Bonds to execute an instrument of transfer of the Registered Covered Bonds held by them in favour of the persons with or to whom the Covered Bonds are to be exchanged or sold respectively; and

(f) alteration of the proviso to paragraph 5 or paragraph 6 of Schedule 4 to the Trust Deed or the alteration of this definition;

"Servicer" Clydesdale in its capacity as Servicer under the Servicing Agreement together with any successor Servicer appointed from time to time;

"Servicer Termination Event" The meaning given in "Summary of the Principal Documents" on page 116;

"Servicing Agreement" The servicing agreement entered into on the Programme Date, as supplemented, amended and/or restated from time to time between the LLP, the Servicer and the Security Trustee;

"Servicing Procedures" The administration, arrears and enforcement policies and procedures adopted from time to time in line with the policies and procedures which would be adopted by a Prudent Mortgage Lender pursuant to which the Servicer administers and enforces Mortgage Loans and their Related Security which are beneficially owned by the Seller or YBHL;

"Share Trustee" Deutsche International Finance (Ireland) Limited;

"Specified Currency" Subject to any applicable legal or regulatory restrictions, euro, Sterling, U.S. Dollars and such other currency or currencies as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Principal Paying Agent and the Bond Trustee and specified in the applicable Final Terms;

"Specified Denomination" In respect of a Series of Covered Bonds, the denomination or denominations of such Covered Bonds specified in the applicable Final Terms;

"Specified Interest Payment Date" In relation to a Series of Covered Bonds, the meaning given in the applicable Final Terms;

"Specified Period" In relation to a Series of Covered Bonds, the meaning given in the applicable Final Terms;

"Staff Mortgage Loan" A Mortgage Loan made to an employee of NAB Group;

"Sterling Equivalent" In relation to an amount which is denominated in (a) a currency other than Sterling, the Sterling Equivalent of such amount
ascertained using the relevant Swap Rate and (b) Sterling, the applicable amount in Sterling;

"Sterling Transaction Accounts" The CB Sterling Transaction Account and the YB Sterling Transaction Account designated as the Transaction Accounts in the name of the LLP, held with the Transaction Account Bank and maintained subject to the terms of the Account Bank Agreement and the Deed of Charge;

"Subscription Agreement" Any agreement entered into substantially in the form of Schedule 6 to the Programme Agreement;

"Subsidiary" In relation to any person (the "First Person") at any particular time, any other person (the "Second Person"): 

(a) whose affairs and policies the First Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the Second Person or otherwise; or

(b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the First Person;

"Substitution Assets" Each of:

(a) Sterling gilt-edged securities;

(b) Sterling demand or time deposits, certificates of deposit, long-term debt obligations and short-term debt obligations (including commercial paper) provided that in all cases such investments have a remaining period to maturity of one year or less and the short-term unsecured, unguaranteed and unsubordinated debt obligations or, as applicable, the long-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) are rated P-1/ Aa3 by Moody's, and F1+ by Fitch or their equivalents by three other internationally recognised rating agencies;

(c) Sterling denominated government and public securities, as defined from time to time by the FSA, provided that such investments have a remaining period to maturity of one year or less and which are rated at least Aaa by Moody's and F1+ by Fitch or their equivalents by three other internationally recognised rating agencies; and

(d) Sterling denominated residential mortgage backed securities provided that such investments have a remaining period to maturity of one year or less, are actively traded in a continuous, liquid market on a recognised stock exchange, are held widely across the financial system, are available in an adequate supply and which are rated at least Aaa by Moody's and F1+ by Fitch or their equivalents by three other internationally recognised rating agencies,
provided that such substitution asset satisfies the requirements for eligible assets that may collateralise covered bonds in accordance with Regulation 2 (Eligible Property) of the RCB Regulations;

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

"Swap Agreement Credit Support Annex" Each credit support annex entered into between the LLP and a Swap Provider in the form of the ISDA 1995 Credit Support Annex (Transfer-English law);

"Swap Agreements" Each agreement between the LLP, a Swap Provider and the Security Trustee governing Swaps entered into with such Swap Provider in the form of an ISDA Master Agreement, including a schedule, any relevant Swap Agreement Credit Support Annex and confirmations and each a "Swap Agreement";

"Swap Collateral" At any time, any asset (including, without limitation, cash and/or securities) which is paid or transferred by a Swap Provider to the LLP as collateral to secure the performance by such Swap Provider of its obligations under the relevant Swap Agreement together with any income or distributions received in respect of such asset and any equivalent of such asset into which such asset is transformed;

"Swap Collateral Accounts" The Swap Collateral Cash Account together with the Swap Collateral Custody Account;

"Swap Collateral Available Amount" At any time in respect of a Swap Agreement, the amount of Swap Collateral standing to the credit of the relevant Swap Collateral Ledger following the return of any Swap Collateral Excluded Amounts to the relevant Swap Provider after the termination of the relevant Swap Agreement;

"Swap Collateral Cash Account" The account in the name of the LLP held with the GIC Account Bank and maintained subject to the terms of the Account Bank Agreement and the relevant Swap Agreement Credit Support Annex into which cash is deposited by a Swap Provider as collateral to secure the performance by such Swap Provider of its obligations under the relevant Swap Agreement;

"Swap Collateral Custody Account" The account in the name of the LLP held with the GIC Account Bank and maintained subject to the terms of the Account Bank Agreement and the relevant Swap Agreement Credit Support Annex into which securities are deposited by a Swap Provider as collateral to secure the performance by such Swap Provider of its obligations under the relevant Swap Agreement;

"Swap Collateral Excluded Amounts" At any time in respect of a Swap Agreement, the amount of Swap Collateral standing to the credit of the relevant Swap Collateral Ledger which is required at such time, in accordance with the terms of the relevant Swap Agreement, to satisfy the LLP's obligations to the relevant Swap Provider, including Swap Collateral which is to be returned to the relevant Swap Provider as a Return Amount (as defined in the relevant Swap Agreement) from time to time in accordance with the terms of the relevant Swap Agreement and, ultimately upon termination of the relevant Swap Agreement, to make a payment of any
termination payment owed to the relevant Swap Provider;

"Swap Collateral Ledger" Each ledger maintained by the Cash Manager pursuant to the terms of the Cash Management Agreement to record all the payments made to and from each Swap Provider in respect of any Swap Collateral provided by the relevant Swap Provider pursuant to the terms of the relevant Swap Agreement;

"Swap Provider Default" In relation to a Swap Agreement, the occurrence of an Event of Default (each as defined in the relevant Swap Agreement) where the relevant Swap Provider is the Defaulting Party (as defined in relevant Swap Agreement), as applicable, other than an Event of Default in connection with a Swap Provider Downgrade Event;

"Swap Provider Downgrade Event" In relation to a Swap Agreement the occurrence of an Additional Termination Event or an Event of Default (each as defined in the relevant Swap Agreement) following a failure by the Swap Provider to comply with the requirements of the ratings downgrade provisions set out in the relevant Swap Agreement;

"Swap Providers" The TRS Provider and the Covered Bond Swap Providers, and each a "Swap Provider";

"Swap Rate" In relation to a Covered Bond or Series of Covered Bonds, the exchange rate specified in the Swap Agreement relating to such Covered Bond or Series of Covered Bonds or, if the Swap Agreement has terminated, the applicable spot rate;

"Swaps" The TRS and the Covered Bond Swaps;

"Talons" The meaning given in "Terms and Conditions of the Covered Bonds" on page 193;

"TARGET2" The Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"TARGET Settlement Day" Any day on which TARGET2 is open for settlement of payments in euro;

"Temporary Global Covered Bond" The meaning given in "Form of Covered Bonds" on page 188;

"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:

(a) payments of insurance premiums, if any, due to the Seller in respect of any Seller arranged insurance policy to the extent not paid or payable by the Seller (or to the extent such insurance premiums have been paid by the Seller in respect of any Further Advance which is not purchased by the Seller to reimburse the Seller);

(b) amounts under an unpaid direct debit which are repaid by the Seller to the bank making such payment if such bank is unable to recoup that amount itself from its customer's account;
(c) payments by the Borrower of any fees (including Early Repayment Charges) and other charges which are due to the Seller; and

(d) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service (including giving insurance cover) to any of that Borrower or the Seller or the LLP any amounts due or arising from any overpayment by any person or arising from any reimbursement by any person of any such overpayment (including, for the avoidance of doubt, where arising from the failure of a direct debit);

(e) (subject to any right to refuse or withhold payment or of set-off that has arisen by reason of the Borrower's breach of the terms of the relevant Mortgage or Loan) any amount payable to a Borrower under the terms of the Mortgage or the Loan to which that Borrower is a party (other than a Further Advance or Re-Draw);

(f) any amounts relating to any Mortgage Loans or any Early Repayment Charges in respect of any Mortgage Loans and/or the proceeds thereof held on trust by the LLP for the Seller pursuant to Clause 5 (Trust of Monies) of the Mortgage Sale Agreement; and

(g) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service (including giving insurance cover) to any of that Borrower or the Seller or the LLP, which amounts may be paid daily from monies on deposit in the GIC Account;

"Title Deeds"
In relation to each Loan and its Related Security and the Property relating thereto, all conveyancing deeds and documents, whether stored in paper or electronic format, which make up the title to the Property and the security for the Loan and all searches and enquiries undertaken in connection with the grant by the Borrower of the related Mortgage;

"Title Insurance Policies"
Each insurance policy and any endorsements or extensions thereto as issued from time to time and any additional, replacement or substitute title insurance policy which, in each case, relates to Mortgage Loans in the Mortgage Loan Portfolio from time to time;

"Tranche"
Covered Bonds which are identical in all respects (including as to listing);

"Transaction Account Bank"
Clydesdale, in its capacity as Transaction Account Bank pursuant to the Account Bank Agreement;

"Transaction Account Bank Minimum Rating"

(a) a short-term unsecured, unsubordinated and unguaranteed debt rating of at least P-1 by Moody's;

(b) a short-term unsecured, unsubordinated and unguaranteed debt rating of at least F1 by Fitch;

(c) a long term unsecured, unsubordinated and
unguaranteed debt obligations of at least A by Fitch;

"Transaction Accounts" The Sterling Transaction Accounts, Dollar Transaction Account, Euro Transaction Account and such other accounts as may for the time being be in place with the prior consent of the Security Trustee and designated as such and "Transaction Account" shall denote any one of the Transaction Accounts;

"Transaction Party" Any person who is a party to a Programme Document and "Transaction Parties" means some or all of them;

"Transfer Agent" The meaning given in "Terms and Conditions of the Covered Bonds" on page 192;

"Transfer Certificate" The meaning given in Condition 2(e) (Transfers of interests in Regulation S Global Covered Bonds) in "Terms and Conditions of the Covered Bonds" on page 196;

"Transfer Date" In relation to a Mortgage Loan the date on which, the Seller, subject to the fulfilment of certain conditions, agrees to sell and assign such Mortgage Loan, together with its related Security, to the LLP in accordance with the Mortgage Sale Agreement;

"TRS" The total return swap transaction entered into between the LLP, the Security Trustee and the TRS Provider;

"TRS Provider" National Australia Bank Limited, in its capacity as total return swap provider under the TRS together with any transferee and successor thereof;

"TRS Rate" The meaning given in "Summary of the Principal Documents" on page 131;

"TRS Agreement" The Swap Agreement entered into between the LLP, the Security Trustee and a TRS Provider with respect to the TRS;

"Trust Deed" The meaning given in "Terms and Conditions of the Covered Bonds" on page 192;


"UK Listing Authority" Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000;

"Unfair Practices Directives" A directive on unfair business to consumer commercial practices adopted by the European Parliament and the Council in May 2005;

"United Kingdom" and "UK" Abbreviated references to the United Kingdom of Great Britain and Northern Ireland;

"United States", "U.S.", and "US" Abbreviated references to the United States of America;

"Unpaid Collection Account Amounts" The meaning given in "Summary of the Principal Documents" on page 139;

"Unpaid Interest" In relation to any Non-Cash Re-Draw, the amount of interest which would, but for such Non-Cash Re-Draw, have been payable in respect of the relevant Mortgage Loan on the relevant Scheduled Payment Date for such Mortgage Loan;
"UTCCR" Unfair Terms in Consumer Contracts Regulations 1999;

"Valuation Report" The valuation report or reports for mortgage purposes, in the form of the Seller's or YBHL's (as applicable) in house valuation department or from an independent firm of professional valuers selected from a panel of approved valuers by the Seller or YBHL (as applicable);

"WAFF" Weighted average foreclosure frequency in respect of the Mortgage Loan Portfolio determined in accordance with the methodologies prescribed by the Rating Agencies;

"WALS" Weighted average loss severity in respect of the Mortgage Loan Portfolio determined in accordance with the methodologies prescribed by the Rating Agencies;

"Yield Shortfall Test" After an Issuer Event of Default, the test as to whether the aggregate amount of interest on the Mortgage Loans and amounts under the TRS Agreement to be received by the LLP during the relevant LLP Payment Period would give a yield on the Mortgage Loans of at least LIBOR plus 0.15 per cent.;

"YBHL" Yorkshire Bank Home Loans Limited;

"YBHL Mortgage Sale Agreement" The agreement so named dated on around the Programme Date between YBHL and Clydesdale;

"YB Sterling Transaction Account" The YB Sterling account designated as the Transaction Account in the name of the LLP, held with the Transaction Account Bank and maintained subject to the terms of the Account Bank Agreement and the Deed of Charge; and

"Zero Coupon Covered Bonds" Covered Bonds which will be offered and sold at a discount to their nominal amount and which will not bear interest.
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