

## **IMPORTANT NOTICE**

**NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S. EXCEPT TO QIBS (AS DEFINED BELOW) IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT.**

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SECURITIES IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE COVERED BONDS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"), AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE COVERED BONDS ARE BEING OFFERED ONLY: (I) IN THE UNITED STATES, TO QUALIFIED INSTITUTIONAL BUYERS ("**QIBS**") IN RELIANCE ON RULE 144A ("**RULE 144A**") OF THE SECURITIES ACT AND/OR TO INSTITUTIONAL "**ACCREDITED INVESTORS**" AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT ("**INSTITUTIONAL ACCREDITED INVESTORS**" OR "**IAIS**") IN RELIANCE ON SECTION 4(a)(2) OF THE SECURITIES ACT; AND (II) OUTSIDE THE UNITED STATES TO PERSONS THAT ARE NOT "**U.S. PERSONS**" (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) IN RELIANCE ON REGULATION S. THE TRANSFER OF THE COVERED BONDS IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS, AS DESCRIBED UNDER "SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS" HEREIN.

THE FOLLOWING OFFERING CIRCULAR 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 UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

YOU ARE REMINDED THAT THE OFFERING CIRCULAR HAS BEEN DELIVERED TO YOU ON THE BASIS THAT YOU ARE A PERSON INTO WHOSE POSSESSION THE OFFERING CIRCULAR MAY BE LAWFULLY DELIVERED IN ACCORDANCE WITH THE LAWS OF THE JURISDICTION IN WHICH YOU ARE LOCATED AND YOU MAY NOT, NOR ARE YOU AUTHORISED TO, DELIVER THE OFFERING CIRCULAR TO ANY OTHER PERSON.

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 ANY DEALER IN RESPECT OF SUCH OFFERING OR ANY AFFILIATE OF SUCH DEALER IS A LICENSED BROKER OR DEALER

IN THAT JURISDICTION, THE OFFERING SHALL BE DEEMED TO BE MADE BY SUCH DEALER OR SUCH AFFILIATE ON BEHALF OF THE ISSUER IN SUCH JURISDICTION.

**Confirmation of Your Representation:** BY ACCESSING THE OFFERING CIRCULAR, YOU SHALL BE DEEMED TO HAVE CONFIRMED AND REPRESENTED TO US THAT: (A) YOU HAVE UNDERSTOOD AND AGREED TO THE TERMS SET OUT HEREIN; (B) YOU CONSENT TO DELIVERY OF THE OFFERING CIRCULAR BY ELECTRONIC TRANSMISSION; (C) YOU ARE EITHER: (I) NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S) OR ACTING FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON AND THE ELECTRONIC MAIL ADDRESS THAT YOU HAVE GIVEN TO US AND TO WHICH THIS E-MAIL HAS BEEN DELIVERED IS NOT LOCATED IN THE UNITED STATES, ITS TERRITORIES AND POSSESSIONS (INCLUDING PUERTO RICO, THE U.S. VIRGIN ISLANDS, GUAM, AMERICAN SAMOA, WAKE ISLAND AND THE NORTHERN MARIANA ISLANDS) OR THE DISTRICT OF COLUMBIA; OR (II): (X) A QIB, IN EACH CASE ACTING FOR YOUR OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS; OR (Y) AN IAI, IN EACH CASE ACTING FOR YOUR OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE IAIS; AND (D) IF YOU ARE A PERSON IN THE UNITED KINGDOM, THEN YOU ARE A PERSON WHO: (I) HAS PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS; OR (II) IS A HIGH NET WORTH ENTITY FALLING WITHIN ARTICLES 49(2)(A) TO (D) OF THE FINANCIAL SERVICES AND MARKETS ACT (FINANCIAL PROMOTION) ORDER 2005.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither Coventry Building Society nor Barclays Bank PLC (nor any person who controls it nor any director, officer, employee nor agent of it or affiliate of any such person) accepts any liability or responsibility whatsoever in respect of any difference between the offering circular distributed to you in electronic format and the hard copy version available to you on request from Barclays Bank PLC.

The Covered Bonds are offered subject to prior sale or withdrawal, cancellation or modification of this offering without notice. The Issuer and the Arranger also reserve the right to reject any offer to purchase the Covered Bonds in whole or in part for any reason and to allot to any prospective purchaser less than the full amount of Covered Bonds sought by such investor. You acknowledge that you have been afforded an opportunity to request from the Issuer, and have received and reviewed, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in the Offering Circular. You also acknowledge that you have not relied on Coventry Building Society, Barclays Bank PLC or any person affiliated with such parties in connection with the investigation of the accuracy of such information or your investment decision. The contents of the offering circular are not to be construed as legal, business or tax advice. Each prospective purchaser should consult its own attorney, business adviser and tax adviser for legal, business and tax advice relating to an investment in the Covered Bonds. The offering circular summarises documents and other information in a manner that does not purport to be complete, and these summaries are subject to, and qualified in their entirety by reference to, all of the provisions of such documents.

No representation or warranty is made by Coventry Building Society, the Arranger, the Dealers or any other person as to the legality of an investment in the Covered Bonds under any investment or similar laws or as to the classification or treatment of the Covered Bonds under any risk weighting, securities valuation, regulatory accounting or other financial institution regulatory regimes of the National Association of Insurance Commissioners, any state insurance commissioner, any federal or state banking authority, or any other regulatory body. You should obtain your own legal, accounting, tax and financial advice as to the desirability of an investment in the Covered Bonds, and the consequences of such an investment.

# Coventry Building Society

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

€10 billion

## Global Covered Bond Programme unconditionally and irrevocably guaranteed as to payments by

### Coventry Godiva Covered Bonds LLP

*(a limited liability partnership incorporated in England and Wales)*

Under this €10 billion covered bond programme (the "**Programme**"), Coventry Building Society (the "**Issuer**") may from time to time issue bonds (the "**Covered Bonds**") denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below). The price and amount of the Covered Bonds to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

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

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

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

**See Risk Factors on page 21 of this Offering Circular for a discussion of certain factors to be considered in connection with an investment in the Covered Bonds.**

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

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

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

The Programme has not been admitted to the register of regulated covered bonds under the Regulated Covered Bonds Regulations 2008 (SI 2008/346) as amended by the Regulated Covered Bonds (Amendment) Regulations 2008 (SI 2008/1714), the Regulated Covered Bonds (Amendment) Regulations 2011 (SI 2011/2859) and the Regulated Covered Bonds (Amendment) Regulations 2012 (SI 2012/2977) (the "**RCB Regulations**"). On 11 April 2011 the Issuer was admitted to the register of issuers under the RCB Regulations in connection with its €7 billion Global Covered Bond Programme. As at the date of this Offering Circular the Issuer does not intend to make an application for the Programme to be admitted to the register of regulated covered bonds under the RCB Regulations and for the Issuer to be admitted to the register of issuers under the RCB Regulations in connection with the Programme. Covered Bonds issued under the Programme will therefore not constitute regulated covered bonds.

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

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

Each Series (as defined below) of Covered Bonds issued under the Programme may be rated or unrated. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. The rating of certain Series of Covered Bonds to be issued under the Programme may be specified in the applicable Final Terms. The credit ratings included and referred to in this Offering Circular have been issued by Fitch Ratings Limited ("**Fitch**"), which is a credit rating agency established in the UK and registered under Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the "**UK CRA Regulation**"). Fitch is included in the list of credit rating agencies published by the FCA on its website in accordance with the UK CRA Regulation. The ratings issued by Fitch have been endorsed by Fitch Ratings Ireland Limited in accordance with Regulation (EC) 1060/2009 (the "**EU CRA Regulation**"). Fitch Ratings Ireland Limited is established in the European Union (the "**EU**") and registered under the EU CRA Regulation. As such, Fitch Ratings Ireland Limited is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the EU CRA Regulation. In general, European-regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EU and registered under the EU CRA Regulation unless the rating is provided by a credit rating agency operating in the EU before 7 June 2010 which has submitted an application for registration in accordance with the EU CRA Regulation and such registration is not refused. Such general restriction will also apply in the case of credit ratings issued by non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant non-EEA rating agency is certified in accordance with the EU CRA Regulation (and such endorsement or certification, as the case may be, has not been withdrawn or suspended). Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended.

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

**Arranger for the Programme**

**BARCLAYS**

The date of this Offering Circular is 20 September 2024

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

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

**The Programme has not been admitted to the register of regulated covered bonds under the RCB Regulations. On 11 April 2011, the Issuer was admitted to the register of issuers under the RCB Regulations in connection with its €7 billion Global Covered Bond Programme. As at the date of this Offering Circular the Issuer does not intend to make an application for the Programme to be admitted to the register of regulated covered bonds under the RCB Regulations and for the Issuer to be admitted to the register of issuers under the RCB Regulations in connection with the Programme. Covered Bonds issued under the Programme will therefore not constitute regulated covered bonds.**

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

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

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

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

**The information contained in this Offering Circular was obtained from the Issuer and other sources, but no assurance can be given by the Arranger, the Dealers, the Bond Trustee, the Security Trustee, any Agent, the Corporate Services Provider or the Custodian as to the accuracy or completeness of this information. Accordingly, no representation, warranty or undertaking, express or implied, is made and, to the extent permitted by law, no responsibility or liability is accepted by the Arranger, the**

Dealers, the Bond Trustee, the Security Trustee, any Agent, the Corporate Services Provider or the Custodian as to (i) the accuracy or completeness of any statement, representation, warranty or covenant of the Issuer and/or the LLP contained or incorporated in this Offering Circular, the Transaction Documents or any other information provided by the Issuer and the LLP in connection with the Programme or for the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence thereof or (ii) any other statement, made or proposed to be made by any of the Dealers, the Arranger, the Bond Trustee, the Security Trustee, any Agent, the Corporate Services Provider or the Custodian or on its behalf in connection with the Issuer, the LLP or the issue and/or offering of any Covered Bonds. None of the Arranger, the Dealers, the Bond Trustee, the Security Trustee, any Agent, the Corporate Services Provider or the Custodian accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer and the LLP in connection with the Programme. Accordingly, each of the Arranger, the Dealers, the Bond Trustee, the Security Trustee, each Agent, the Corporate Services Provider and the Custodian disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement or information.

No person is or has been authorised by the Issuer, the LLP, any of the Dealers, the Arranger, the Bond Trustee or the Security Trustee to give any information or to make any representation not contained in or not consistent with this Offering Circular 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 Arranger, the Bond Trustee or the Security Trustee.

Neither this Offering Circular 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 Sellers, any of the Dealers, the Arranger, the Bond Trustee or the Security Trustee that any recipient of this Offering Circular 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 Offering Circular 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 Sellers, any of the Dealers, the Arranger, the Bond Trustee or the Security Trustee to any person to subscribe for or to purchase any Covered Bonds.

Neither the delivery of this Offering Circular 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 Sellers is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct at any time subsequent to the date indicated in the document containing the same. The Dealers, the Arranger, 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 Sellers 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 Offering Circular when deciding whether or not to purchase any Covered Bonds.

The Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act or the securities laws or "blue sky" laws of any state or other jurisdiction of the United States and may not be offered, sold or delivered in the United States or to, or for the account or benefit of, any U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable state or local securities laws. The Covered Bonds in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to, or for the account or benefit of, United States

persons, except in certain transactions permitted by U.S. Treasury regulations (see "*Subscription and Sale and Transfer and Selling Restrictions*"). Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and the U.S. Treasury regulations promulgated thereunder.

As set forth in the applicable Final Terms, the Covered Bonds are being offered and sold (a)(i) to "qualified institutional buyers" within the meaning of Rule 144A acting on their own behalf or on behalf of one or more other QIBs, and/or (ii) to institutional "accredited investors" as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act ("Institutional Accredited Investors" or "IAs") acting on their own behalf or on behalf of one or more other IAs and/or (b) to non-U.S. persons in offshore transactions in accordance with Regulation S under the Securities Act ("Regulation S"). Prospective purchasers are hereby notified that the sellers of the Covered Bonds may be relying on the exemption from the provisions of section 5 of the Securities Act provided by Rule 144A.

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

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

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

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

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

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

This Offering Circular 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 Offering Circular and the offer or sale of Covered Bonds may be restricted by law in certain jurisdictions. The Issuer, the LLP, the Dealers, the Arranger, the Bond Trustee and the Security Trustee do not represent that this Offering Circular 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 Arranger, the Bond Trustee or the Security Trustee which would permit a public offering of any Covered Bonds or distribution of this Offering Circular 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 Offering Circular 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 Offering Circular or any Covered Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Covered Bonds. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Covered Bonds in the United States, the EEA, the UK and the Republic of Italy (see "*Subscription and Sale and Transfer and Selling Restrictions*").

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

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

In connection with the issue of any Tranche of Covered Bonds, one or more relevant Dealers acting as stabilising manager (each a "Stabilising Manager") may over-allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant



Tranche of Covered Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Covered Bonds and 60 days after the date of the allotment of the relevant Tranche of Covered Bonds. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

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

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

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

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

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (1) Covered Bonds are legal investments for it; (2) Covered

**Bonds can be used as collateral for various types of borrowing; (3) Covered Bonds can be used as repo-eligible securities; (4) other restrictions apply to its purchase or pledge of any Covered Bonds; and (5) the Covered Bonds may be treated as liquid assets. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.**

## U.S. INFORMATION

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

The Registered Covered Bonds have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to the registration requirements of the Securities Act and any applicable state or local securities laws. Each U.S. purchaser of Registered Covered Bonds is hereby notified that the offer and sale of any Registered Covered Bonds to it may be being made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act or Section 4(a)(2) of the Securities Act, as applicable.

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

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

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

## AVAILABLE INFORMATION

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

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

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

### **FORWARD-LOOKING STATEMENTS**

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

### **SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES**

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

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## PRINCIPAL CHARACTERISTICS OF THE PROGRAMME

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

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

<b>Issuer:</b>	Coventry Building Society
<b>Guarantor:</b>	Coventry Godiva Covered Bonds LLP
<b>Regulated Covered Bonds:</b>	<p>The Programme has not been admitted to the register of regulated covered bonds under the RCB Regulations.</p> <p>On 11 April 2011, the Issuer was admitted to the register of issuers under the RCB Regulations in connection with its €7 billion Global Covered Bond Programme.</p> <p>As at the date of this Offering Circular the Issuer does not intend to make an application for the Programme to be admitted to the register of regulated covered bonds under the RCB Regulations and for the Issuer to be admitted to the register of issuers under the RCB Regulations in connection with the Programme.</p>
<b>Nature of eligible property:</b>	Residential mortgage loans, Substitution Assets up to the prescribed limit and Authorised Investments
<b>Location of eligible residential property underlying mortgage loans:</b>	England and Wales and Scotland
<b>Maximum True Balance to Indexed Valuation ratio given credit under the Asset Coverage Test:</b>	75 per cent.
<b>Maximum Asset Percentage:</b>	90 per cent.
<b>Asset Coverage Test:</b>	As set out on page 188
<b>Statutory minimum overcollateralisation:</b>	The eligible property in the Asset Pool must be more than 108 per cent. of the Principal Amount Outstanding of the Covered Bonds
<b>Amortisation Test:</b>	As set out on page 188
<b>Extended Maturities:</b>	Available
<b>Hard Bullet Maturities:</b>	Not Available
<b>Asset Monitor:</b>	Deloitte LLP
<b>Asset Segregation:</b>	Yes

<b>Namensschuldverschreibungen option:</b>	No
<b>Single/Multi Asset Pool designation:</b>	Single Asset Pool, consisting of residential mortgage loans and liquid assets
<b>Substitution Assets:</b>	Asset-backed securities are not eligible property and cannot form part of the Asset Pool

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and filed with the Financial Conduct Authority shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (a) the audited annual accounts of the LLP as at and for the years ended 31 December 2023 and 31 December 2022, which have been prepared in accordance with the UK-adopted international accounting standards ("**UK IFRS**");
- (b) the unaudited interim condensed consolidated financial statements of the Issuer as at and for the six-month period ended 30 June 2024, prepared in accordance with UK IFRS (the "**Issuer's Interim Financial Report 2024**");
- (c) the audited consolidated and unconsolidated financial statements of the Issuer as at and for the year ended 31 December 2022, which have been prepared in accordance with the UK IFRS and the requirements of the Building Societies Act, as set out in the following pages of the Society's Annual Report and Accounts 2022:

	<i>For the financial year ended 31 December 2022</i>
Independent Auditors' Report.....	Pages 128 to 137
Financial Statements (including Notes thereto) .....	Pages 138 to 194
Glossary.....	Pages 195 to 204

- (d) the part of the Issuer's Annual Report and Accounts 2022 headed "*Regulatory Capital*" on page 31 (including, for the avoidance of doubt, the table and the notes thereto on page 31);
- (e) the part of the Issuer's Annual Report and Accounts 2022 headed "*Alternative Performance Measures*" on page 32;
- (f) the audited consolidated and non consolidated financial statements of the Issuer as at and for the financial year ended 31 December 2023 which have been prepared in accordance with UK IFRS and the requirements of the Building Societies Act, as set out on the following pages of the Issuer's Annual Report and Accounts 2023:

	<i>For the financial year ended 31 December 2023</i>
Independent Auditors' Report.....	Pages 107 to 115
Financial Statements (including Notes thereto) .....	Pages 116 to 170
Glossary.....	Pages 174 to 180

- (g) the part of the Issuer's Annual Report and Accounts 2023 headed "*Regulatory Capital*" on page 28 (including, for the avoidance of doubt, the table and the notes thereto on pages 28);
- (h) the part of the Issuer's Annual Report and Accounts 2023 headed "*Alternative Performance Measures*" on page 174;
- (i) the sections entitled "Terms and Conditions of the Covered Bonds" set out in the offering circulars dated 14 October 2020, 4 February 2022 and 20 January 2023 (for the avoidance of doubt, the applicable Final Terms for a Series or Tranche of Covered Bonds will indicate the Terms and Conditions applicable to such Series or Tranche and unless otherwise indicated in the applicable Final Terms, the Terms and Conditions of all Covered Bonds issued after the date hereof shall be those set out in full in this Offering Circular). The remaining portions of the offering circulars dated 14 October 2020, 4 February 2022 and 20 January 2023 are not relevant for prospective investors; and



- (j) the joint statement regarding the cash acquisition of The Co-operative Bank Holdings p.l.c. by the Society published by the Society through the Regulatory News Service of the London Stock Exchange on 24 May 2024 (available at <https://www.londonstockexchange.com/news-article/BG64/joint-statement-regarding-cash-acquisition/16486385>) excluding the first bullet point under paragraph 2 titled “Strategic Rationale”,

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

The documents to be incorporated by reference herein listed in paragraphs (i) (a) and (i) above can be viewed on online at <https://www.coventrybuildingsociety.co.uk/member/investor-relations/funding-programmes/godiva-covered-bonds-terms/reports.html> and (ii) (b) to (j) above can be viewed online at <https://www.coventrybuilding.co.uk/member/investor-relations.html>.

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

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

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Offering Circular.

The Issuer and the LLP will provide, without charge, to each person to whom a copy of this Offering Circular 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 Coventry Building Society, Coventry House, Binley Business Park, Harry Weston Road, Coventry, CV3 2TQ, and marked for the attention of the Secretary and Solicitor or (as applicable) the LLP, at its office set out at the end of this Offering Circular.

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

Copies of the documents incorporated by reference in this Offering Circular will be available for viewing without charge (i) at the offices of the Issuer at Coventry Building Society, Coventry House, Binley Business Park, Harry Weston Road, Coventry, CV3 2TQ and (ii) on the Regulatory News Service operated by the London Stock Exchange at [http://www.londonstockexchange.com/exchange/prices\\_and\\_news/news/market\\_news/market\\_news\\_home.html](http://www.londonstockexchange.com/exchange/prices_and_news/news/market_news/market_news_home.html). Please note that websites and URLs referred to herein do not form part of this Offering Circular. To the extent that any document incorporated by reference in this Offering Circular incorporates further information by reference, such further information does not form part of this Offering Circular.

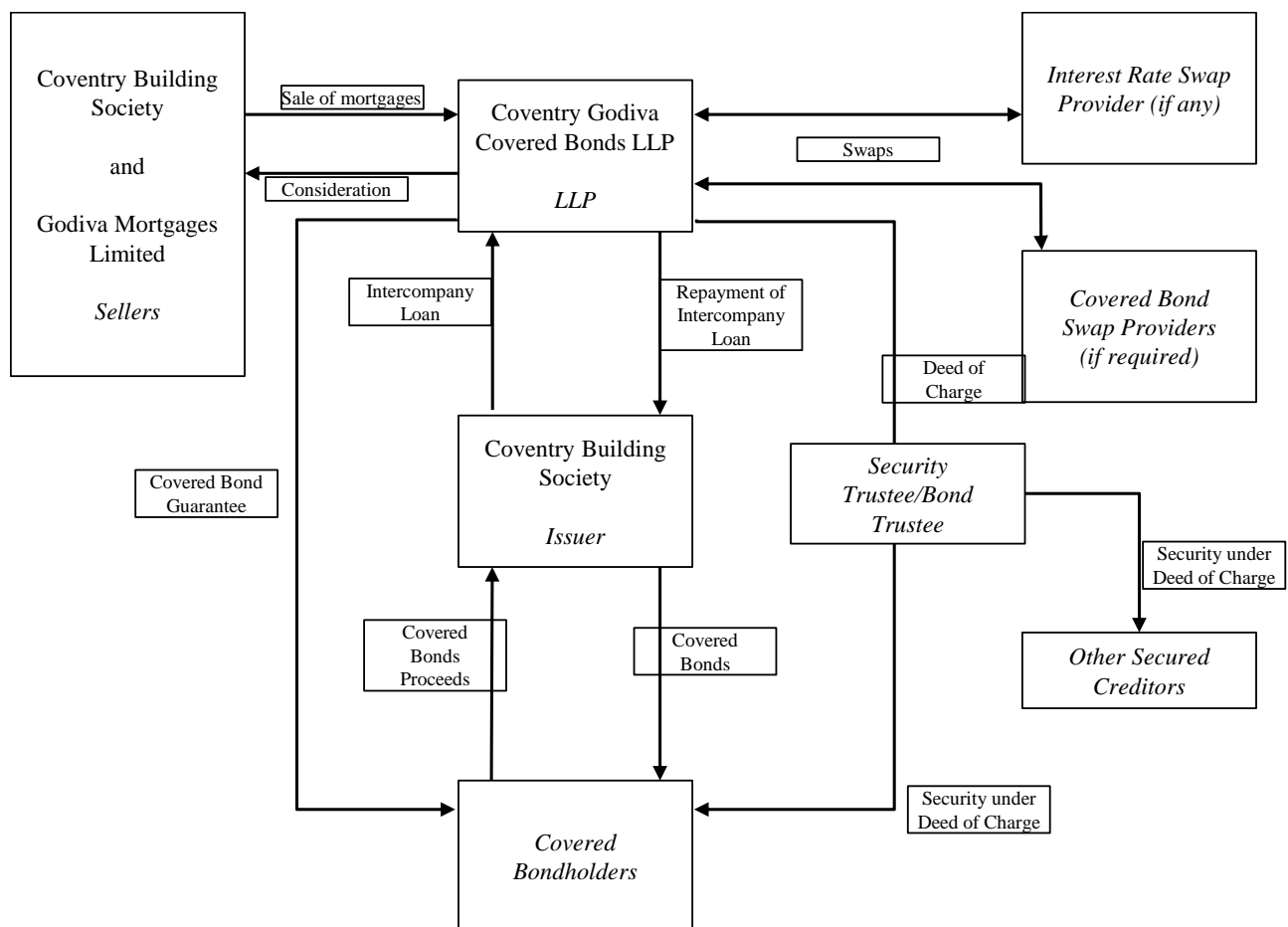
If the terms of the Programme are modified or amended in a manner which would make this Offering Circular inaccurate or misleading or, in the event of any material mistake or inaccuracy which is capable of affecting the assessment of any Covered Bonds, a supplement to this Offering Circular or a new offering circular will be prepared for use in connection with any subsequent issue of Covered Bonds.

## STRUCTURE OVERVIEW

*This Structure Overview must be read as an introduction to this Offering Circular and any decision to invest in any Covered Bonds should be based on a consideration of this Offering Circular as a whole, including the documents incorporated by reference. Following the implementation of the relevant provisions of the UK Prospectus Regulation, no civil liability will attach to any Responsible Person in the UK in respect of this Structure Overview, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Offering Circular.*

*Words and expressions defined elsewhere in this Offering Circular have the same meanings in this Structure Overview. A glossary of certain defined terms used in this document is contained at the end of this Offering Circular.*

### Structure Diagram



## Structure Overview

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

If an LLP Acceleration Notice is served, the Covered Bonds will become immediately due and payable as against the Issuer and the LLP's obligations under the Covered Bond Guarantee will be accelerated. Payments made by the LLP under the Covered Bond Guarantee will be made subject to, and in accordance with, the Guarantee Priority of Payments or the Post-Enforcement Priority of Payments, as applicable. The recourse of the Covered Bondholders to the LLP under the Covered Bond Guarantee will be limited to the assets of the LLP from time to time.

- *The proceeds of Term Advances:* The LLP will use the proceeds of the Term Advances received under the Intercompany Loan Agreement from time to time (if not denominated in Sterling, after swapping the same into Sterling under the relevant Covered Bond Swap Agreement): (i) to purchase Loans and their Related Security from the Sellers in accordance with the terms of the Mortgage Sale Agreements; and/or (ii) to invest in Substitution Assets in an amount up to but not exceeding the prescribed limit to the extent required to meet (i) (if the Issuer (in relation to this Programme) and the Programme are admitted to the register of issuers and register of covered bonds under the RCB Regulations) the requirements of Regulations 23 and 24(1)(a) of the RCB Regulations and (ii) the Asset Coverage Test and thereafter may be applied by the LLP: (a) to purchase Loans and their Related Security, from the Sellers in accordance with the terms of the Mortgage Sale Agreements; and/or (b) to invest in Substitution Assets in an amount not exceeding the prescribed limit; and/or (c) (subject to complying with the Asset Coverage Test (as described below)) to make a Capital Distribution to a Member; and/or (d) if an existing Series or Tranche, or part of an existing Series or Tranche, of Covered Bonds is being refinanced (by the issue of a further Series or Tranche of Covered Bonds), to repay the Term Advance(s) corresponding to the Covered Bonds being so refinanced; and/or (e) to make a deposit of all or part of the proceeds in the Transaction Accounts (including, without limitation, to fund the Reserve Fund to an amount not exceeding the prescribed limit). To protect the value of the Portfolio under the terms of the LLP Deed, the LLP and the Members (other than the Liquidation Member) will be obliged to ensure that the Asset Coverage Test (as described below) will be satisfied on each Calculation Date.
- *Consideration:* Under the terms of each Mortgage Sale Agreement, the consideration payable to a Seller for the sale of Loans and their Related Security to the LLP on any Transfer Date will be a

combination of: (i) a cash payment paid by the LLP to that Seller; and/or (ii) that Seller being treated as having made a Capital Contribution in Kind to the LLP (in an amount up to the difference between the True Balance of the Loans sold by that Seller as at the relevant Transfer Date and the cash payment (if any) paid by the LLP); and (iii) Deferred Consideration.

- *Security*: To secure its obligations under the Covered Bond Guarantee and the Transaction Documents to which it is a party, the LLP has granted security over the Charged Property (which consists principally of the LLP's interest in the portfolio of Loans and their Related Security, the Substitution Assets, the Transaction Documents to which it is a party, the LLP Accounts and the Authorised Investments) in favour of the Security Trustee (for itself and on behalf of the other Secured Creditors) pursuant to the Deed of Charge.
- *Cashflows*: Prior to service of an Asset Coverage Test Breach Notice, a Notice to Pay or an LLP Acceleration Notice on the LLP and/or realisation of the Security and/or the commencement of winding-up proceedings against the LLP, the LLP will apply:
  - (a) Available Revenue Receipts to pay interest due on the Term Advances (the proceeds of which the Issuer may apply to pay interest due on the Covered Bonds) and to pay Deferred Consideration to the relevant Seller in respect of the Loans sold by that Seller to the LLP. However, these payments will only be made after payment of certain items ranking higher in the Pre-Acceleration Revenue Priority of Payments (including, but not limited to, certain expenses and amounts due to the Interest Rate Swap Provider (if any) and the Covered Bond Swap Providers). For further details of the Pre-Acceleration Revenue Priority of Payments, see "*Cashflows*"; and
  - (b) Available Principal Receipts towards making Capital Distributions to the Members but only after payment of certain items ranking higher in the Pre-Acceleration Principal Priority of Payments (including, but not limited to, acquiring New Loans and their Related Security offered by a Seller to the LLP). For further details of the Pre-Acceleration Principal Priority of Payments, see "*Cashflows*".

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

- (a) in respect of Available Revenue Receipts, no further amounts will be paid to the Issuer under the Intercompany Loan Agreement, into the Reserve Fund, towards any indemnity amount due to the Members pursuant to the LLP Deed or any indemnity amount due to the Asset Monitor pursuant to the Asset Monitor Agreement, towards any Deferred Consideration or towards any profit for the Members' respective interests in the LLP (but payments will, for the avoidance of doubt, continue to be made under the relevant Swap Agreements); and
- (b) in respect of Available Principal Receipts, no payments will be made other than into the Transaction Accounts after exchange (if required) in accordance with the relevant Covered Bond Swap (see "*Cashflows*").

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

all amounts due under the Covered Bond Guarantee in respect of the Covered Bonds have been paid in full or have otherwise been provided for.

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

- *Interest Accumulation Ledger*: In relation to each Series of Covered Bonds that does not have: (a) a Covered Bond Swap in place; and (b) monthly Interest Payment Dates (each such Series, an "**Accumulation Series of Covered Bonds**"), the Cash Manager shall maintain an Interest Accumulation Ledger, to which the LLP Monthly Interest Amounts will be credited on each LLP Payment Date. Amounts standing to the credit of the Interest Accumulation Ledger in respect of each such Accumulation Series of Covered Bonds will be applied on the relevant Loan Interest Payment Date or Interest Payment Date, as the case may be, together with Available Revenue Receipts (applied in accordance with the relevant Priorities of Payments), to make payments under the Term Advances or Covered Bonds, as applicable.
- *Asset Coverage*: The Programme provides that the assets of the LLP are subject to an Asset Coverage Test in respect of the Covered Bonds. Accordingly, for so long as Covered Bonds remain outstanding, the LLP and the Society (in its capacity as a Member of the LLP) must ensure that, on each Calculation Date, the Adjusted Aggregate Loan Amount will be in an amount equal to or in excess of the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on that Calculation Date. The Asset Coverage Test will be tested by the Cash Manager on each Calculation Date. A breach of the Asset Coverage Test on a Calculation Date which is not remedied on the immediately succeeding Calculation Date will require the Bond Trustee (subject to the Bond Trustee having actual knowledge or express notice of such breach) to serve an Asset Coverage Test Breach Notice on the LLP. The Asset Coverage Test Breach Notice will be revoked if, on any Calculation Date falling on or prior to the third Calculation Date following service of an Asset Coverage Test Breach Notice, the Asset Coverage Test is satisfied and neither a Notice to Pay nor an LLP Acceleration Notice has been served.

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

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

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

- *Amortisation Test:* In addition, following service of a Notice to Pay on the LLP (but prior to service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security) and, for so long as Covered Bonds remain outstanding, the LLP and the Society (in its capacity as a Member of the LLP) must ensure that, on each Calculation Date following an Issuer Event of Default and the service of a Notice to Pay on the LLP, the Amortisation Test Aggregate Loan Amount will be in an amount at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds from time to time. The Amortisation Test will be tested by the Cash Manager on each Calculation Date following an Issuer Event of Default and service of a Notice to Pay on the LLP. A breach of the Amortisation Test will constitute an LLP Event of Default, which will entitle the Bond Trustee to serve an LLP Acceleration Notice declaring the Covered Bonds immediately due and repayable and entitle the Security Trustee to enforce the Security over the Charged Property.
- *Extendable obligations under the Covered Bond Guarantee:* An Extended Due for Payment Date will be specified as applying in relation to a Series of Covered Bonds in the applicable Final Terms. This means that if the Issuer fails to pay the Final Redemption Amount of the relevant series of Covered Bonds on the Final Maturity Date (subject to applicable grace periods) and if the Guaranteed Amounts equal to the Final Redemption Amount of the relevant Series of Covered Bonds are not paid in full by the Extension Determination Date (for example because, following the service of a Notice to Pay on the LLP, the LLP has insufficient monies available in accordance with the Guarantee Priority of Payments to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount of the relevant Series of Covered Bonds), then payment of the unpaid amount pursuant to the Covered Bond Guarantee shall be automatically deferred (without an LLP Event of Default occurring as a result of such non-payment) and shall be due and payable on the Extended Due for Payment Date as set out in the applicable Final Terms (subject to any applicable grace period). However, any amount representing the Final Redemption Amount due and remaining unpaid on the Extension Determination Date may be paid by the LLP on any Interest Payment Date thereafter, up to (and including) the relevant Extended Due for Payment Date. Interest will continue to accrue on any unpaid amount during such extended period and be payable on the Original Due for Payment Date and on the Extended Due for Payment Date in accordance with Condition 4 (*Interest*).
- *Coupon Pre-funding:* If a Cash Manager Relevant Event occurs and is continuing, the Society in its capacity as a Member of the LLP will (a) within ten London Business Days of the occurrence of the Cash Manager Relevant Event and, (b) thereafter, if a Required Coupon Amount Shortfall exists, within one London Business Day of receipt of notification of each Required Coupon Amount Shortfall, make a Cash Capital Contribution to the LLP in an amount equal to the Required Coupon Amount or the Required Coupon Amount Shortfall, as the case may be.

While a Cash Manager Relevant Event is continuing (but prior to the service of a Notice to Pay or an LLP Acceleration Notice on the LLP) the LLP will, on each LLP Payment Date, to the extent of Available Revenue Receipts (taking into account amounts to be paid in priority to any credit to the Coupon Payment Ledger), fund the Coupon Payment Ledger in an amount up to the Required Coupon Amount.

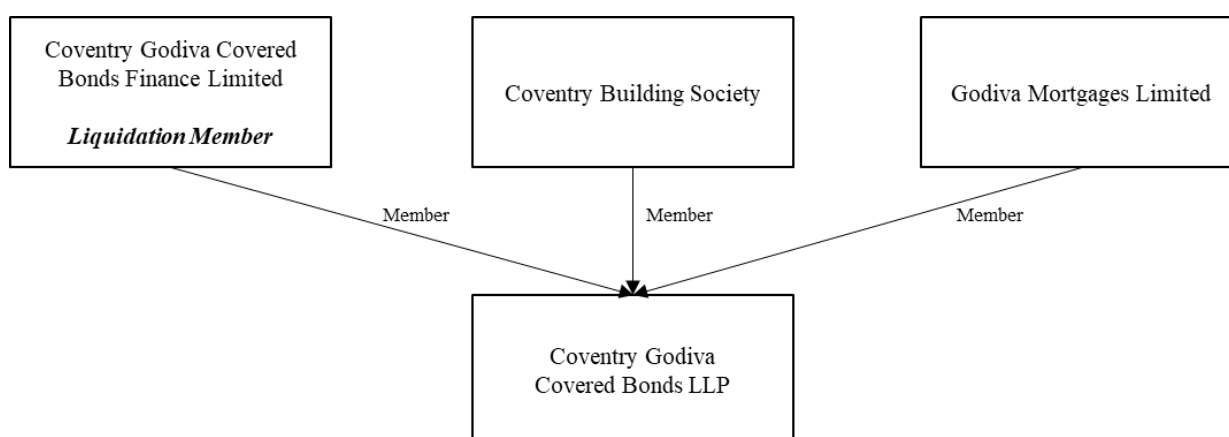
- *Servicing:* In its capacity as Servicer, the Society has entered into the Servicing Agreement with the LLP and the Security Trustee, pursuant to which the Servicer has agreed to provide administrative services in respect of the Loans and their Related Security sold by the Society and Godiva Mortgages Limited (each in its capacity as Seller) to the LLP.
- *The Regulated Covered Bonds Regulations 2008:* The Programme has not been admitted to the register of regulated covered bonds under the RCB Regulations. On 11 April 2011, the Issuer was admitted to the register of issuers under the RCB Regulations in connection with its €7 billion Global Covered Bond Programme. As at the date of this Offering Circular the Issuer does not intend to make an application for the Programme to be admitted to the register of regulated covered bonds under the

RCB Regulations and for the Issuer to be admitted to the register of issuers under the RCB Regulations in connection with the Programme.

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

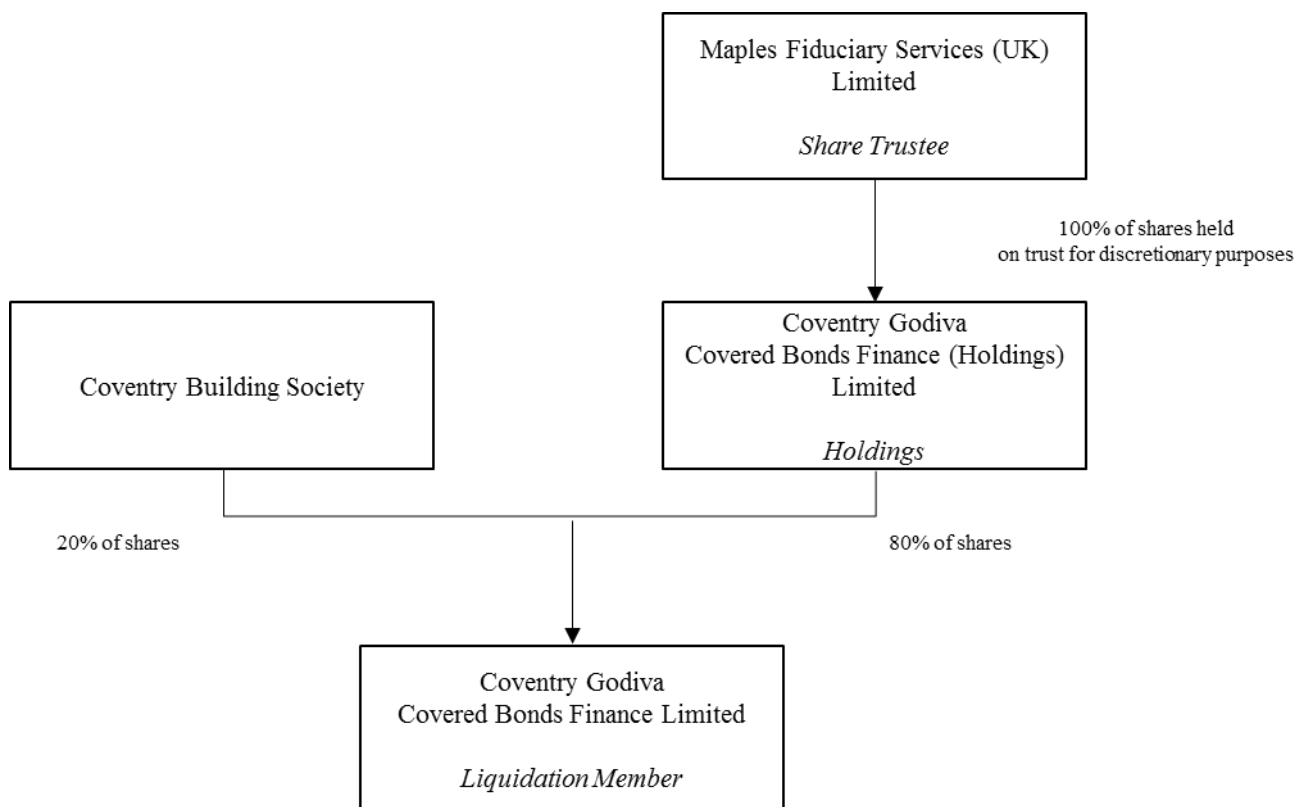
#### **Ownership Structure of Coventry Godiva Covered Bonds LLP**

- As at the Programme Date, the Members of the LLP are the Sellers and the Liquidation Member.
- A New Member may be admitted to the LLP, subject to meeting certain conditions precedent including, but not limited to, written confirmation from the Rating Agencies that this would not adversely affect the then current ratings of all outstanding Covered Bonds.
- Other than in respect of those decisions reserved to the Members, the LLP Management Committee (comprising, as at the Programme Date, directors and/or employees of Coventry Building Society and a representative of the Liquidation Member) will manage and conduct the business of the LLP and will have all of the rights, power and authority to act at all times for and on behalf of the LLP.



### Ownership Structure of the Liquidation Member

- As at the Programme Date, 80 per cent. of the issued share capital of the Liquidation Member is held by Coventry Godiva Covered Bonds Finance (Holdings) Limited and 20 per cent. of the issued share capital of the Liquidation Member is held by Coventry Building Society.
- The entire issued capital of Coventry Godiva Covered Bonds Finance (Holdings) Limited is held by Maples Fiduciary Services (UK) Limited as share trustee on trust for discretionary purposes.





## OVERVIEW OF THE PROGRAMME

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

**Issuer:** Coventry Building Society (the "**Society**"), incorporated in England and Wales under the Building Societies Act 1986 (as amended) (the "**Building Societies Act**") (which expression shall include, where applicable, any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under any statutory modification or re-enactment).

For a more detailed description of the Issuer see "*The Issuer*".

**Issuer Legal Entity Identifier (LEI):** 2138004G59FXEAZ6IO10

**The LLP:** Coventry Godiva Covered Bonds LLP, a limited liability partnership incorporated in England and Wales (partnership no. OC432879). The Members of the LLP on the Programme Date are the Society (in its capacity as Seller), Godiva (in its capacity as Seller) and the Liquidation Member. The LLP is a special purpose vehicle whose business is to acquire, *inter alia*, Loans and their Related Security from the Sellers pursuant to the terms of the Mortgage Sale Agreements and to guarantee certain payments in respect of the Covered Bonds. The LLP will hold the Portfolio and the other Charged Property in accordance with the terms of the Transaction Documents.

The LLP has provided a guarantee covering all Guaranteed Amounts when the same shall become Due for Payment, but only following an Issuer Event of Default and the service on the LLP of a Notice to Pay or LLP Acceleration Notice. The obligations of the LLP under such guarantee and the other Transaction Documents to which it is a party are secured by the assets from time to time of the LLP and recourse against the LLP is limited to such assets.

For a more detailed description of the LLP, see "*The LLP*".

**Sellers:** The Society, which is in the business of originating and acquiring residential mortgage loans and conducting other building society related activities.

For a more detailed description of the Society see "*The Issuer*" below.

Godiva Mortgages Limited ("**Godiva**"), which is in the business of originating buy-to-let residential mortgage loans.

For a more detailed description of Godiva see "*Godiva Mortgages Limited*" below.

<b>Servicer:</b>	Pursuant to the terms of the Servicing Agreement, the Society has been appointed to service, on behalf of the LLP, the Loans and Related Security sold by the Sellers.
<b>Cash Manager:</b>	The Society has been appointed, <i>inter alia</i> , to provide cash management services to the LLP and to monitor compliance by the LLP with the Asset Coverage Test and the Amortisation Test pursuant to the terms of the Cash Management Agreement.
<b>Principal Paying Agent and Agent Bank:</b>	HSBC Bank plc, acting through its offices at 8 Canada Square, London E14 5HQ, has been appointed pursuant to the Agency Agreement as Issuing and Principal Paying Agent and Agent Bank.
<b>Exchange Agent and Transfer Agent:</b>	HSBC Bank plc, acting through its offices at 8 Canada Square, London E14 5HQ, has been appointed pursuant to the Agency Agreement as Exchange Agent and Transfer Agent.
<b>Bond Trustee:</b>	HSBC Corporate Trustee Company (UK) Limited, whose registered office is at 8 Canada Square, London E14 5HQ, has been appointed to act as Bond Trustee on behalf of the Covered Bondholders in respect of the Covered Bonds and holds the benefit of, <i>inter alia</i> , the Covered Bond Guarantee on behalf of the Covered Bondholders pursuant to the terms of the Trust Deed.
<b>Registrar:</b>	HSBC Bank plc, acting through its offices at 8 Canada Square, London E14 5HQ has been appointed pursuant to the Agency Agreement as Registrar.
<b>Security Trustee:</b>	HSBC Corporate Trustee Company (UK) Limited, whose registered office is at 8 Canada Square, London E14 5HQ, has been appointed to act as Security Trustee to hold the benefit of the security granted by the LLP to the Security Trustee (for itself, the Bond Trustee (for itself and on behalf of the Covered Bondholders) and other Secured Creditors) under the Deed of Charge.
<b>Asset Monitor:</b>	A reputable institution appointed pursuant to the Asset Monitor Agreement as an independent monitor to perform tests in respect of the Asset Coverage Test and the Amortisation Test when required.
<b>Asset Pool Monitor:</b>	If the Issuer is admitted to the register of issuers in connection with the Programme and the Programme is admitted to the register of regulated covered bonds under the RCB Regulations, the Issuer will be required to appoint an asset pool monitor in advance of its annual confirmation of compliance with certain requirements of the RCB Regulations. (See " <i>Description of the UK Regulated Covered Bond Regime</i> ".) The Asset Monitor has also been appointed as the asset pool monitor for the purposes of the RCB Regulations in the event of the admission of the Issuer and the Programme to the respective registers.

<b>Covered Bond Swap Providers:</b>	<p>Each swap provider that agrees to act as Covered Bond Swap Provider to the LLP to hedge certain interest rate, currency and/or other risks in respect of amounts received by the LLP under the Loans and any Interest Rate Swap and amounts payable by the LLP under the Intercompany Loan Agreement (prior to the service of a Notice to Pay or an LLP Acceleration Notice) and Due for Payment under the Covered Bond Guarantee in respect of the Covered Bonds (after service of a Notice to Pay or an LLP Acceleration Notice) by entering into the Covered Bond Swaps with the LLP under the Covered Bond Swap Agreements. In the event that the ratings of a Covered Bond Swap Provider fall below a specified ratings level, the relevant Covered Bond Swap Provider will be required to obtain a guarantee of its obligations from an appropriately rated guarantor or put in place some other arrangement in order to maintain the then current ratings of the Covered Bonds. If, in relation to the relevant Covered Bond Swap, the Covered Bond Swap Provider is Godiva, then the Covered Bond Swap Guarantor shall guarantee the obligations of Godiva under the relevant Covered Bond Swap.</p>
<b>Covered Bond Swap Guarantor:</b>	<p>If the Covered Bond Swap provider is Godiva, the Society shall, pursuant to the terms of each Covered Bond Swap Guarantee, agree to act as guarantor of the obligations of the Covered Bond Swap Provider.</p> <p>For a more detailed description of the Covered Bond Swap Guarantor, see "<i>The Issuer</i>".</p>
<b>Interest Rate Swap Provider:</b>	<p>Each swap provider that has agreed to act as a swap provider to the LLP to hedge possible variances between the rates of interest payable on the Loans sold by the Sellers to the LLP and a SONIA rate by entering into an Interest Rate Swap with the LLP under an Interest Rate Swap Agreement, if any. If the Interest Rate Swap Provider is Godiva Mortgages Limited, the Interest Rate Swap Guarantor shall guarantee the obligations of Godiva under the Interest Rate Swap.</p> <p>For a more detailed description of the Interest Rate Swap Provider, see "<i>Godiva Mortgages Limited</i>".</p>
<b>Interest Rate Swap Guarantor:</b>	<p>If an Interest Rate Swap Provider is Godiva Mortgages Limited, the Society shall, pursuant to the terms of the Interest Rate Swap Guarantee, agree to act as guarantor of the obligations of the Interest Rate Swap Provider.</p> <p>For a more detailed description of the Interest Rate Swap Guarantor, see "<i>The Issuer</i>".</p>
<b>Account Banks:</b>	<p>Barclays Bank PLC pursuant to the terms of the Barclays Bank Account Agreement, the Society pursuant to the terms of the CBS Bank Account Agreement and any other account bank that may be appointed pursuant to a Bank Account Agreement.</p>

<b>Liquidation Member:</b>	Coventry Godiva Covered Bonds Finance Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 12641797). As at the Programme Date, 80 per cent. of the issued share capital of the Liquidation Member is held by Holdings and 20 per cent. of the issued share capital of the Liquidation Member is held by the Society.
<b>Holdings:</b>	Coventry Godiva Covered Bonds Finance (Holdings) Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 12618063). All of the shares of Holdings are held on behalf of the Share Trustee on trust for discretionary purposes.
<b>Share Trustee:</b>	Maples Fiduciary Services (UK) Limited, having its registered office at 6th Floor, Duo Building, 280 Bishopsgate, London, EC2M 4RB.
<b>Corporate Services Provider:</b>	Maples Fiduciary Services (UK) Limited, having its registered office at 6th Floor, Duo Building, 280 Bishopsgate, London, EC2M 4RB, has been appointed to provide certain corporate services to the Liquidation Member and Holdings, pursuant to the Corporate Services Agreement.
<b>Description:</b>	Global Covered Bond Programme.
<b>Arranger:</b>	Barclays Bank PLC, acting through its investment bank.
<b>Dealers:</b>	Barclays Bank PLC, acting through its investment bank, and any other Dealers appointed from time to time in accordance with the Programme Agreement.
<b>Certain Restrictions:</b>	Each issue of Covered Bonds denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "Certain U.S. Regulatory considerations").
<b>Programme Size:</b>	Up to €10 billion (or its equivalent in other currencies determined as described in the Programme Agreement) outstanding at any time as described herein. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
<b>Distribution:</b>	Covered Bonds may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis, subject to the restrictions set forth in " <i>Subscription and Sale and Transfer and Selling Restrictions</i> ".
<b>Specified Currencies:</b>	Subject to any applicable legal or regulatory restrictions, such currency or currencies as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Principal Paying Agent and the Bond Trustee (as set out in the applicable Final Terms).

<b>Maturities:</b>	Such maturities as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
<b>Issue Price:</b>	Covered Bonds may be issued at par or at a premium or discount to par.
<b>Form of Covered Bonds:</b>	The Covered Bonds will be issued in bearer or registered form as described in " <i>Form of the Covered Bonds</i> ". Registered Covered Bonds will not be exchangeable for Bearer Covered Bonds and vice versa.
<b>Fixed Rate Covered Bonds:</b>	Fixed Rate Covered Bonds will bear interest at a fixed rate which will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).
<b>Floating Rate Covered Bonds:</b>	<p>Floating Rate Covered Bonds will bear interest at a rate determined:</p> <ul style="list-style-type: none"> <li>(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions; or</li> <li>(ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or</li> <li>(iii) on such other basis as may be agreed between the Issuer and the relevant Dealer(s),</li> </ul> <p>as set out in the applicable Final Terms.</p> <p>The Margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each issue of Floating Rate Covered Bonds as set out in the applicable Final Terms.</p>
<b>Other provisions in relation to Floating Rate Covered Bonds:</b>	Floating Rate Covered Bonds may also have a maximum interest rate, a minimum interest rate or both (as indicated in the applicable Final Terms). Interest on Floating Rate Covered Bonds in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer(s), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer(s).
<b>Zero Coupon Covered Bonds:</b>	Zero Coupon Covered Bonds may be offered and sold at a discount to their nominal amount and will not bear interest except in the case

of late payment unless otherwise specified in the applicable Final Terms.

**Rating Agency Confirmation:**

The issuance of certain types of Covered Bonds (namely, Zero Coupon Covered Bonds as specified in the relevant Final Terms) shall be subject to confirmation by the Rating Agencies that the then current ratings for any outstanding Covered Bonds will not be adversely affected by the issuance of such types of Covered Bonds.

**Redemption:**

The applicable Final Terms relating to each Tranche of Covered Bonds will indicate either that the relevant Covered Bonds of such Tranche cannot be redeemed prior to their stated maturity (other than for taxation reasons or if it becomes unlawful for any Term Advance to remain outstanding or following an Issuer Event of Default or an LLP Event of Default) or that such Covered Bonds will be redeemable at the option of the Issuer and/or Covered Bondholders upon giving not more than 30 nor less than 15 days' irrevocable notice (or such other period of notice (if any) as is indicated in the applicable Final Terms) to the Bond Trustee, the Principal Paying Agent, the Registrar (in the case of the redemption of the Registered Covered Bonds) and the Covered Bondholders or to the Issuer (as the case may be), on one or more specified dates prior to their stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

**Extendable obligations under the Covered Bond Guarantee:**

The applicable Final Terms may also provide that the LLP's obligations under the Covered Bond Guarantee to pay the Guaranteed Amounts corresponding to the Final Redemption Amount of the applicable Series of Covered Bonds on their Final Maturity Date (subject to applicable grace periods) will be deferred until the Extended Due for Payment Date. In such case, such deferral will occur automatically if the Issuer fails to pay the Final Redemption Amount of the relevant Series of Covered Bonds on their Final Maturity Date (subject to applicable grace periods) and if the Guaranteed Amounts equal to the Final Redemption Amount in respect of such Series of Covered Bonds are not paid in full by the LLP by the Extension Determination Date (for example, because the LLP has insufficient monies to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of the relevant Series of Covered Bonds after payment of higher ranking amounts and taking into account amounts ranking *pari passu* in the Guarantee Priority of Payments). To the extent that the LLP has received a Notice to Pay in sufficient time and has sufficient monies to pay in part the Final Redemption Amount, such partial payment shall be made by the LLP on any Interest Payment Date up to and including the relevant Extended Due for Payment Date as described in Condition 6(a) (*Final redemption*). Interest will continue to accrue and be payable on the unpaid amount up to the Extended Due for Payment Date in accordance with Condition 4 (*Interest*) and the LLP will make payments of Guaranteed Amounts constituting Scheduled Interest on each relevant Due for Payment Date and Extended Due for Payment Date. The Extended Due for Payment Date as

applicable in respect of a Series of Covered Bonds will be specified in the relevant Final Terms.

**Denomination of Covered Bonds:**

Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms save that, except in certain limited circumstances, the minimum denomination of each Covered Bond will be at least €100,000 (or, if the Covered Bonds are denominated in a currency other than euro, at least the equivalent amount in such currency) or such other higher amount as may be required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

Unless otherwise stated in the applicable Final Terms, the minimum denomination of each Definitive IAI Registered Covered Bond will be U.S.\$500,000 or its approximate equivalent in other Specified Currencies and the minimum denomination of each Definitive Rule 144A Covered Bond will be U.S.\$250,000 or its approximate equivalent in other Specified Currencies.

**Taxation:**

All payments in respect of the Covered Bonds will be made without deduction or withholding for or on account of UK taxes, subject as provided in Condition 7 (*Taxation*). If any such deduction or withholding is made, the Issuer will, save in the limited circumstances provided in Condition 7 (*Taxation*), be required to pay additional amounts in respect of the amounts so deducted or withheld. Under the Covered Bond Guarantee, the LLP will not be liable to pay any such additional amounts payable by the Issuer under Condition 7 (*Taxation*).

**Cross Default:**

If an LLP Acceleration Notice is served in respect of any one Series of Covered Bonds, then the obligation of the LLP to pay Guaranteed Amounts in respect of all Series of Covered Bonds outstanding will be accelerated.

**Status of the Covered Bonds:**

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

**Covered Bond Guarantee:**

Payment of Guaranteed Amounts in respect of the Covered Bonds when Due for Payment will be irrevocably guaranteed by the LLP. The obligations of the LLP to make payment in respect of the Guaranteed Amounts when Due for Payment are subject to the condition that an Issuer Event of Default occurs, an Issuer Acceleration Notice is served on the Issuer and a Notice to Pay is served on the LLP or, if earlier, an LLP Event of Default occurs and an LLP Acceleration Notice is served on the LLP. The obligations of the LLP under the Covered Bond Guarantee will accelerate against the LLP upon the service of an LLP Acceleration Notice. The obligations of the LLP under the Covered Bond Guarantee constitute direct obligations of the LLP secured against

the assets from time to time of the LLP and recourse against the LLP is limited to such assets.

**Ratings:**

Each Series of Covered Bonds issued under the Programme may be assigned a rating by the Rating Agencies or may be unrated as specified in the relevant Final Terms.

The credit ratings referred to in this Offering Circular have been issued by Fitch, which is a credit rating agency established in the UK and registered under the UK CRA Regulation. Please also refer to "*Risk Factors – Risks relating to the Covered Bonds - Ratings of the Covered Bonds*" of this Offering Circular.

**Listing and admission to trading:**

Application has been made to admit Covered Bonds issued under the Programme to the Official List and to admit the Covered Bonds to trading on the main market of the London Stock Exchange.

**The RCB Regulations:**

The Programme has not been admitted to the register of regulated covered bonds under the RCB Regulations.

On 11 April 2011, the Issuer was admitted to the register of issuers under the RCB Regulations in connection with its €7 billion Global Covered Bond Programme.

As at the date of this Offering Circular the Issuer does not intend to make an application for the Programme to be admitted to the register of regulated covered bonds under the RCB Regulations and for the Issuer to be admitted to the register of issuers under the RCB Regulations in connection with the Programme.

**Governing Law:**

The Covered Bonds, and any non-contractual obligations arising out of or in connection with them are, or as the case may be, will be governed by, and construed in accordance with, English law.

**Selling Restrictions:**

There are restrictions on the offer, sale and transfer of any Tranche of Covered Bonds in the UK, the United States and the EEA (which includes the Republic of Italy). Other restrictions may apply in connection with the offering and sale of a particular Tranche of Covered Bonds. See "*Subscription and Sale and Transfer and Selling Restrictions*".

Bearer Covered Bonds, other than Bearer Covered Bonds with an initial maturity of one year or less (taking into account any unilateral right to extend or rollover), will be issued in accordance with the provisions of U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the **Code**)) (**TEFRA D**) unless (i) the applicable Final Terms state that the Covered Bonds are issued in accordance with the provisions of U.S. Treas. Reg. § 1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (**TEFRA C**) or (ii) the Covered Bonds are issued other than in compliance with TEFRA D or TEFRA C but in circumstances in which the Covered Bonds will not constitute "registration



required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 (**TEFRA**), which circumstances will be referred to in the applicable Final Terms as a transaction to which TEFRA is not applicable. Terms used in this paragraph have the meanings given to them by the Code and regulations promulgated thereunder, including TEFRA C and TEFRA D

**Risk Factors:**

There are certain risks related to any issue of Covered Bonds under the Programme, which investors should ensure they fully understand, a non-exhaustive summary of which is set out under "*Risk Factors*" from page 21 of this Offering Circular.

## RISK FACTORS

*The Issuer and the LLP believe that the following factors may affect their ability to fulfil their respective obligations under the Covered Bonds.*

*This section describes the principal risk factors associated with an investment in the Covered Bonds. Any investment in the Covered Bonds is subject to a number of risks. Prior to investing in the Covered Bonds, prospective investors should carefully consider risk factors associated with any investment in the Covered Bonds, the business of the Issuer and the industry in which it operates together with all other information contained in this Offering Circular, including, in particular, the risk factors described below, before making any investment decision. Words and expressions defined in the "Terms and Conditions of the Covered Bonds" section or elsewhere in this Offering Circular have the same meanings in this section. Prospective investors should note that the following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Covered Bonds. The Issuer has described only those risks relating to its ability to fulfil its obligations under the Covered Bonds that it considers to be material. Additional risks and uncertainties relating to either the Issuer or the LLP that are not currently known to either the Issuer or the LLP, or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Issuer and, if any such risk should occur, the price of the Covered Bonds may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Covered Bonds is suitable for them in light of the information in this Offering Circular and their particular circumstances.*

### 1. RISKS RELATING TO THE ISSUER

***The Issuer's business and financial performance has been and will continue to be affected by general economic conditions (including as they may be affected by a pandemic and associated measures) in the UK, the Eurozone, and elsewhere, and adverse developments in the UK or global financial markets could cause the Issuer's earnings and profitability to decline.*** The Issuer is directly and indirectly subject to risks arising from general economic conditions in the UK and elsewhere, and to the state of global financial markets both generally and as they specifically affect financial institutions. The impact of global stresses on the UK economy (including, but not limited to, those caused by a pandemic, geo-political events, rising interest rates or inflation or a stress within the Eurozone) could adversely affect the Issuer, including by exposing it to potential losses in its lending operations and on its portfolio of treasury assets and through adverse impacts on the cost and level of competition for retail funding, and on the cost and availability of wholesale funding, with a resultant impact on the Issuer's net interest margin.

Forecasts by the Bank of England suggest that the UK is facing a period of modest economic growth, reflecting, among other factors, the impact of higher interest rates, and of higher prices after a period of high inflation, alongside residual impacts of the UK's departure from the EU and the Covid-19 pandemic ("**Covid-19**") and associated lockdowns. There is a risk that any slowdown in economic activity in the Eurozone economy could contribute to a slowdown in economic activity in the UK as the EU is the UK's largest export market, a risk that could be exacerbated by the UK's withdrawal from the EU. Domestically, rises in energy prices, general inflation and higher interest rates have placed pressure on disposable incomes and there is a risk that, if levels of unemployment increase and inflation and higher interest rates persist, and/or the economy contracts or sees a period of low growth, there could be further pressure on real disposable incomes and the ability of consumers to fulfil obligations on borrowings.

The Issuer's customer base is primarily based in the UK. Recently, the UK has seen weaker economic growth, along with inflationary pressure and increases in the Bank of England's interest rate. These interest rate increases, coupled with headwinds from high inflation, have the potential to impact a material number of UK household incomes.

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

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

The exact nature of the risks that the Issuer faces from external economic factors and the manner and the extent to which they ultimately will impact the Issuer are difficult to predict and to guard against in light of: (i) the inter-related nature of the risks involved; (ii) the difficulties in predicting events; and (iii) the fact that the risks are totally or partially outside of the control of the Issuer. Therefore, no assurance can be given that the Issuer will not be adversely affected by any external economic factors.

***Changes in interest rates could adversely impact the Issuer's financial and operational performance.***

Consumers in the UK remain heavily indebted by historical standards and this could lead to a vulnerability to increases in unemployment, inflation, higher interest rates and/or falling house prices. Increased unemployment and cost-of-living pressures (including, but not limited to higher interest rates, and higher energy costs) could lead to borrowers being unable to service their loan payments in a timely fashion, which would result in higher levels of arrears in the Issuer's lending operations, which, in turn, could lead to an increase in the Issuer's impairment charges in respect of its lending portfolio.

After a prolonged period of low rates, interest rates in the UK have risen significantly. Interest rates may see further increases, and/or may stabilise at a higher level than seen in recent years. Having slowed in 2022 as a result of inflation triggered by the invasion of Ukraine and legacy effects from the Covid-19 pandemic on global supply chains and domestic political uncertainty, the UK economy saw only very modest growth in 2023, and reported a reduction in GDP in Q3 and Q4 2023. Forward looking expectations for the UK are for a period of relatively low economic growth. UK inflation peaked at 11.1 per cent. in October 2022 before falling slightly to 10.5 per cent. in December 2022, and whilst inflation has followed a broadly downward trend since, it remains significantly above the Bank of England's 2 per cent. target. Central banks around the world responded to high inflation by increasing interest rates in order to reduce demand from consumers and businesses. The Bank of England increased its base rate eight times in 2022 to 3.50 per cent. from 0.25 per cent. in 2021, with four further rises in 2023 taking base rate to 5.25 per cent. As at the date of this Prospectus, the Bank of England's bank rate has been raised from 0.10 per cent. to a high of 5.25 per cent. since December 2021, and is currently set at 5.00 per cent. Any further rise in interest rates, or a continuation of rates at current levels, may have an impact on the payment obligations of borrowers, either where their loans with the Issuer are linked to the Bank of England base rate or are otherwise variable in nature, or where borrowers have other commitments which are subject to variable interest rates. Borrowers may have become accustomed to the low interest rate environment, and will need to adjust spending behaviours to respond to the increasing cost of borrowing, which may be challenging for some borrowers. A significant portion of the Issuer's outstanding mortgage loan products are potentially subject to changes in interest rates, and as such these borrowers are exposed to the risk of increased monthly payments as and when their mortgage interest rate adjusts upward. In an increasing interest rate environment, borrowers seeking to avoid these increased monthly payments by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates (and any decline in housing prices may also leave borrowers with insufficient equity in their homes to permit them to refinance), which could lead to an increase in arrears in the Issuer's retail lending portfolio as well as an increase in the Issuer's retail loan impairment charges. These events, alone or in combination, may contribute to higher delinquency rates and losses for the Issuer, and affect the Issuer's ability to satisfy its obligations under the Covered Bonds.

On the other hand, any future cuts to interest rates (in particular the Bank of England base rate) and any subsequent future period of very low interest rates can be expected to reduce the net interest margin of the Issuer, and so adversely impact the profitability of the Issuer. If these circumstances prevail for a significant period of time, this may have an impact on the Issuer's results of operations, financial condition and prospects.

***The Issuer's business is subject to inherent risks concerning liquidity, particularly if the availability of traditional sources of funding such as retail deposits or its access to wholesale funding markets becomes limited and/or becomes more expensive, and this may have an adverse effect on its business and profitability.***

Liquidity risk is the risk that an institution may not have sufficient funds at any time to make full payment in respect of liabilities falling due at that time. Financial institutions such as the Issuer are subject to liquidity risk as an inherent part of their business given the maturity mismatch between relatively short-dated funding and longer-dated mortgage assets.

The Issuer raises funds principally through accepting retail deposits and issuing bonds in the wholesale funding market. If access to liquidity is constrained for a prolonged period of time, the Issuer's cost of funding would increase as competition for retail deposits would intensify and the cost of accessing the wholesale markets would rise. This could adversely affect the Issuer's profitability.

These risks can be exacerbated by enterprise-specific factors, including an over-reliance on a particular source of funding, changes in credit ratings, or market-wide events. There is also a risk that the funding structure employed by the Issuer may prove to be inefficient, giving rise to a level of funding cost that is not sustainable in the long term for the Issuer.

The ongoing availability of retail deposit funding is dependent on a variety of factors outside of the Issuer's control, such as general economic and market conditions, the confidence of retail depositors in the economy and the UK banking sector in general and in the Issuer in particular, and the extent of deposit guarantees. These or other factors could lead to a reduction in the Issuer's ability to access retail deposit funding on appropriate terms in the future. Given the relative size of the Issuer's retail deposit base, it is particularly exposed to any serious loss of confidence by its retail depositors which results in significant withdrawals of deposits over a sustained period.

The maintenance and growth of the level of the Issuer's lending activities depend, to a greater extent, on the availability to the Issuer of retail deposits and, to a lesser extent, wholesale funding, on appropriate terms. A restriction on the Issuer's access to liquidity (including retail and wholesale funding, or to government and central bank funding and liquidity support, where available) and a decline in consumer confidence which results in high levels of withdrawals from the Issuer's retail deposit base, could affect the Issuer's ability to meet its financial obligations as they fall due, to meet its regulatory minimum liquidity requirements, or to fulfil its commitments to lend. In such circumstances, the Issuer may not be in a position to continue to operate without additional funding support and any inability to access such support could have a material impact on the Issuer's viability.

***In the recent past, the UK government has provided significant support to UK financial institutions, including the Bank of England Funding for Lending Scheme ("FLS"), the Term Funding Scheme ("TFS") and Term Funding Scheme with additional incentives for SMEs ("TFSME"). As all such schemes are now closed for further drawings, and repayment of outstanding balances begins to fall due, the UK financial sector could see increased competition for other sources of funding which could adversely impact the Issuer.***

In past years the UK government, acting through the Bank of England or otherwise, has provided significant support to UK financial institutions through a range of measures, including through the FLS, the TFS and, in response to Covid-19, the TFSME. The availability of funding through central bank schemes has supported a benign funding environment for UK banks and building societies in terms of both the cost and availability of funding. The FLS, TFS and TFSME are no longer available for any further funding, with the drawdown period for TFSME having closed on 31 October 2021, and the contractual repayment of drawings under TFSME is now starting to fall due.

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

***The unwinding of unprecedented monetary policy may result in pressure on net interest margin or negative fair value adjustments.*** Since 2008 there has been unprecedented monetary policy activity within the UK and across many global economies, including "quantitative easing" programmes and a sustained period of low interest rates. The unwinding of quantitative easing in the UK may result in falls in gilt prices which in turn could lead to valuation adjustments within the liquidity book the Issuer holds, in turn impacting capital levels. Similarly, if interest rates continue to rise, the market rate for variable rate deposits may increase, and the extent to which the Issuer is able to maintain its net interest margin will be dependent on how this is managed and upon the availability of variable rate mortgage assets where rates can also be increased. Insufficient availability of rates that the Issuer can administer at its discretion may lead to margin compression. In circumstances where such flexibility exists, a material increase in interest rates on mortgages could lead to significant increases in arrears levels were this discretion to be exercised, or to an erosion of the Issuer's relative competitiveness which may have wider consequences for the business. Variation of interest rates is also a matter which the FCA may look to challenge or intervene in – see also "*Failure of the Issuer to manage its regulatory and conduct risk may have a material adverse effect on the Issuer's business, financial condition and reputation*".

If margin compression were to occur, this could affect the profitability, financial condition and prospects of the Issuer and could affect the ability of the Issuer to satisfy its obligations under the Covered Bonds.

***Rating downgrade and/or market sentiment with respect to the sector, the UK and/or other sovereign issuers may have an adverse effect on the Issuer's performance and/or the marketability and liquidity of the Covered Bonds.*** If sentiment towards banks, building societies and/or other financial institutions operating in the UK mortgage market (including the Issuer) were to deteriorate, or if the ratings of the Issuer and/or the ratings of the sector were to be adversely affected, this may have a material adverse impact on the Issuer. Such change in sentiment or reduction in ratings could result in an increase in the cost, and a reduction in the availability, of wholesale market funding across the financial services sector which could have a material adverse effect on the liquidity and funding of all UK financial services institutions, including the Issuer. Any such events could affect the market value of the Covered Bonds and/or their liquidity in the secondary market.

Any future declines in those aspects of the Issuer's business, or of aspects of the UK financial services sector or wider UK economy, which are identified by the rating agencies as significant or otherwise could adversely affect the rating agencies' perception of UK financial services institutions in general, or the Issuer's credit specifically, and cause them to take negative ratings actions. Any downgrade in the Issuer's credit ratings could adversely affect its liquidity position, particularly through cash outflows to meet collateral requirements or other obligations on existing contracts, and its business position, undermining confidence in its business, increasing its borrowing costs, limiting its access to the capital markets, or limiting the range of counterparties willing to enter into transactions with it. Any such downgrade could also lead to a loss of customers and counterparties which could have a material adverse effect on the Issuer's business, results of operations and financial condition.

Any downgrade of the UK sovereign credit rating or the perception that such a downgrade may occur could destabilise the financial markets, impacting the Issuer's rating, its borrowing costs and its ability to fund itself and could have a material adverse effect on the Issuer's operating results and financial condition. A downgrade

or perception that one is likely, may also negatively impact the marketability and trading value of the Covered Bonds, as well as the Issuer's credit ratings, borrowing costs and ability to fund itself.

A UK sovereign downgrade or the perception that such a downgrade may occur could have a material adverse effect on depressing consumer confidence, restricting the availability, and increasing the cost, of funding for individuals and companies, depressing economic activity, increasing unemployment and/or reducing asset prices. These risks may be exacerbated by concerns over the levels of the public debt of, the risk of further sovereign downgrades, and other negative events inside or outside the UK. The Issuer's financial performance has been and will be affected by general economic conditions in the UK, the Eurozone and elsewhere, and other adverse developments in the UK or global financial markets could have an adverse impact on its results of operations.

Where the Society acts as a Covered Bond Swap Provider, if the Society was to be downgraded below the relevant rating specified in a Covered Bond Swap Agreement to which it is or may become a party, it could affect the role of the Society as Covered Bond Swap Provider in relation to the relevant Series of Covered Bonds (prospective investors should refer to the section "*Summary of the Principal Documents – Covered Bond Swap Agreements*" for further details). Where the Society acts as an Interest Rate Swap Provider, if the Society was to be downgraded below the relevant rating specified in an Interest Rate Swap Agreement to which it is or may become a party, it could affect the role of the Society as Interest Rate Swap Provider (prospective investors should refer to the section "*Summary of the Principal Documents – Interest Rate Swap Agreements*" for further details). In addition, a downgrade of the Society could have an adverse impact on the ratings of the Covered Bonds. In relation to the ratings of the Covered Bonds, prospective investors should see the risk factor entitled "*Risk Factors - Risks relating to the Covered Bonds - Ratings of the Covered Bonds*".

***UK residential housing market risks may adversely impact the Issuer's business.*** The Issuer's core lending business is that of residential mortgage lending in the UK. The performance of the UK residential mortgage market is generally correlated to the UK economic cycle. As well as fluctuations at a national level, the UK residential mortgage market is subject to significant regional variations. The Issuer's natural concentration in the UK market could be exacerbated by over-exposure to one regional location, or by reliance on particular product types within the portfolio. A downturn in the UK economy, either regionally or nationally, could reduce demand for housing and consequently reduce house price growth and property market activity, which could result in lower levels of mortgage lending, impacting the Issuer's core lending activity. A fall in property prices, especially if this occurs alongside a deterioration of the economy or increased unemployment could lead to increased numbers of borrowers defaulting on their mortgage loans and result in losses being incurred by the Issuer where the net recovery proceeds from the sale of properties are insufficient to redeem the outstanding loans. Increases in the Bank of England base rate may increase the Issuer's cost of funding, and may also result in other market participants offering more competitive product pricing, which could result in increased customer attrition. Furthermore, increased or persistent inflation in the UK or globally, both of itself and together with increases in the cost of borrowing, may put increasing pressure on household budgets, which could result in an increase in the Issuer's customers defaulting on their mortgages.

***The performance of the buy-to-let market and competition within it may have a material impact on the future performance of the Issuer and its ability to fulfil its obligations under the Covered Bonds.*** The Issuer has exposure to buy-to-let mortgage loans, representing a relatively large share of this market in relation to the Society's size. These advances have been secured on residential properties within the UK. As at the date of this Offering Circular, all of the loans comprising the Asset Pool are buy-to-let mortgage loans.

While the Issuer's buy-to-let book has performed well to date there can be no assurance that, in the event of a material downturn in the private rental market, the performance of the Issuer would not be adversely affected. Such a downturn could be precipitated by a range of factors, which may include (but are not limited to) a reduction in the supply of properties into the market and a resultant lower volume of buy-to let lending (whether driven by higher interest rates or other factors), a reduction in margins for buy-to-let mortgage loans, increased competition, an expansion of owner-occupied lending and/or legislative changes affecting the sector, such as the introduction of rental caps or the regulation of the market or parts thereof. Regulatory changes to buy-to-let lending, such as this being reclassified as non-residential lending in a manner which would impact

the level of risk weighted assets ("**RWAs**") reported by the Society, would detrimentally impact the Society's risk-based measures of capital. Any reduction in margin or volumes of the Coventry Group's buy-to-let mortgage book, or impact on the level of RWAs reported by the Society, may adversely affect the ability of the Issuer to make repayments on the Covered Bonds.

There have been various tax-related changes to UK legislation in recent years which may affect the ability of the Borrowers to repay their buy-to-let loans due to the increased tax costs associated with buy-to-let mortgages and there may be further changes in the future which further impact the Borrowers' ability to meet their obligations under such Loans. For example, with effect from 6 April 2020 there is no longer a deduction available for finance costs against rental income for individual landlords and instead an individual landlord is only entitled to relief for interest payable at the basic rate of income tax (20 per cent) which may result in higher taxes for the individual landlords depending on their personal circumstances. This change could further impact demand in this area of the market, and could impact the ability of individual Borrowers of buy-to-let loans to meet their obligations under those Loans.

Legislation has also been passed which increased the rate of: (i) stamp duty land tax ("**SDLT**") in England and Northern Ireland; and (ii) land transactions tax ("**WLTT**") in Wales, in the case of acquisitions of additional residential properties (including where an individual acquires a second residential property on a buy-to-let basis). The broad impact of this legislation is to increase the rate at which SDLT or WLTT applies. The current additional tax rates are as follows: (i) in England and Northern Ireland the higher rate is 3 per cent. above the current SDLT rates; and (ii) in Wales the additional residential rate is 4 per cent. higher than the main WLTT rate for the first £180,000 of purchase price; for subsequent bands of purchase price, the additional rates remain higher than the main WLTT rates (by differing percentages) and the bands of purchase price to which the additional rates are applied are structured differently to the main WLTT bands. The Scottish government has implemented a similar additional dwelling supplement in respect of land and buildings transaction tax ("**LBT**") which is currently 6 per cent. above the current LBT rates.

In addition, from 1 April 2021, a 2 per cent. SDLT surcharge applies to non-UK residents purchasing residential property in England and Northern Ireland. This applies in addition to the 3 per cent. additional rate that applies to the purchase of additional residential properties in England and Northern Ireland described above.

The introduction of these measures may adversely affect the private residential rental market in England, Northern Ireland, Wales and Scotland in general, or (in the case of the restriction of income tax relief) the ability of individual borrowers of buy-to-let loans to meet their obligations under those loans. Further detail is included in the section headed "*Further Information Relating to the Regulation of Mortgages in the UK – Regulated Mortgage Contracts*" below.

As at the date of this Offering Circular, all loans in the Asset Pool are expected to be buy-to-let loans. Further, since 1 April 2018, landlords of relevant domestic properties in England and Wales have not been permitted to grant a tenancy to new or existing tenants if their property has an EPC rating of band F or G (as shown on a valid Energy Performance Certificate ("**EPC**") for the property) and, since 1 April 2020, landlords have not been permitted to continue letting a relevant domestic property which is already let if that property has an EPC rating of band F or G (as shown on a valid EPC for the property). In both cases described above this is referred to in the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 (the "**Energy Efficiency Regulations 2015**") as the prohibition on letting sub-standard property. Where a landlord wishes to continue letting property which is currently sub-standard, they will need to ensure that energy efficiency improvements are made which raise the EPC rating to a minimum of E. In certain circumstances, landlords may be able to claim an exemption from this prohibition on letting sub-standard property; this includes situations where the landlord is unable to obtain funding to cover the cost of making improvements, or where all improvements which can be made have been made, and the property remains below an EPC rating of band E. Local authorities will enforce compliance with the domestic minimum level of energy efficiency. They may check whether a property meets the minimum level of energy efficiency, and may issue a compliance notice requesting information where it appears to them that a property has been let in breach of the Energy Efficiency Regulations 2015 (or an invalid exemption has been registered in respect of it). Where a local authority is

satisfied that a property has been let in breach of the Energy Efficiency Regulations 2015 it may serve a notice on the landlord imposing financial penalties. If landlords are prevented from letting a property or financial penalties are imposed, it may affect the performance of the Issuer's buy-to-let book which may in turn adversely affect the ability of the Society to make repayments on the Covered Bonds. In September 2020 the Department for Business, Energy & Industrial Strategy issued a consultation titled "Improving the energy performance of privately rented homes in England and Wales" regarding, among other things, the proposal to raise energy performance standards for the domestic private rented sector to an EPC energy efficiency rating band of C. The consultation period closed on 8 January 2021. No publication date for the results of the consultation has yet been announced by the UK Government. However, there is a risk that if proposals to require new tenancies to have an EPC rating of at least C or higher from 2025 (and for existing tenancies from 2028) were enacted, this could result in increasing arrears within the buy-to-let portfolio.

Landlords in Scotland currently need to have a valid EPC available for a property offered for let when there is a change in tenancy. Under the Energy Performance of Building (Scotland) Regulations 2008 the EPC is valid for a period of up to ten years, and must be lodged on the EPC register. There is currently no minimum EPC rating required for domestic rented properties in Scotland, however the Scottish Government has introduced proposals for new legislation which will require all private rented sector properties to reach a minimum energy efficiency standard by the end of 2028. A more detailed consultation on the proposed minimum energy efficiency standard is expected, however initial proposals indicate that it will be achieved by installing certain energy efficiency measures within a property (including appropriate insulation and heating controls) or where a good level of energy efficiency can be shown based on an EPC assessment. The proposed legislation also introduces an overarching Heat in Buildings Standard which, in addition to the requirement to meet a minimum energy efficiency standard, will require all building owners in Scotland to have moved to clean heating systems by the end of 2045, with earlier implementation periods for those purchasing properties and where a heat network zone applies. Separately, the Scottish Government have also consulted on proposals to reform EPCs more generally, which includes the addition of a new 'fabric rating' to indicate how well a building retains heat. Implementing regulations in relation to this EPC reform are expected in 2024.

***Failure to manage retail credit risk in the Issuer's mortgage operations may adversely impact profitability.***

Retail credit risk is present in the Society's mortgage operations, and represents the potential inability of a mortgage borrower to repay their mortgage. In particular, an inability to repay may result in the repossession of the borrower's property, and the Society will be exposed to a subsequent loss if the value of the property upon sale is insufficient to pay the mortgage balance in full. A failure of the Issuer to effectively manage retail credit risk could lead to an increased incidence of retail credit losses, which could impact the profitability of the Issuer and its ability to meet obligations under the Covered Bonds as they fall due.

***Credit losses in the Issuer's treasury operations could adversely impact profitability and the Issuer's ability to make payments on the Covered Bonds.*** Credit risk within the treasury liquidity book (wholesale credit risk) arises from the portfolio of liquid and other financial assets held by the Issuer, and represents the risk that counterparties will fail to repay amounts when due. A failure to manage credit risk in the Issuer's treasury operations effectively could lead to credit losses if counterparties default, and could adversely affect the results of operations, financial condition and prospects.

***Competition in the UK personal financial services markets may adversely affect the Issuer's operations.***

Developments in the Issuer's industry, including increased competition, could have a material adverse impact on its operations. The Issuer operates in the UK personal financial services market, which has historically been very competitive. Factors such as the entrance of new participants to the market, and new technological developments, including, but not limited to, the wide use of price comparison websites, have increased the level of competition in recent years.

Competitors, particularly, but not limited to, large banking groups and new market entrants (such as challenger banks and account aggregators), may disrupt the Issuer's ability to grow or to maintain its market share. Technological advances (such as the development of open banking), the ability of some banks to cross-subsidise products from other parts of their businesses, the developing of economies of scale, and other competitive advantages (including regulatory or technological) may be exploited by these or other competitors.



Such competition could impact the volumes and margin available on both retail savings and mortgages, and may require the Issuer, alongside other market participants, to adapt its business model or to change its business plans. The Issuer has historically attracted the necessary retail and wholesale funding, and volumes of mortgage originations, required to maintain and grow its business, but there is no assurance that it will continue to be able to do so.

The cessation of government funding schemes can be expected to increase the competition and the cost for other sources of funding, which also could adversely impact the Issuer. See *"In the recent past, the UK government has provided significant support to UK financial institutions, including the Bank of England Funding for Lending Scheme ("FLS"), the Term Funding Scheme ("TFS") and Term Funding Scheme with additional incentives for SMEs ("TFSME") . As all such schemes are now closed for further drawings, and repayment of outstanding balances begins to fall due, the UK financial sector could see increased competition for other sources of funding which could adversely impact the Issuer"* above.

***The Issuer is reliant on third party intermediaries for the distribution of its mortgage products and any change to the availability or cost of this distribution channel may adversely impact the Issuer's performance.***

The Issuer operates a multi-channel distribution model for mortgage origination, including through its own branches and online. However, the largest distribution channel for mortgages is through intermediaries, whereby the Issuer pays intermediaries a procurement fee to introduce new mortgage customers to the Issuer. If the cost of this fee were to increase significantly, or if the capacity of this channel were to reduce, this could adversely impact the ability of the Issuer to grow or maintain its interest margins, business volumes and profitability. Such changes could result from a number of factors, including (but not limited to) regulatory changes or a shift in consumer preferences. Given the Issuer's relatively small branch network compared with other national lenders, any such change could have a more significant impact on the Issuer's business than some of its competitors.

***Failure by the Issuer to manage its financial risks, which include liquidity, market, funding and concentration risks, may result in adverse effects on its business, financial condition and/or reputation.*** The Issuer's success depends on its ability to manage and control its financial risks, which include liquidity, market, funding, and concentration risks.

Liquidity risk is the risk that the Issuer has insufficient funds to meet its obligations as they fall due. The Issuer is exposed to liquidity risk as a result of mismatches in cashflows from balance sheet assets and liabilities, off-balance sheet financial instruments and changes in market sentiment. Funding risk is the inability to access funding markets or to do so only at excessive cost.

The Issuer is exposed to market risk as a result of changes in interest rates, foreign currency prices, asset prices or in other financial contracts. The most significant market risks the Issuer faces are interest rate risks (including swap spread risk), along with, to a lesser extent, risks relating to foreign exchange and bond prices. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realised between lending and borrowing costs. Changes in currency rates, particularly in the Sterling-euro exchange rate, may affect the value of assets and liabilities denominated in foreign currencies. The performance of financial markets may also cause changes in the value of the Issuer's investment portfolios. Changes in economic or market conditions may have an adverse impact on the Issuer's financial performance and business operations.

Credit risk is the risk that a customer or counterparty is unable to meet its obligations to the Issuer as they fall due. Credit risk exists in the Issuer's treasury operations and in its mortgage lending operations. A failure of one or more of the Issuer's counterparties could have a material adverse effect on the Issuer's financial position. For more information, see *"Failure to manage retail credit risk in the Issuer's mortgage operations may adversely impact profitability"*, *"Credit losses in the Issuer's treasury operations could adversely impact profitability and the Issuer's ability to make payments on the Covered Bonds"*, *"UK residential housing market risks may adversely impact the Issuer's business"*, *"The performance of the buy-to-let market and competition within it may have a material impact on the future performance of the Issuer and its ability to fulfil its obligations under the Covered Bonds"*.

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

***Failure of the Issuer to manage its regulatory and conduct risk may have a material adverse effect on the Issuer's business, financial condition and reputation.*** UK-authorised firms are subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations thereof in the UK. This is particularly the case in the current market environment, which is witnessing increased levels of government and regulatory intervention in the banking and building society sector, and which the Issuer expects to continue for the foreseeable future. The UK government, the PRA, the FCA and other regulators in the UK may intervene further in relation to areas of industry risk already identified, or in new areas, each of which could adversely affect the Issuer. As examples, the Issuer expects that a number of regulatory initiatives in relation to climate change, along with other environmental, social and governance matters generally, will be introduced or consulted upon by the FCA, PRA or other regulators in the UK. The effects that such regulation may have on the Issuer include, without limitation, the imposition of additional costs or the limitation or restriction on the manner in which the Issuer conducts elements of its business. A failure to identify and adapt its business to meet new rules or evolving expectations, or any perception that it is under-performing relative to its peers, could result in reputational damage and may have an adverse impact on the Issuer's financial performance and business operations. The Issuer continues to work closely with regulatory authorities and industry associations to ensure that it is able to identify and respond to proposed regulatory changes and mitigate the risks posed, although future changes are difficult to predict and could materially adversely affect the business of the Issuer.

The Issuer is exposed to various forms of regulatory risk in its operations, including the risk of mis-selling financial products, acting in breach of legal or regulatory principles or requirements, or other claims of alleged misconduct on the part of the Issuer, any of which could have a material adverse effect on its results or its relations with its customers. The Issuer may settle litigation or regulatory proceedings prior to a final judgment or determination of liability in order to avoid the cost, management efforts, negative business, and regulatory or reputational consequences of continuing to contest liability, even when the Issuer believes that it has no liability. The Issuer may also do so when the potential consequences of failing to prevail would be disproportionate to the costs of settlement.

***Regulatory reforms may result in a reduction of the Issuer's capital surplus.*** A perceived or actual reduction in capital surplus could have a material adverse effect on the Issuer's business, including its operating results, financial condition and its prospects, or could result in actions or sanctions, which consequently may affect the ability of the Issuer to meet its obligations under the Covered Bonds. The Issuer's capacity to continue its business operations or pursue strategic opportunities may also be affected as a result and may have an impact on future growth potential.

The circumstances which could give rise to a reduction in capital surplus could include the following:

- The Issuer may experience a depletion of its capital resources through increased costs or liabilities incurred as a result of the crystallisation of any of the other risk factors described elsewhere in this section.
- The Issuer may experience an increased demand for capital. For example, the Issuer is subject to extensive regulation and regulatory supervision in relation to the levels of capital in its business. New or revised minimum and buffer capital requirements could be applied and/or the manner in which existing regulatory requirements are applied to the Issuer could be changed. If the Issuer fails, or is perceived to be likely to fail, to meet its minimum regulatory capital requirements, this may result in administrative actions, regulatory sanctions or other actions. This may adversely impact the competitiveness of the Issuer relative to banks and financial institutions subject to less stringent requirements or otherwise affect the profitability of the Issuer.

The Issuer manages its capital taking account of market and rating agency expectations as well as regulatory requirements. If market and rating agency expectations increase, driven by, for example, the capital levels or

targets among peer banks or building societies or through the changing views of rating agencies, then the Issuer may experience pressure to increase its capital ratios.

In particular, it should be noted that the Basel Committee on Banking Supervision ("**BCBS**") has approved significant changes to the Basel regulatory capital and liquidity framework in January 2011, January 2014 and December 2017 (such changes being referred to by the BCBS as "**Basel III**", and referred to, colloquially, as Basel III in respect of reforms finalised prior to 7 December 2017 and "**Basel IV**" in respect of reforms finalised on or following that date) including additional capital requirements, higher capital ratios, more stringent eligibility requirements for capital instruments, a new leverage ratio and liquidity requirements.

In the UK, the PRA published a Consultation Paper on 30 November 2022 (CP 16/22) on the implementation of the Basel IV standards (which the PRA refers to as Basel 3.1). The consultation closed on 31 March 2023. This consultation, among other things, proposed changes relating to the use of external credit ratings, a floor for the use of internal models, and a stricter delineation between the banking and trading books. Taking into account the publicly announced implementation timetables in other major jurisdictions, and the need to provide firms with sufficient time to implement the final policies, the PRA proposed in its statement in September 2023 that it intends to move the implementation date of the final Basel IV policies by six months to 1 July 2025 and intends to reduce the transitional period to 4.5 years to ensure full implementation by 1 January 2030. In December 2023, the PRA published near final rules on market risk, credit valuation adjustment risk, counterparty credit risk and operational risk. Publication of the policy statement on the remaining elements: credit risk, the output floor, and reporting and disclosure requirements was delayed in light of the UK general election which took place on 4 July 2024. Publication of the policy statement is expected imminently.

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

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

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

**Climate change.** The physical and transition risks of climate change have the potential to pose a significant threat to the UK financial sector, including the Issuer if the Issuer fails to implement a coordinated and timely response.

Climate change and businesses' response to the emerging threats are under increasing scrutiny by governments, regulators and the public alike. These include physical risks resulting from changing climate and weather patterns and extreme weather-related events, as well as transition risks resulting from the process of adjustment towards a lower carbon economy. Governments and regulators may introduce increasingly stringent rules and policies designed to achieve targeted outcomes, which could increase compliance costs for the Issuer, drive asset impairments and result in regulatory fines or other action if the Issuer is unable to implement adequate reforms sufficiently quickly. In particular, in 2019, the PRA published its Supervisory Statement 3/19 (SS3/19) titled "*Enhancing banks' and insurers' approaches to managing the financial risks from climate change*" (with a refresh of this Supervisory Statement expected during 2024) and Climate Change Adaption Report. The Supervisory Statement sets out the PRA's expectation that firms develop and embed effective risk management processes to understand and manage their climate risks. In October 2022, the PRA

further highlighted that firms' internal capital adequacy assessment processes and own risk and solvency assessments should now provide sufficient contextual information to address climate risk and capital. How the Issuer assesses and responds to these developments and challenges could increase its costs of business, and a failure to identify and adapt its business to meet new rules or evolving expectations, or any perception that it is under-performing relative to its peers, could result in reputational damage and/or the risk of legal claims and may have an adverse impact on the Issuer's financial performance and business operations.

***Failure by the Issuer to control its operational risks may result in material adverse effects on its business, financial condition and/or reputation.*** Operational risk is defined as the risk of a loss arising from inadequate or failed internal processes, people and systems, or from external events. Operational risk can arise from, among other things, legal and regulatory non-compliance, information technology ("IT") system failures or breaches, and information security breaches, business continuity failures, financial crime, people, change, property and physical security, third parties, business processes and financial reporting.

Although the Issuer has implemented risk controls and loss mitigation actions, it is not possible to implement procedures which wholly eliminate each of the operational risks faced by the Issuer and a failure to manage these risks effectively could adversely impact the Issuer's business and financial profile.

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

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

- firms must by 31 March 2022 have identified their important business services, set impact tolerances for the maximum tolerable disruption and carried out mapping and testing to a level of sophistication necessary to do so. Firms must also have identified any vulnerabilities in their operational resilience; and
- as soon as possible after 31 March 2022, and no later than 31 March 2025, firms must have performed mapping and testing so that they are able to remain within impact tolerances for each important business service. Firms must also have made the necessary investments to enable them to operate consistently within their impact tolerances.

Although the Society has implemented all measures required to date by the PRA under each of Policy Statements PS6/21 and PS21/3, a failure to comply with these new operational resilience rules in the future (particularly following the 31 March 2025 deadline) may expose the Issuer to administrative sanctions and regulatory fines.

***Failure by the Issuer to manage change could have a material adverse effect on the Issuer's business and financial condition.*** The financial services sector and individual firms continue to face a very high level and pace of change. The Issuer maintains an ongoing programme designed to keep pace with developments in the industry and as part of this is currently working to implement a new mortgage platform, which is a significant

project for the Issuer. It can be expected that further projects of significant size will be required to ensure the business continues to remain competitive and to meet customer and regulatory expectations. The high pace of IT change in the industry may raise obsolescence risk with the result that services become less stable or relevant or costs increase. The Issuer maintains a change management framework (comprising governance committees considering people, processes and technology), in line with industry practice.

A failure to maintain an effective change agenda or to implement change once identified as required, and any increase in the costs, complexity, or delivery time, of implementing such change, could have a material adverse effect on the Issuer's business and financial condition.

***Proposed acquisition of the issued share capital of The Co-operative Bank Holdings p.l.c.*** On 24 May 2024, the Society announced its proposed offer to acquire the whole of the issued share capital of The Co-operative Bank Holdings p.l.c. (**Co-op Bank**) by the Society (the **Acquisition**). The Society presently expects the Acquisition will, subject to satisfaction or (where applicable) waiver of certain conditions, become effective in 2025. For further information on the proposed Acquisition, see the the joint statement regarding the cash acquisition of The Co-operative Bank Holdings p.l.c. by the Society published by the Society through the Regulatory News Service of the London Stock Exchange on 24 May 2024 (the **Acquisition Announcement**), as incorporated by reference herein.

There can be no assurance that the Acquisition will complete. The Acquisition is subject to a number of conditions, including (without limitation) approvals being obtained from the Prudential Regulation Authority and the FCA. A number of the conditions to completion of the Acquisition are outside the control of the Society. There can be no assurance that these conditions will be satisfied or (where capable of waiver) waived on a timely basis, or at all. Accordingly, the Acquisition remains subject to a number of uncertainties and there can be no assurance that it will be completed within the timeframe and/or on the terms currently contemplated, or at all, and the Society may face increases in its costs to seek to secure completion of the Acquisition.

Whether or not the Acquisition completes, the Society has incurred, and will continue to incur, irrecoverable costs (such as advisor fees) associated with the proposed Acquisition. In certain circumstances the Society would also incur irrecoverable break fees associated with the Acquisition. Furthermore, the Acquisition requires the Society's senior management team to devote considerable time and resources to planning for the Acquisition and subsequent integration, which may divert attention from normal business operations and evaluating other potential opportunities available to the Society.

If the Acquisition completes, there can be no assurance that the combined group consisting of the Group and Co-op Bank and its subsidiary undertakings (the **Co-op Bank Group**) (the **Combined Group**) will identify or achieve all or any of the anticipated strategic benefits or cost synergies in the manner or within the timeframe currently estimated, or at all. In addition, the costs of the Acquisition and subsequent integration may materially exceed the Society's expectations. The anticipated benefits are based on a number of assumptions that, notwithstanding the Society's direct focus on managing the Acquisition to avoid any such risks coming to pass, are inherently uncertain and subject to risks that could cause the actual results to differ materially from those envisaged by the Society. These include, but are not limited to, the following factors:

- the completion of the Acquisition may be delayed, or the Acquisition may not be completed at all;
- regulatory or competition authorities may impose conditions or constraints on the Acquisition, or on the operations of the Combined Group, which could affect its operational and capital synergies;
- unforeseen challenges in the integration of its IT and other systems, processes and operations could prevent or delay full integration, give rise to complications or errors, and/or increase the costs of integration;
- integration of the Combined Group's IT systems could increase the risk of cyber threat, data loss, service outage or other major IT incidents;
- integration and alignment of governance and reporting structures, organisation cultures, employee benefits

or engagement terms may give rise to personnel risks and costs, including key personnel retention risks and pension costs;

- the risk of negative pressure on the Society's, Co-op Bank's and/or the Combined Group's financial performance and operations due to integration costs associated with the Acquisition, potential customer attrition and associated loss of revenue, loss of deposits and/or higher cost of funding compared to the respective current positions;
- the risk of downgrades issued by relevant rating agencies;
- management time required to be devoted to the integration may distract from the efficiency, accuracy, continuity and consistency of the Combined Group's control, administrative and support functions, such as financing operations, cash management, hedging, insurance, financial control and reporting, information technology, communications and compliance functions; and
- the combination will require significant amounts of management time and effort which may impair the ability of management of both the Society and Co-op Bank to effectively run their respective businesses during the proposed Acquisition and subsequent integration processes.

If any of these risks materialises, the Combined Group may fail to achieve the anticipated strategic benefits or cost synergies, and any of the above factors could have a material adverse effect on the business, financial condition, results of operation or prospects of the Society and (if the Acquisition is completed) the Combined Group.

***Limited inclusion of illustrative or Co-op Bank historical financial information in this Offering Circular.***

The Acquisition, if completed, would result in a significant increase in the size of the Society's consolidated balance sheet, including in particular the Society's loan book and deposit portfolio. The Society does not have, and to date has not had, any control (financially, legally or operationally) over Co-op Bank, and the Society has not had any oversight over the preparation of the audited financial statements of Co-op Bank. Accordingly, this Offering Circular does not contain or incorporate by reference the audited financial statements of Co-op Bank or any other historical financial statements of Co-op Bank.

Furthermore, this Offering Circular does not, except as described in the paragraph below, contain or incorporate by reference any historical financial information illustrating the combined financial position and results of operation of the Group and the Co-op Bank Group, given that: (i) at the date of this Offering Circular, the Society does not control Co-op Bank, and therefore does not have direct access to, and under applicable competition law and regulation, faces some restrictions in its access to, the books and records of Co-op Bank; and (ii) while both the Society and Co-op Bank apply IFRS as adopted by the UK, their respective accounting policies and classification of primary financial statement items may differ and, in some cases, it may not be possible properly and accurately to assess such difference and/or to make adjustments appropriately to align the various financial statement items. Accordingly, the Society generally considers that any illustrative historical financial information for the Combined Group, if prepared at this time, would be inherently subject to the risk that it would be inaccurate.

The Society has prepared limited unaudited illustrative historical financial information for the purpose of showing certain financial information for the Combined Group, assuming for that purpose that the Acquisition had been completed at that time. Such illustrative historical financial information, which appears in the Acquisition Announcement, has been prepared for illustrative purposes only, is not audited or reviewed and is based in part on historical financial information previously published by Co-op Bank.

Prospective investors in the Covered Bonds should consider that, at the date of this Offering Circular, there is necessarily uncertainty as to the actual effect that the Acquisition will have on the Society's consolidated financial position and results of operations and there is a risk that the financial condition and results of operations of the Combined Group following the Covered Bonds, if it completes, will be materially different

from that which may be implied by a simple arithmetic combination of the separate historical audited financial statements of the Society and Co-op Bank, respectively.

***The Issuer may suffer a failure or interruption in or breach of its IT systems.*** The Issuer has a high dependency on its IT systems and operations infrastructure to conduct its business. The Issuer is exposed to risks in regard to the failure or outage of its IT, the risk of cybercrime and the unauthorised access to the Issuer's IT systems as well as demands of meeting increasing regulatory expectations as to operational resilience and the management of third party and outsourcing arrangements. Any failure, interruption or breach in security of these IT systems could result in failures or interruptions in the Issuer's risk management, general ledger, deposit servicing, loan servicing, debt recovery, payment custody and/or other important systems. If the Issuer's IT systems fail, even for a short period of time, it could be unable to serve some or all customers' needs on a timely basis which could result in a loss of business. In addition, a temporary shutdown of the Issuer's IT could result in costs that are required for information retrieval and verification.

The occurrence of any failures, breaches or interruptions in the Issuer's IT systems and operations infrastructure could have a material adverse effect on the Issuer's business, financial condition and/or results of operations and, consequently, its ability to satisfy its obligations under the Covered Bonds.

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

Failure to address, or appearing to fail to address, various issues that could give rise to reputational risk could cause harm to the Issuer and its business prospects. Reputational issues include, but are not limited to: failing to appropriately address potential conflicts of interest; breaching or facing allegations of having breached legal and regulatory requirements (including money laundering and anti-terrorism financing requirements); acting or facing allegations of having acted unethically (including having adopted inappropriate sales and trading practices); failing or facing allegations of having failed to maintain appropriate standards of customer privacy, customer service and record keeping; technology failures that impact customer services and accounts; failing to properly identify legal, reputational, credit, liquidity and market risks inherent in products offered; and generally poor company performance.

A failure to address these or any other relevant issues appropriately could make customers, depositors and investors unwilling to do business with the Issuer, which could adversely affect its business, financial condition and results of operations and could damage its relationships with its regulators.

***Negative fair value adjustments could have a material adverse effect on the Issuer's operating results, financial condition and prospects.*** Any dislocation in the financial markets could result in the Issuer recording in its results impairment charges and negative fair value adjustments with respect to securities and other investments that it holds. Asset valuations in any future period, reflecting the prevailing market conditions, may result in negative changes in the fair values of the Issuer's investment assets and these may also translate into increased impairments, including with respect to the Issuer's exposure through its liquidity and investment portfolios to UK sovereign paper. In addition, the value that the Issuer ultimately realises for its securities and other investments may be lower than the current fair value. Any of these factors would require the Issuer to record further negative fair value adjustments, which may have a material adverse effect on its operating results, financial condition or prospects.

***The Issuer's success depends upon key members of its senior executive management and its business and prospects may change in accordance with changes in key personnel.*** The Issuer depends on the continued contributions of key members of its senior executive management and other key personnel with the experience, knowledge and skills required for its success; however, key personnel will continue to change (as they have changed in the past) from time to time. Any failure to recruit, or delay in recruiting suitable members of the senior executive management team and other key personnel, or any loss of key personnel without finding suitable replacements, may have an adverse effect on the Issuer's business, prospects, results of operations and financial position. In addition, the strategy, business and prospects of the Issuer will depend in part on the

management and contributions of key members of its senior executive management and other key personnel, and there can be no assurance that the Issuer will maintain the same business policies or strategies at all times.

***The Issuer may be adversely affected by increased levies payable under the Financial Services Compensation Scheme.*** The Financial Services and Markets Act 2000 (the "FSMA") established the Financial Services Compensation Scheme (the "FSCS"), which pays compensation to eligible customers of authorised financial services firms which are unable, or are likely to be unable, to pay claims against them.

An institution's FSCS levy is linked to its share of the UK deposit market. The Issuer is, and continues to be, a member of the FSCS. As a result of the various claims under the FSCS, the Issuer, in common with all regulated UK deposit takers, has in the recent past been subject to significantly increased FSCS levies and there can be no assurance that there will not be further increases in the FSCS levy from time to time. Consequently, the FSCS levy may have a material impact on the profits of the Issuer.

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

***The Issuer is subject to regulatory capital and liquidity requirements which are subject to change and which could have an impact on its operations.*** While the Society monitors current and expected future capital, liquidity and 'minimum requirement for own funds and eligible liabilities' ("MREL") requirements, including having regard to both leverage and RWA-based requirements, and seeks to manage and plan the prudential position accordingly and on the basis of current assumptions regarding future capital and liquidity requirements, there can be no assurance that the assumptions will be accurate in all respects or that it will not be required to take additional measures to strengthen its capital or liquidity position.

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

If the Issuer fails, or is perceived to be likely to fail, to meet its minimum regulatory capital, leverage, liquidity or MREL requirements, this may result in administrative actions or regulatory sanctions. In addition, any actual or perceived weakness relative to the Society's competitors could result in a loss of confidence, which could result in high levels of withdrawals from its retail deposit base, upon which it relies for lending and which could have a material adverse effect on the Issuer's business, financial position and results of operations.

***Demutualisation, mutual society transfers and consequences of the Building Societies Act for Covered Bondholders.*** The Issuer's Board is committed to maintaining the mutual status of the Society. Notwithstanding this, subject to confirmation by the relevant UK regulatory authority, the Issuer's members and its Board may determine whether it remains a building society or if it demutualises (save in circumstances where a direction is made under Section 42B of the Building Societies Act or a UK authority makes an instrument or order under the Banking Act, which results in demutualisation through the conversion of it into a company or the transfer of all the property, rights or liabilities of the society to a company).

The Building Societies Act includes provisions under which a building society may demutualise by transferring the whole of its business to an existing company (referred to as a 'takeover') or to a specially



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

At present, the claims of depositors and other unsubordinated creditors of the Issuer would rank ahead of share accounts (which term excludes any deferred shares) and the members' rights to any surplus in the event of a liquidation of the Issuer and the claims of subordinated creditors of the Issuer would rank behind share accounts but ahead of members' rights to any surplus in the event of a liquidation of the Issuer. If, however, the Issuer transfers its business to a specially formed company or an existing company (as defined in the Building Societies Act) or to a subsidiary of another mutual society, all of the liabilities of the Issuer which immediately prior thereto were classified as share accounts will thereafter rank at least *pari passu* with all other unsecured and unsubordinated liabilities of the Issuer's successor.

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

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

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

- a first-ranking preference to those deposits (or a relevant part thereof) of natural persons and micro, small, medium and large sized enterprises (but excluding financial institutions), which are eligible for protection by the Financial Services Compensation Scheme (the "**FSCS**") up to the FSCS coverage limit (being, as at the date of this Offering Circular, £85,000)); and
- a second-ranking preference to deposits (or a relevant part thereof) of natural persons and micro, small and medium enterprises (this definition being narrower than the definition of eligible deposit referred to in paragraph above) which would be eligible for FSCS protection but for the fact that they either (a) exceed the coverage limit of the FSCS or (b) were made through a non-UK branch of a UK-authorized credit institution. Such deposits (or the relevant part thereof) will rank after the preferential debts referred to in paragraph above but in priority to the claims of ordinary unsecured creditors that are not afforded preferential status in the event of an insolvency.

Therefore, in light of the above, in a winding-up or dissolution of the Issuer, a substantial portion of the claims against it would be claims of its depositors, whose claims will rank ahead of claims in respect of the Covered Bonds. It is expressed to be a condition of any transfer of business by the Issuer under the Transaction Documents that the Covered Bond Guarantee will remain in place or be modified to apply *mutatis mutandis* in full force and effect and will continue as an obligation of the LLP in respect of the Covered Bonds which, following any transfer, will be obligations of the transferee entity.

***Future legislative and regulatory changes could impose operational restrictions on the Issuer, require the Issuer to raise further capital, increase the Issuer's expenses and/or otherwise adversely affect its business, results, financial condition or prospects.*** The Issuer is regulated by the PRA and the FCA (the "**UK Regulators**"). The regulatory regime requires the Issuer to be compliant across many aspects of activity, including the training, authorisation and supervision of personnel, systems, processes and documentation. If the Issuer fails to be compliant with any relevant regulations, there is a risk of an adverse impact on its business due to sanctions, fines or other action imposed by the regulatory authorities. This is particularly the case in the current market environment, which is witnessing increased levels of government and regulatory intervention in the banking, personal finance and real estate sectors.

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

As part of the Edinburgh Reforms, the government is also seeking to foster competition through reforms to the Building Societies Act 1986, which is set out in its December 2022 response to the Call for Evidence and subsequently the Building Societies Act 1986 (Amendment) Bill and other related secondary legislation (**Building Societies Reforms**). The Building Societies Reforms include, amongst other changes, proposed changes to how the calculation of the funding limit under the Building Societies Act 1986 is performed, by excluding the following sources of funding: (i) funding from specific Bank of England Liquidity Insurance Facilities under the Sterling Monetary Framework; (ii) funding from debt instruments raised to meet MREL (i.e. the Issuer's minimum requirement for own funds and eligible liabilities); (iii) funding from repurchase agreements of level 1 high-quality liquid assets where funding essentially counts twice for the purpose of the funding limit; and (iv) deposits from small to medium-sized enterprises with a turnover of up to £6.5 million (up to 10% of a building society's overall funding). The Building Societies Act 1986 (Amendment) Bill is not yet in force and is making its passage through the legislative process in Parliament.

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

On 10 July 2023, the Chancellor of the Exchequer's Mansion House Speech included a package of reforms (**Mansion House Reforms**), which built on the Edinburgh Reforms and FSMA 2023. The Mansion House Reforms aim to deliver a smarter regulatory framework, and elaborate on how the government intends to deliver the first two tranches. The Mansion House Reforms confirm that before the end of 2023, among other things, work will continue on Basel 3.1 implementation and the "strong and simple" framework for small banks and building societies. As part of the Mansion House Reforms, in July 2023, HM Treasury published its 'Plan for Delivery' setting out how the government intends to deliver on its December 2022 Policy Statement 'Building a Smarter Financial Services Framework for the UK'. On 21 November 2023, the Chancellor announced a £320 million plan to help to deliver the Mansion House Reforms. FSMA 2023, the Building Societies Reforms and the wider UK regulatory reforms, will impact the future regulatory environment for the Coventry Group, particularly regarding the regulators' consideration of competition. Such changes could have an impact on the business of the Coventry Group and in turn affect the Issuer's ability to fulfil its obligations under the Covered Bonds.

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

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

Certain legislative and regulatory changes (including those referred to in "*Regulatory reforms may result in a reduction of the Issuer's capital surplus*" above) have been made or proposed which could materially adversely affect the Issuer's business, results, financial condition or prospects. Following the UK's departure from the EU and the end of the Brexit transition period at the end of 2020, the extent to which the UK may elect to implement or mirror future changes in the EU regulatory regime, or to diverge from the current EU-influenced regime over time, remains to be seen, although it appears likely that the UK regulatory position will diverge to a material extent from that of the EU in the medium term. To the extent that the UK and EU trading relationship is premised on or influenced by the level of equivalence or convergence, or where initiatives are jointly designed on the basis of co-operation and shared outcomes, the EU regulatory regime may continue to have a significant effect on the regime which the UK government and regulators elect to implement. Therefore, as at the date of this Offering Circular, it is difficult to predict the full effect that any divergence between EU and UK regimes may have on the Issuer and its operations, business and prospects. Additionally, the risk of further divergence in the future between EU and UK regimes cannot be ruled out. Depending on the specific nature of the requirements and how they are enforced, such changes could have an impact on the Issuer's operations, structure, costs and/or capital requirements and therefore on the ability of the Issuer to meet its obligations under the Covered Bonds.

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

The IASB has recently introduced IFRS 9: "Financial Instruments" as a new standard to replace IAS 39: "Financial Instruments: Recognition and Measurement". IFRS 9 will change the classification and measurement of some financial assets, the recognition and the financial impact of impairment and hedge accounting.

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

***Senior Managers and Certification Regime. The Senior Managers and Certification Regime (the SM&CR)***

is intended to govern the conduct of senior persons within UK banks, building societies, credit unions, PRA designated investment firms and branches of foreign banks operating in the UK. The SM&CR came into force on 7 March 2016.

On 19 June 2013, the Parliamentary Commission on Banking Standards (PCBS) published its final report ("*Changing Banking for Good*"). This was followed by the publication of the government's response on 8 July 2013, accepting the overall conclusions of the final report and all of its principal recommendations. Among other things, this included proposals for: (i) a new senior persons regime governing the conduct of bank staff; (ii) the introduction of a criminal offence for reckless misconduct by senior bank staff; and (iii) steps to improve competition in the banking sector. On 18 December 2013, the Banking Reform Act, which includes provisions to address certain of the PCBS's recommendations received royal assent. Among other things, from 7 March 2016 the SM&CR has introduced a criminal offence for reckless misconduct by senior bank staff.

The PRA published its policy statement on the extension of the SM&CR to PRA solo regulated firms bringing them into scope of the regime from 9 December 2018. The FCA published its near final rules for the expansion of the SM&CR to FCA solo regulated firms commencing on 9 December 2019 bringing FCA solo regulated firms into scope. On 2 September 2020 the deadline for solo regulated firms to have undertaken the first assessment of the fitness and propriety of their certified persons was delayed from 9 December 2020 to 31 March 2021.

Following the announcement from HM Treasury in December 2022 on the SM&CR, the government launched a call for evidence on the regime on 20 March 2023 which ran until 1 June 2023, and the FCA and PRA are also conducting their own reviews. The FCA and PRA are reviewing the effectiveness, scope, and proportionality of the regulatory regime, and the call for evidence has been launched to look at the legislative aspects of the regime. The FCA have stated that it is considering responses from the review and is continuing to work with the PRA and HM Treasury to decide next steps. Complying with new regulations imposes costs on the Society's business, including legal costs to implement new policies and procedures, as well as the time and attention of senior management. In addition, any violation of the SM&CR could result in disciplinary action against the Society or any of its employees, financial penalties as well as reputational damage, any of which could have a material adverse effect on the Society's business, financial position or results of operations. Whilst it is believed the SM&CR has been successfully embedded by the Issuer to which these obligations relate, it is important to remember the constantly evolving nature of regulation in the UK as it responds to challenges in the external environment, such as those in relation to the rising cost of living in the UK. A previous example of this was the response to Covid-19 and the publication in April 2020 of the "Joint FCA and PRA statement Senior Managers and Certification Regime (SM&CR) and coronavirus (Covid-19): our expectations of dual regulated firms".

The SM&CR has had, and will continue to have, a substantial impact on banks and building societies in the UK generally, including the Issuer and any of the Issuer's subsidiaries which are FSMA authorised persons.

***The implementation of the UK General Data Protection Legislation could lead to increased operational risk and compliance costs.*** The EU General Data Protection Regulation (EU) 2016/679 as it forms part of domestic law by virtue of the EUWA ("UK GDPR") introduced new obligations on data controllers and rights for data subjects. The UK GDPR also introduced new fines and penalties for a breach of requirements, including fines for serious breaches of up to the higher of 4 per cent. of annual worldwide turnover or £17.5 million and fines of up to the higher of 2 per cent. of annual worldwide turnover or £8.7 million for other specified infringements. The UK GDPR identifies a list of points to consider when imposing fines (including the nature, gravity and duration of the infringement).

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

## **2. RISKS RELATING TO THE COVERED BONDS**

***Finite resources are available to the LLP to make payments due under the Covered Bond Guarantee.*** Subject as provided in Condition 9 (Events of Default and Enforcement) and the Trust Deed, following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice on the Issuer, all amounts payable under the Covered Bonds will be accelerated by the Bond Trustee as against the Issuer following which a Notice to Pay will be served by the Bond Trustee on the LLP. The LLP's ability to meet its obligations under the Covered Bond Guarantee will depend on: (i) the realisable value of Selected Loans and their Related Security in the Portfolio; (ii) the amount of Revenue Receipts and Principal Receipts generated by the Portfolio and the timing thereof; (iii) amounts received from the Swap Providers; (iv) the realisable value of Substitution Assets held by it; and (v) the receipt by it of credit balances and interest on credit balances on the Transaction Accounts. Recourse against the LLP under the Covered Bond Guarantee is limited to the aforementioned assets and the LLP will not have any other source of funds available to meet its obligations under the Covered Bond Guarantee.

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

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

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

***LLP only obliged to pay Guaranteed Amounts when the same are Due for Payment.*** Subject as provided in the Trust Deed, following service of an Issuer Acceleration Notice on the Issuer, a Notice to Pay will be served by the Bond Trustee on the LLP. Subsequent to a failure by the Issuer to make a payment in respect of one or more Series of Covered Bonds, the Bond Trustee may, but is not obliged to, serve an Issuer Acceleration Notice unless and until requested or directed by the holders of at least 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds then outstanding as if they were a single Series or if so directed by an Extraordinary Resolution of all of the Covered Bondholders in accordance with Condition 9(a) (*Issuer Events of Default*). Following service of a Notice to Pay on the LLP, under the terms of the Covered Bond Guarantee the LLP will be obliged to pay Guaranteed Amounts as and when the same are Due for Payment. In these circumstances, the LLP will not be obliged to pay any other amounts which become payable for any other reason.

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

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

proceeds of enforcement and realisation of the Security shall be applied by the Security Trustee in accordance with the Post-Enforcement Priority of Payments in the Deed of Charge, and the Covered Bondholders will receive amounts from the LLP on an accelerated basis.

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

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

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

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

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

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

rates on other Covered Bonds. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than the then prevailing rates on its Covered Bonds.

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

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

The extension period for each Series of Covered Bonds can be for different periods of time. In accordance with the Guarantee Priority of Payments, Covered Bonds of a Series with an Extended Due for Payment Date falling one year or less from the relevant LLP Payment Date will be paid in priority to any Series of Covered Bonds with an Extended Due for Payment Date falling more than one year after the relevant LLP Payment Date. To the extent that the LLP has insufficient funds to pay Covered Bonds of a Series with an Extended Due for Payment Date falling one year or less from the relevant LLP Payment Date, Covered Bonds with an Extended Due for Payment Date falling more than one year after the LLP Payment Date may be paid less than they are due, or not at all.

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

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

lower rate. Potential investors should consider the reinvestment risk in light of other investments available at that time.

*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 the Covered Bonds by Fitch address the probability of default and recoveries given default under the Covered Bonds.

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

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

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

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

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

Any such Rating Agency Confirmation may be given or not given at the sole discretion of each Rating Agency. It should be noted that, depending on the timing of delivery of the request and any information needed to be



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

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

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

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

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

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

If an Issuer Event of Default occurs in respect of a particular Series of Covered Bonds, the Covered Bonds of all Series outstanding will accelerate at the same time against the Issuer (following service of an Issuer Acceleration Notice) but will be subject to, and have the benefit of, payments made by the LLP under the Covered Bond Guarantee (following service of a Notice to Pay). Subject as provided in Condition 9 (*Events of Default and Enforcement*) and the Trust Deed, if an LLP Event of Default occurs, following service of an LLP Acceleration Notice, the Covered Bonds of all Series outstanding will accelerate against the Issuer (if not already accelerated following an Issuer Event of Default) and the obligations of the LLP under the Covered Bond Guarantee will accelerate. In order to ensure that any further issue of Covered Bonds under the Programme does not adversely affect the existing Covered Bondholders:

- the Issuer will be obliged to apply the proceeds of any issue of Covered Bonds to make a Term Advance to the LLP. The LLP will use the proceeds of such Term Advance (after swapping the same into Sterling if necessary): (i) to acquire Loans and their Related Security from the Sellers; and/or (ii)

to acquire Substitution Assets up to the prescribed limit to the extent required to meet the requirements of (x) (if the Issuer is admitted to the register of issuers in relation to the Programme and the Programme is admitted to the register of regulated covered bonds under the RCB Regulations) Regulations 23 and 24(1)(a) of the RCB Regulations and (y) the Asset Coverage Test and thereafter may be applied by the LLP:

- (a) to purchase Loans, and their Related Security from the Sellers in accordance with the terms of the Mortgage Sale Agreements;
  - (b) to invest in Substitution Assets in an amount not exceeding the prescribed limit;
  - (c) (subject to complying with the Asset Coverage Test (as described below)) to make a Capital Distribution to a Member;
  - (d) if an existing Series or Tranche, or part of an existing Series or Tranche, of Covered Bonds is being refinanced (by the issue of a further Series or Tranche of Covered Bonds) to repay the Term Advance(s) corresponding to the Covered Bonds being so refinanced; and/or
  - (e) to make a deposit of all or part of the proceeds in the Transaction Accounts (including, without limitation, to fund the Reserve Fund to an amount not exceeding the prescribed limit);
- the Asset Coverage Test will be required to be met both before and immediately after any further issue of Covered Bonds; and
  - on or prior to the date of issue of any further Covered Bonds, the Issuer will be obliged to obtain written confirmation from the Rating Agencies (addressed to the Issuer, the Bond Trustee and the Security Trustee) that such further issue would not adversely affect the then current ratings of the Existing Covered Bonds.

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

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

***Certain decisions of the 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 the Security Trustee to take any enforcement action must be passed at a single meeting of all the Covered Bondholders of all Series then outstanding, subject to the quorum and voting provisions set out in the Terms and Conditions and the Trust Deed.

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

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

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

***Unregulated Covered Bonds.*** Until such time as the Issuer is admitted to the register of issuers and the Programme is admitted to the register of regulated covered bonds under the RCB Regulations, the Covered Bonds will be unregulated covered bonds. No assurance is provided that there is an active and liquid secondary market for unregulated Covered Bonds, and there can be no assurance that a secondary market for unregulated Covered Bonds would continue or develop. To the extent that a secondary market exists or develops further, it may not continue for the life of any unregulated Covered Bonds or it may not provide Covered Bondholders with liquidity of investment with the result that a Covered Bondholder may not be able to find a buyer to buy its unregulated Covered Bonds readily or at prices that will enable the Covered Bondholder to realise a desired yield. Furthermore, the regulatory treatment of unregulated Covered Bonds held by EU-regulated investors may differ from that of regulated Covered Bonds (including in connection with regulatory capital requirements). Consequently, a Covered Bondholder must be able to bear the economic risk of an investment in an unregulated Covered Bond for an indefinite period of time as no assurance is provided that the Issuer will be admitted to the register of issuers and the Programme will be admitted to the register of regulated covered bonds under the RCB Regulations.

### **3. RISKS RELATING TO THE ASSET POOL**

***Limited description of the Portfolio.*** The Covered Bondholders will not receive detailed statistics or information in relation to the Loans in the Portfolio because it is expected that the constitution of the Portfolio will frequently change due to; for instance:

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

- the Sellers repurchasing Loans and their Related Security in accordance with the Mortgage Sale Agreements.

There is no assurance that the characteristics of the New Loans assigned to the LLP on a Transfer Date will be the same as those of the Loans in the Portfolio as at that Transfer Date. However, each Loan will be required to meet the Eligibility Criteria and the Representations and Warranties set out in the Mortgage Sale Agreements – see "*Summary of the Principal Documents – Mortgage Sale Agreements – Sale by the Sellers of Loans and Related Security*" (although the Eligibility Criteria and Representations and Warranties may change in certain circumstances – see "*Risks relating to structural and documentation changes – The Bond Trustee and the Security Trustee may agree to modifications to the Transaction Documents without, respectively, the Covered Bondholders' or Secured Creditors' prior consent*"). In addition, the Asset Coverage Test is intended to ensure that the Adjusted Aggregate Loan Amount is an amount equal to or in excess of the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding and the Cash Manager will provide monthly reports that will set out certain information in relation to the Asset Coverage Test. A monthly report is also made available to Covered Bondholders, the Security Trustee, the Bond Trustee and the Rating Agencies detailing, *inter alia*, compliance with the Asset Coverage Test and is available on the Issuer's website at <https://www.coventrybuildingsociety.co.uk/member/investor-relations/funding-programmes/covered-bonds-terms.html>.

***Sale of Selected Loans and their Related Security following the occurrence of an Issuer Event of Default.*** If a Notice to Pay is served on the LLP, then it will be obliged to sell Selected Loans and their Related Security (selected on a Random Basis) in order to make payments to the LLP's creditors including payments under the Covered Bond Guarantee (see "*Summary of the Principal Documents – LLP Deed*").

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

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

***Set-off risk may adversely affect the value of the Portfolio or any part thereof.*** As described above, the sale by the Sellers to the LLP of Loans will be given effect by an equitable assignment or, in relation to Scottish Loans, by way of a Scottish Declaration of Trust. As a result, legal title to the Loans, and their Related Security sold by the Sellers to the LLP, will remain with the relevant Seller. Therefore, the rights of the LLP may be subject to the direct rights of the Borrowers against the relevant Seller, including rights of set-off (or analogous rights in Scotland) which occur in relation to transactions or deposits made between the Borrowers and the relevant Seller existing prior to notification to the Borrowers of the assignment or assignation (as appropriate) of the Loans.

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

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

If any Loan sold by a Seller does not materially comply with any of the Representations and Warranties made by that Seller as at the Transfer Date of that Loan, then that Seller will be required to notify the LLP and the Security Trustee as soon as reasonably practical after becoming aware of the fact and upon receipt of a request to do the same from the LLP, remedy the breach within 28 Business Days of receipt by it of the request.

If a Seller fails to remedy the breach of a Representation and Warranty within 28 Business Days, then that Seller will be required (but only prior to the occurrence of an Issuer Event of Default and after the service of a Loan Repurchase Notice) to repurchase (by way of a cash payment, or subject to compliance with the Asset Coverage Test, a reduction in the Capital Contribution Balance of the Seller) on such date that the LLP may direct in the Loan Repurchase Notice the relevant Loan and its Related Security and any other Loans of the relevant Borrower that are included in the Portfolio, at their True Balance on the date of repurchase.

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

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

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

*Amortisation Test:* Pursuant to the LLP Deed, the LLP and the Issuer (in its capacity as a Member of the LLP) must ensure that on each Calculation Date following service of a Notice to Pay on the LLP but prior to the service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, the Amortisation Test Aggregate Loan Amount is in an amount at least equal to the aggregate Sterling Equivalent of the Principal Amount Outstanding under the Covered Bonds. The

Amortisation Test is intended to ensure that the assets of the LLP do not fall below a certain threshold and to ensure that the assets of the LLP are sufficient to meet its obligations under the Covered Bond Guarantee and senior expenses that rank in priority to or *pari passu* with amounts due on the Covered Bonds.

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

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

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

***Default by Borrowers in paying amounts due on their Loans.*** Borrowers may default on their obligations due under the Loans. Defaults may occur for a variety of reasons. The Loans are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal. Examples of such factors include changes in the national or international economic climate, regional economic (due to local, national and/or global macroeconomic and geopolitical factors such as the war between Russia and Ukraine) or housing conditions, changes in tax laws, interest rates, inflation and the cost of living (including rising energy costs), the availability of financing, yields on alternative investments, political developments and government policies natural disasters and widespread health crises or the fear of such crises (such as Covid-19, measles, SARS, Ebola, H1N1, Zika, avian influenza, swine flu, or other epidemic diseases). Global interest rates have risen from their historical lows, as central banks seek to manage inflation, and an increase in interest rates or the speed at which they rise, may adversely affect Borrowers' ability to pay interest or repay principal on their Loans. Other factors in the Borrowers' individual, personal or financial circumstances may affect the ability of the Borrowers to repay the Loans. Loss of earnings, illness (including any illness arising in connection with an epidemic or pandemic) or widespread health crises or the fear of such crises (such as Covid-19, measles, SARS, Ebola or other epidemic diseases), 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 Loans.

In addition, the ability of a Borrower to sell a property given as security for a Loan at a price sufficient to repay the amounts outstanding under that Loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the time as well as, in relation to certain properties, factors specific to the nature of those properties such as the actual or suspected presence of cladding.

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

***Loans in the Portfolio may also be subject to geographic concentration risks within certain regions of England and Wales or Scotland.*** To the extent that specific geographic regions within England and Wales or Scotland have experienced, or may experience in the future, weaker regional economic conditions (due to local, national and/or global macroeconomic factors) and weaker housing markets than other regions in England and Wales or Scotland, a concentration of the Loans in such a region may be expected to exacerbate all of the risks relating to the Loans described in this risk factor. The economy of each geographic region within England and Wales or Scotland is dependent on a different mixture of industries and other factors. Any downturn in a local economy or particular industry may adversely affect the future regional employment levels and consequently the repayment ability of the Borrowers in that region or the region that relies most heavily on that industry. The Society can predict neither when nor where such regional economic declines may occur nor to what extent or for how long such conditions may continue as described above, thus the ability of the LLP to make payments under the Covered Bond Guarantee could be reduced or delayed.

In addition, any natural disasters or widespread health crises or the fear of such crises (including, but not limited to, Covid-19, measles, SARS, Ebola, H1N1, Zika, avian influenza, swine flu (or any strain of the foregoing), or other epidemic and/or pandemic diseases) in a particular region may weaken economic conditions and reduce the value of affected Properties and/or negatively impact the ability of the affected Borrowers to make timely payments on the mortgage loans. In addition, governmental action or inaction in respect of, or responses to, any widespread health crises or such potential crises (such as those mentioned previously), whether in the UK or in any other jurisdiction, may lead to a deterioration of economic conditions both globally and also within the UK. This may result in a loss being incurred upon the sale of the Property and/or otherwise affect receipts on the mortgage loans. Given the unpredictable effect such factors may have on the local, national or global economy, no assurance can be given as to the impact of any of the matters described in this paragraph and, in particular, no assurance can be given that such matters would not adversely affect the ability of the Issuer to satisfy its obligations under the Covered Bonds if timing and payment of the Loans are adversely affected by such risks.

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

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

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

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

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

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

***No representations or warranties to be given by the LLP or the Sellers if Selected Loans and their Related Security are to be sold.*** Following the service of an Asset Coverage Test Breach Notice (which has not been revoked) or the service of a Notice to Pay on the LLP (but in each case prior to the service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security), the LLP will be obliged to sell Selected Loans and their Related Security to third party purchasers, subject to a right of pre-emption enjoyed by the Sellers pursuant to the terms of the Mortgage Sale Agreements (see "*Summary of the Principal Documents – LLP Deed – Method of Sale of Selected Loans*"). In respect of any sale of Selected Loans and their Related Security to third parties, however, the LLP will not be permitted to give warranties or indemnities in respect of those Selected Loans and their Related Security (unless expressly permitted to do so by the Security Trustee acting on the instructions of the Bond Trustee, itself acting on the advice of a financial or other adviser (selected or approved by it) opining or confirming that the provision of any such warranties and/or indemnities is appropriate in the circumstances and in accordance with market practice and neither the Security Trustee nor the Bond Trustee will have any liability or be liable to any other person for acting upon such advice, opinion or confirmation). The Security Trustee will not be required to release the Selected Loans from the Security unless the conditions relating to release of the Security as set out in Clause 4 of the Deed of Charge are satisfied. There is no assurance that the Sellers would give any warranties or representations in respect of the Selected Loans and their Related Security. Any Representations or Warranties previously given by a Seller in respect of the Loans in the Portfolio may not have value for a third party purchaser if that Seller is then insolvent. Accordingly, there is a risk that the realisable value of the Selected Loans and their Related Security could be adversely affected by the lack of Representations and Warranties which in turn could adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee.

Neither the Bond Trustee nor the Security Trustee has any responsibility for the adequacy or sufficiency of, or any deterioration in the value of, the Portfolio or the Loans and their Related Security comprised in the Portfolio, nor will the Security Trustee be obliged to monitor the performance of the Loans and their Related Security or be responsible for monitoring whether or not the best price has been achieved for the sale of the Loans (including Selected Loans) and their Related Security (and any other related rights under the same) by or on behalf of the LLP or otherwise pursuant to the Transaction Documents or whether or not any such sale has been effected on terms commercially available in the market or effected in a timely manner. Neither the Bond Trustee nor the Security Trustee shall be liable to any Transaction Party, including the Covered Bondholders, or any other person for any loss occasioned thereby.



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

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

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

***The LLP does not have legal title to the Loans in the Portfolio on the relevant Transfer Date.*** The sale by the Sellers to the LLP of Loans (other than Scottish Loans) and their Related Security has taken or will take effect by way of an equitable assignment. The sale by the Sellers to the LLP of Scottish Loans and their Related Security has been or will be given effect by way of Scottish Declarations of Trust under which the beneficial interest in the Scottish Loans and their Related Security has been or will be transferred to the LLP. As a result, legal title to Loans, and each of their Related Security, will remain with the relevant Seller. The LLP, however, will have the right to demand that a Seller give it legal title to the Loans and the Related Security in the limited circumstances described in "*Summary of the Principal Documents – Mortgage Sale Agreements – Transfer of Title to the Loans to the LLP*" and until such right arises the LLP will not give notice of the sale of the Loans and their Related Security to any Borrower or apply to the Land Registry or the Central Land Charges Registry to register or record its equitable interest in the Loans and their Related Security or take any steps to perfect its title to the Scottish Loans and their Related Security.

Since the LLP has not obtained legal title to the Loans or their Related Security and has not protected its interest in the Loans and their Related Security by registration of a notice at the Land Registry or otherwise perfected its legal title to the Loans or their Related Security, the following risks exist:

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

- second, the rights of the LLP may be subject to the rights of the Borrowers against a Seller, such as rights of set-off, which occur in relation to transactions or deposits made between a Borrower and a Seller, and the rights of the Borrowers to redeem their mortgages by repaying the Loans directly to the relevant Seller; and
- third, unless the LLP has perfected the assignment or assignation (as appropriate) of the Loans and their Related Security (which it is only entitled to do in certain limited circumstances), the LLP would not be able to enforce any Borrower's obligations under a Loan or Mortgage itself but would have to join the relevant Seller as a party to any legal proceedings.

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

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

It should be noted however, that the Asset Coverage Test seeks to take account of the potential set-off risk associated with Borrowers holding deposits with the Society (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, each Seller will undertake for the benefit of the LLP and the Secured Creditors that it will lend its name to, and take such other steps as may be reasonably required by the LLP and/or the Security Trustee in relation to, any legal proceedings in respect of the Loans and their Related Security.

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

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

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

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

***Buy-To-Let Loans.*** There can be no assurance that each Property in relation to which a Buy-to-Let Mortgage Loan has been taken out by a Borrower will be the subject of an existing tenancy when the relevant Loan is acquired by the LLP or that any tenancy which is granted will subsist throughout the life of the Loan and/or that the rental income from such tenancy will be sufficient (whether or not there is any default of payment in rent) to provide the Borrower with sufficient income to meet the Borrower's interest obligations or capital repayments in respect of the Loan.

There can be no assurance that, in the event of a material downturn in the private rental market, the ability to make repayments on the Covered Bonds would not be adversely affected. Such a downturn could be precipitated by a range of factors, which may include (but are not limited to) an expansion of owner-occupied

lending should credit conditions continue to loosen and/or legislative changes affecting the sector, such as the introduction of rental caps or the regulation of the market or parts thereof.

Upon enforcement of a Mortgage in respect of a Property which is the subject of an existing tenancy, the Servicer may not be able to obtain vacant possession of the 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 the amount which the Servicer could realise upon enforcement of the Mortgage and the sale of the Property. In such a situation, amounts received in rent may not be sufficient to cover all amounts due in respect of the relevant Loan. However, enforcement procedures in relation to such Mortgages include (in England and Wales) appointing a receiver of rent, in which case such a receiver must collect any rents payable in respect of the Property and apply them accordingly in payment of any interest and arrears accruing under the Loan.

From 1 April 2018, landlords of relevant domestic properties in England and Wales may not grant a tenancy to new or existing tenants if their property has an EPC rating of band F or G (as shown on a valid Energy Performance Certificate ("EPC") for the property) and, from 1 April 2020, landlords must not continue letting a relevant domestic property which is already let if that property has an EPC rating of band F or G (as shown on a valid EPC for the property). In both cases described above this is referred to in the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 (the "Energy Efficiency Regulations 2015") as the prohibition on letting sub-standard property. Where a landlord wishes to continue letting property which is currently sub-standard, the landlord will need to ensure that energy efficiency improvements are made which raise the EPC rating to a minimum of E. In certain circumstances landlords may be able to claim an exemption from this prohibition on letting sub-standard property; this includes situations where the landlord is unable to obtain funding to cover the cost of making improvements, or where all improvements which can be made have been made, and the property remains below an EPC rating of E. Local authorities will enforce compliance with the domestic minimum level of energy efficiency. Local authorities may check whether a property meets the minimum level of energy efficiency, and may issue a compliance notice requesting information where it appears to the local authority that a property has been let in breach of the Energy Efficiency Regulations 2015 (or an invalid exemption has been registered in respect of it). Where a local authority is satisfied that a property has been let in breach of the Energy Efficiency Regulations 2015 it may serve a notice on the landlord imposing financial penalties. In September 2020 the Department for Business, Energy & Industrial Strategy issued a consultation titled "Improving the energy performance of privately rented homes in England and Wales" regarding, among other things, the proposal to raise energy performance standards for the domestic private rented sector to an EPC rating band of C. The consultation period closed on 8 January 2021. No publication date for the results of the consultation has yet been announced by the UK government. Further detail is set out in the section headed *"Further Information Relating to the Regulation of Mortgages in the UK – Matters relating to Buy-to-Let Loans"*

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

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

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

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

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

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

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

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

**Consumer Protection from Unfair Trading Regulations 2008.** The Consumer Protection from Unfair Trading Regulations 2008 ("CPUTR") prohibits certain practices which are deemed unfair within the terms of the CPUTR. Breach of the CPUTR may lead to liability for misrepresentation or breach of contract in relation to the underlying credit agreements, which may result in irrecoverable losses on amounts to which such agreements apply and which may adversely affect the LLP's ability to make payments on the Covered Bond Guarantee. Further detail is included in the section headed "*Further Information Relating to the Regulation of Mortgages in the UK – Unfair Terms in Consumer Contracts Regulations 1994 and 1999 and the Consumer Rights Act 2015*".

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

**Mortgage repossessions.** The protocols for mortgage possession claims and the Mortgage Repossessions (Protection of Tenants etc) Act 2010 may have adverse effects in relation to the ability of the Sellers to repossess properties, which may be particularly challenging in markets experiencing above-average levels of possession claims. Delays in the initiation of responsive action in respect of the Loans may result in lower recoveries and may adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee. Investors should note the Tailored Support Guidance described in the section entitled "*Further Information Relating to the Regulation of Mortgages in the UK – Repossessions*" below that from 1 April 2021, subject to any relevant government restrictions on repossessions, firms may enforce repossession provided they act in accordance with (as applicable) the Tailored Support Guidance, MCOB 13 and relevant regulatory and legislative requirements. The Tailored Support Guidance provides that action to seek possession should be a last resort and should not be started unless all other reasonable attempts to resolve the position have failed. The FCA makes clear in the guidance that it expects lenders of both owner-occupied and buy-to-let mortgage loans to act in a manner consistent with these requirements. Further detail is included in the section headed "*Further Information Relating to the Regulation of Mortgages in the UK – Repossessions*".

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

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

The FCA opened a consultation on 25 May 2023 on changes to the Handbook to reflect their planned withdrawal of the Mortgages Tailored Support Guidance, and the consultation closed for comments on 13 July 2023. On 10 April 2024, the FCA published PS24/2: Strengthening protections for borrowers in financial difficulty: Consumer credit and mortgages and the related Consumer Credit and Mortgages (Tailored Support) Instrument 2024 (FCA 2024/7). It also published FG24/2: Guidance for firms supporting existing mortgage borrowers impacted by rising living costs. The FCA have stated that they want to build on the Mortgages Tailored Support Guidance and provide a stronger framework for lenders to protect customers facing payment difficulties, they are doing this by incorporating relevant aspects of the Mortgages Tailored Support Guidance into their Handbook, as well as introducing further targeted changes. The new rules will come into force on 4 November 2024 and the Mortgages Tailored Support Guidance will be withdrawn at that time. There can be no assurance that the FCA, or other UK government or regulatory bodies, will not take further steps in response to the rising cost of living in the UK which may impact the performance of the Loans, including further amending and extending the scope of the above guidance. Further detail in relation to the FCA response to the cost of living crisis is included in the section headed "*Further Information Relating to the Regulation of Mortgages in the UK - FCA response to the cost of living crisis*" below.

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

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

**Energy Efficiency Regulations 2015.** From 1 April 2018, landlords of relevant domestic properties in England and Wales may not grant a tenancy to new or existing tenants if their property has an EPC rating of band F or G (as shown on a valid Energy Performance Certificate for the property) and from 1 April 2020, landlords must not continue letting a relevant domestic property which is already let if that property has an EPC rating of band F or G (as shown on a valid Energy Performance Certificate for the property). In September 2020 the Department for Business, Energy & Industrial Strategy issued a consultation titled "Improving the energy performance of privately rented homes in England and Wales" regarding, among other things, the proposal to raise energy performance standards for the domestic private rented sector to an EPC energy efficiency rating band of C. The consultation period closed on 8 January 2021. No publication date for the results of the consultation has yet been announced by the UK Government. However, there is a risk that if proposals to require new tenancies in England and Wales to have an EPC rating of at least C or higher from 2025 (and for existing tenancies from 2028) were enacted, this could result in increasing arrears within the buy-to-let portfolio. This may adversely affect the ability of the Issuer to make payments when due on the Covered

Bonds, or (if applicable) the ability of the LLP to meet its obligation under the Covered Bond Guarantee. Further detail in relation to the Energy Efficiency Regulations 2015 is included in the section headed "*Further Information Relating to the Regulation of Mortgages in the UK – Matters relating to Buy-to-Let Mortgages*" below.

***Breathing Space Regulations.*** The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020 came into force on 4 May 2021 (the "**Breathing Space Regulations**"). The Breathing Space Regulations gives eligible individuals in England and Wales the right to legal protection from their creditors (including almost all enforcement action) during a period of breathing space. In Scotland, eligible individuals are afforded similar legal protection under the Bankruptcy (Scotland) Act 2016 although the moratorium period of 6 months is longer than in England and Wales and does not make any accommodation for mental health crisis. The Breathing Space Regulations do not apply to mortgages, except for arrears which are uncapitalised at the date of the application under the Breathing Space Regulations. There is a risk that delays in the initiation of enforcement action in respect of the Mortgage Loans may result in lower recoveries and may adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee. Further detail is included in the section headed "*Further Information Relating to the Regulation of Mortgages in the UK – Breathing Space Regulations*" below.

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

#### **4. RISKS RELATING TO REGULATION OF THE COVERED BONDS**

***UK-regulated covered bond regime.*** The Programme has not been admitted to the register of regulated covered bonds under the RCB Regulations. The Issuer is, in connection with its €7bn global covered bond programme, already admitted to the register of issuers under the RCB Regulations.

As at the date of this Offering Circular the Issuer does not intend to make an application for the Programme to be admitted to the register of regulated covered bonds under the RCB Regulations and for the Issuer to be admitted to the register of issuers under the RCB Regulations in connection with the Programme. Covered Bonds issued under the Programme will therefore not constitute regulated covered bonds. If the Programme was to be admitted to the register of regulated covered bonds under the RCB Regulations and the Issuer was to be admitted to the register of issuers under the RCB Regulations in connection with the Programme, the RCB Regulations and the RCB Sourcebook would impose certain ongoing obligations and liabilities on both the Issuer and the LLP. In this regard, the LLP would be required to (amongst other things), following the insolvency of the Issuer, make arrangements for the maintenance and administration of the asset pool such that certain asset capability and quality related requirements are met.

In the event the Issuer (in connection with the Programme) and the Programme are admitted to the register of issuers and the register of regulated covered bonds, the FCA may take certain actions in respect of the Issuer and/or the LLP under the RCB Regulations. Such actions include directing the winding-up of the LLP, removing the Issuer from the register of issuers (but pursuant to the RCB Regulations, a regulated covered bond may not be removed from the relevant register prior to the expiry of the whole period of validity of the relevant covered bond), directing the Issuer and/or the LLP to take specified steps for the purpose of complying with the RCB Regulations and/or imposing a financial penalty of such amount as it considers appropriate in respect of the Issuer or the LLP and/or restricting the ability of the Sellers to transfer further loans to the LLP and directing the Issuer to publish information given to the FCA under the RCB Regulations. Moreover, the bodies which regulate the financial services industry in the UK may take certain actions in respect of issuers

using their general powers under the UK regulatory regime (including restricting an issuer's ability to transfer further assets to the asset pool). There is a risk that any such regulatory action may reduce the amounts available to pay Covered Bondholders.

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

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

Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation**") has applied since 1 January 2018 in general, subject to certain transitional provisions. Certain requirements of the EU Benchmarks Regulation apply with respect to the provision of a wide range of benchmarks (including EURIBOR), the contribution of input data to a benchmark and the use of a benchmark within the EU. In particular, the EU Benchmarks Regulation, among other things: (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and to comply with extensive requirements in relation to the administration of benchmarks, (ii) imposes extensive requirements in relation to the administration of benchmarks and (iii) prevents certain uses by EU-supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU-based, deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the EUWA (the "**UK Benchmarks Regulation**") among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK-supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed). The administrator of SONIA, the Bank of England, is not currently required to obtain authorisation/registration and SONIA does not fall within the scope of the EU Benchmarks Regulation or the UK Benchmarks Regulation by virtue of Article 2 of those regulations. The administrator of EURIBOR appears on the register of administrators and benchmarks established and maintained by each of ESMA and the FCA.

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Covered Bonds linked to or referencing a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark. More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

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

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



or other initiatives or investigations, could have a material adverse effect on the value of and return on the Covered Bonds.

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

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

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

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

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

## 5. RISKS RELATING TO COUNTERPARTIES

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

If a Servicer Event of Default occurs pursuant to the terms of the Servicing Agreement, then the LLP and/or the Security Trustee will be entitled to terminate the appointment of the Servicer and appoint a new servicer in its place. There can be no assurance that a substitute servicer with sufficient experience of administering mortgages of residential properties would be found that would be willing and able to service the Loans on the terms of the Servicing Agreement. In addition, as described below, any substitute servicer will be required to be authorised under the FSMA. The ability of a substitute servicer to fully perform the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute servicer may affect the realisable value of the Portfolio or any part thereof, and/or the ability of the LLP to make payments under the Covered Bond Guarantee. However, if the Servicer ceases to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Fitch of at least BBB it will use reasonable efforts to enter, within 60 calendar days of such downgrade, into a back-up master servicing agreement with a third party to perform all of the Services under the Servicing Agreement. The back-up master servicing agreement will provide for the third party servicer to undertake the servicing/or master servicing obligations in relation to the Portfolio within 60 calendar days of the Servicer ceasing to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Fitch of at least BBB-.

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

The performance of any such third parties may also be affected by economic, social, political and other factors, such as changes in the national or international economic climate, regional economic conditions, changes in laws, political developments and government policies, natural disasters, illness (including illnesses from epidemics or pandemics) and widespread health crises or the fear of such crises (such as Covid-19, measles, SARS, Ebola, H1N1, Zika, avian influenza, swine flu, or other epidemic diseases), which may result in a material delay or default in the performance of certain services in relation to the Covered Bonds by such third parties.

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

**Reliance on Swap Providers.** To provide a hedge against possible variances in the rates of interest payable on the Loans in the Portfolio (which may, for instance, include variable rates of interest, discounted rates of interest, fixed rates of interest or rates of interest which track a base rate and a compounded daily SONIA rate) the LLP may enter into an Interest Rate Swap Agreement, if any, with the relevant Interest Rate Swap Provider (and, if the Interest Rate Swap Provider is Godiva Mortgages Limited, the Interest Rate Swap Guarantee with the Interest Rate Swap Guarantor) (if any). In addition, to provide a hedge against interest rate and currency risks in respect of amounts received by the LLP under the Loans and the Interest Rate Swaps (if any) and amounts payable by the LLP on the outstanding Term Advances or (following service on the LLP of a Notice

to Pay) under the Covered Bond Guarantee in respect of the Covered Bonds, the LLP will enter into a Covered Bond Swap Agreement with each Covered Bond Swap Provider (and, if the Covered Bond Swap Provider is Godiva Mortgages Limited, a Covered Bond Swap Guarantee with the Covered Bond Swap Guarantor, if required). Where the Society acts as a Covered Bond Swap Provider, if the Society were to be downgraded below the relevant rating specified in a Covered Bond Swap Agreement to which it is or may become a party, it could affect the role of the Society as Covered Bond Swap Provider in relation to the relevant Series of Covered Bonds (prospective investors should refer to the section "*Summary of the Principal Documents – Covered Bond Swap Agreements*" for further details). Where the Society acts as an Interest Rate Swap Provider, if the Society was to be downgraded below the relevant rating specified in an Interest Rate Swap Agreement to which it is or may become a party, it could affect the role of the Society as Interest Rate Swap Provider (prospective investors should refer to the section "*Summary of the Principal Documents – Interest Rate Swap Agreements*" for further details). In addition, a downgrade of the Society could have an adverse impact on the ratings of the Covered Bonds. In relation to the ratings of the Covered Bonds, prospective investors should see the risk factor entitled "*Risks relating to the Covered Bonds – Ratings of the Covered Bonds*".

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

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

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

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

These criteria include requirements imposed under the FSMA and current rating criteria published by the Rating Agencies from time to time in relation to the short-term, unguaranteed and unsecured ratings ascribed to such party by Fitch. If the party concerned ceases to satisfy the applicable criteria, including the ratings criteria detailed above, then the rights and obligations of that party (including the right or obligation to receive monies on behalf of the LLP) may be required to be transferred to another entity which does satisfy the applicable criteria. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the Transaction Documents.

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

## 6. RISKS RELATING TO STRUCTURAL AND DOCUMENTATION CHANGES

***The Bond Trustee and the Security Trustee may agree to modifications to the Transaction Documents without, respectively, the Covered Bondholders' or Secured Creditors' prior consent.*** Pursuant to Condition 14 (*Meetings of Covered Bondholders, Modification, Waiver and Substitution*), and certain provisions of the Trust Deed and the Deed of Charge, the Bond Trustee may, without the consent or sanction of any of the Covered Bondholders or any of the other Secured Creditors, concur with any person in making or sanctioning:

- any modification (save in relation to a Series Reserved Matter) to, or waive or authorise any breach or proposed breach in respect of, the Transaction Documents and the Terms and Conditions of the Covered Bonds or determine, 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 the Bond Trustee is of the opinion that such modification, waiver and authorisation or determination will not be materially prejudicial to the interests of any of the Covered Bondholders of any Series;
- any modification to the Transaction Documents or the Terms and Conditions of the Covered Bonds which in the opinion of the Bond Trustee are made to correct a manifest error or are of a formal, minor or technical nature or are made to comply with mandatory provisions of law; or
- in certain other circumstances as more particularly described in Condition 14 (which includes, without limitation, amendments which may be required to enable Covered Bonds issued under the Programme to qualify and/or continue to qualify as regulated covered bonds under the RCB Regulations or any replacement or amended regulations).

From the date the Programme is admitted to the register of regulated covered bonds under the RCB Regulations, prior to the Bond Trustee agreeing to any such modification, waiver, authorisation or determination, the Issuer must send written confirmation to the Bond Trustee:

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

Save as otherwise expressly provided in the Deed of Charge, the Security Trustee shall (i) concur with the Issuer, the LLP or any other person in making any modification to any Transaction Document and/or (ii) waive or authorise (without prejudice to its rights in respect of any further or other breach) any breach or proposed breach of any of the provisions of any Transaction Document, in each case, only if so directed by (a) the Bond Trustee, so long as there are any Covered Bonds outstanding or (b) all of the other Secured Creditors, if there are no Covered Bonds outstanding.

There can be no assurance that the effect of such modifications to the Transaction Documents will not ultimately adversely affect the interests of the Covered Bondholders.

***Covered Bondholders will be deemed to have consented to certain modifications to the Transaction Documents so long as holders of at least 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds have not contacted the Bond Trustee, the Issuer and the Principal Paying Agent (collectively) in writing.*** The Bond Trustee shall, without any consent or sanction of the Covered Bondholders or any of the other Secured Creditors, be obliged to concur with the Issuer in making any modification (other than a Series Reserved Matter) to the Trust Deed, the Conditions or any other Transaction Document to which it is a party or in relation to which it holds security for the purpose of (i) changing the Reference Rate on the relevant Series of Covered Bonds outstanding to an Alternative Base Rate and/or (ii) changing any Reference Rate referred to in any Transaction Document (including, for the avoidance of doubt but without limitation, any Covered Bond Swap in relation to the Covered Bonds) to an alternative benchmark in order to preserve the effect of the relevant hedging or other arrangements under such Transaction Document in respect of the Covered Bonds, as further described in Condition 14 (*Meetings of Covered Bondholders, Modification, Waiver and Substitution*) (and, in each case, making such other amendments as are necessary or advisable in the reasonable judgement of the Issuer to facilitate such change) to the extent there has been or there is reasonably expected to be a material disruption or cessation to SONIA or EURIBOR, in each case, subject to the satisfaction of certain requirements, including receipt by the Bond Trustee of a Base Rate Modification Certificate, certifying, among other things, that the modification is required for its stated purpose.

In the absence of a notification to the Bond Trustee, the Issuer and the Principal Paying Agent from Covered Bondholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds then outstanding, that such Covered Bondholders do not consent to the modification, all Covered Bondholders will be deemed to have consented to such modification and the Bond Trustee shall, subject to the requirements of Condition 14 (*Meetings of Covered Bondholders, Modification, Waiver and Substitution*), without seeking further consent or sanction of any of the Covered Bondholders and irrespective of whether such modification is or may be materially prejudicial to the interest of the Covered Bondholders, be obliged to concur with the Issuer in making the proposed modification.

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

***Security Trustee's and Bond Trustee's powers.*** In the exercise of its duties, powers, trusts, authorities and discretions the Security Trustee shall only have regard to the interests of the Covered Bondholders. In the exercise of its duties, powers, trusts, authorities and discretions, the Security Trustee shall not act on behalf of the Sellers.

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

If, in connection with the exercise of its powers, trusts, authorities or discretions, 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 Bond Trustee shall not exercise such power, trust, authority or discretion without the approval of

such Series of Covered Bondholders by Extraordinary Resolution or by a direction in writing of such Covered Bondholders of at least 25 per cent. of the Principal Amount Outstanding of Covered Bonds of the relevant Series then outstanding.

## **7. MACROECONOMIC AND MARKET RISKS**

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

***The market continues to develop in relation to SONIA as a reference rate for Floating Rate Covered Bonds.*** Investors should be aware that the market continues to develop in relation to SONIA as a reference rate in the capital markets and its adoption as an alternative to Sterling LIBOR. In particular, market participants and relevant working groups are exploring alternative reference rates based on SONIA, including term SONIA reference rates (which seek to measure the market's forward expectation of an average SONIA rate over a designated term). The market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the Conditions and used in relation to Floating Rate Covered Bonds that reference a SONIA rate issued under this Offering Circular. Investors should carefully consider how any mismatch between the adoption of SONIA reference rates across other markets, such as the derivatives and loan markets, may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Covered Bonds referencing Compounded Daily SONIA. Interest on Covered Bonds which reference a SONIA rate is only capable of being determined at the end of the relevant Observation Period and immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Covered Bonds which reference a SONIA rate to reliably estimate the amount of interest which will be payable on such Covered Bonds. Some investors may be unable or unwilling to trade such Covered Bonds without changes to their IT systems, both of which could adversely impact the liquidity of such Covered Bonds. Further, if the Floating Rate Covered Bonds become due and payable under Condition 9 (*Events of Default and Enforcement*), the Rate of Interest payable shall be determined on the date the Covered Bonds became due and payable and shall not be reset thereafter. Investors should consider these matters when making their investment decision with respect to any such Floating Rate Covered Bonds.

## **8. LEGAL AND REGULATORY RISKS**

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

No assurance can be given that additional regulations or guidance from the regulators, or any other regulatory authority, will not arise with regard to the mortgage market in the UK generally (including without limitation, in relation to matters arising from changes to the FCA's MCOB rules), the Sellers' particular sectors in that market or specifically in relation to the Sellers. Any such action or developments or compliance costs may have a material adverse effect on the Loans, the Sellers, the LLP, the Issuer and/or the Servicer and their

respective businesses and operations. This may adversely affect the ability of the LLP to dispose of the Portfolio or any part thereof in a timely manner and/or the realisable value of the Portfolio or any part thereof and accordingly affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee when due.

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

The Supreme Court has held that a flip clause as described above is valid under English law. Contrary to this, however, the U.S. Bankruptcy Court has held that such a subordination provision is unenforceable under U.S. bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a U.S. bankruptcy of the counterparty. However, a subsequent 2016 U.S. Bankruptcy Court decision held that in certain circumstances flip clauses are protected under the U.S. Bankruptcy Code and therefore enforceable in bankruptcy. The 2016 decision was affirmed on 14 March 2018 by the U.S. District Court for the Southern District of New York, which 2018 decision was further affirmed on 11 August 2020 by the U.S. Court of Appeals for the Second Circuit. The implications of this conflict remain unresolved.

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

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

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

***Expenses of insolvency officeholders.*** Under the RCB Regulations (assuming such regulations apply to the LLP), following the realisation of any asset pool security (excluding circumstances where there is a concurrent winding-up of the LLP), certain costs and expenses are payable out of the fixed and floating charge assets of the LLP in priority to the claims of other Secured Creditors (including the Covered Bondholders). Such costs and expenses are also payable out of the floating charge assets of the LLP (but it would appear not out of the fixed charge assets) in priority to the claims of the other Secured Creditors in a winding-up of the LLP and/or

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

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

As noted above, the RCB Regulations do not apply to the LLP until the Programme has been admitted to the register of regulated covered bonds under the RCB Regulations. See also the investment consideration described below under "*Liquidation Expenses*".

***Fixed charges may take effect under English law as floating charges.*** Pursuant to the terms of the Deed of Charge, the LLP has purported to grant fixed charges over, among other things, its interests in the Loans and their Related Security, the Substitution Assets and its rights and benefits in the LLP Accounts and all Authorised Investments purchased from time to time.

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

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

Under Scots law the concept of fixed charges taking effect as floating charges does not arise and accordingly there is no equivalent risk in relation to the Scottish Loans and their Related Security.

***English law security and insolvency considerations.*** The LLP entered into the Deed of Charge on the Programme Date pursuant to which it granted the Security in respect of its obligations under the Covered Bond Guarantee (as to which, see "Summary of the Principal Documents – Deed of Charge"). In certain



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

While the transaction structure is designed to minimise the likelihood of the LLP becoming insolvent and/or subject to pre-insolvency restructuring proceedings, no assurance can be given that any modification of the exceptions from the application of the new insolvency reforms referred to above will not be detrimental to the interests of the Covered Bondholders and there can be no assurance that the LLP will not become insolvent and/or the subject of insolvency proceedings and/or that the Covered Bondholders would not be adversely affected by the application of insolvency laws (including English insolvency laws and, if appropriate, Scottish insolvency laws or the laws affecting creditors' rights generally) or the laws affecting creditors' rights generally.

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

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

**Liquidation Expenses.** Under the Insolvency Act 1986, the costs and expenses of a liquidation (including certain tax charges) will be payable out of floating charge assets in priority to the claims of the floating charge holder. In respect of certain litigation expenses of the liquidator only, this is subject to approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to provisions set out in the Insolvency (England and Wales) Rules 2016 (as amended) as applied to LLPs by virtue of the Insolvency (Miscellaneous Amendments) Regulations 2017 (SI 2017/1119).

It appears that the provisions referred to above apply in respect of limited liability partnerships in general and/or to owners under the RCB Regulations. Therefore, in a winding-up of the LLP (whether or not the RCB Regulations apply), floating charge realisations which would otherwise be available to satisfy the claims of

Secured Creditors under the Deed of Charge may be reduced by at least a significant proportion of any liquidation expenses (including certain super-priority expenses, if the RCB Regulations apply to the LLP). There can be no assurance that the Covered Bondholders will not be adversely affected by such a reduction in floating charge realisations.

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

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

**UK Banking Act 2009.** The Banking Act 2009 (as amended, the "**Banking Act**") includes provision for a special resolution regime pursuant to which specified UK authorities have extended tools to deal with the failure (or likely failure) of certain UK incorporated entities, including authorised deposit-taking institutions and certain authorised investment firms, and powers to take certain resolution actions in respect of third country institutions. Relevant transaction parties for these purposes include the Issuer, the Sellers, the Servicer, the Account Banks, any Interest Rate Swap Provider, the Interest Rate Swap Guarantor (if any), the Covered Bond Swap Guarantor (if any), the Cash Manager, the Principal Paying Agent, the Agent Bank, the Exchange Agent or the Registrar. In addition, powers may be used in certain circumstances in respect of UK established banking group companies, where such companies are in the same group as a relevant UK or third country institution.

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

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

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

The Banking Reform Package has also, among other things, introduced new powers for competent authorities and resolution authorities, such as a new moratorium power. While EU member states had been expected to adopt and publish the necessary measures by 28 December 2020, the UK implemented such measures on that date but later repealed certain of those measures on 31 December 2020.

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

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

At present the UK authorities have not made an instrument or order under the Banking Act in respect of the entities referred to above in the preceding paragraph and there has been no indication that any such instrument or order will be made, but there can be no assurance that this will not change and/or that Covered Bondholders will not be adversely affected by any such instrument or order if made. While there is provision for compensation to be ordered in certain circumstances under the Banking Act, there can be no assurance that Covered Bondholders would recover compensation promptly and equal to any loss actually incurred. It should also be noted that any extraordinary public financial support provided to a relevant institution through any stabilisation action (such as temporary public ownership) would likely only be used by the UK authorities as

a last resort only after having assessed and exploited, to the maximum extent practicable, the resolution tools and powers described above.

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

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

In particular, it should be noted that the BCBS has approved a series of significant changes to the Basel regulatory capital and liquidity framework (such changes being referred to by the BCBS as "**Basel III**" and referred to, colloquially, as Basel III in respect of reforms finalised prior to 7 December 2017 and "Basel IV" in respect of reforms finalised on or following that date), including additional capital requirements, higher capital ratios, more stringent eligibility requirements for capital instruments, a new leverage ratio and liquidity requirements. See also "*Regulatory reforms may result in a reduction of the Issuer's capital surplus*". The BCBS released a statement on 3 October 2023 which shows good progress among member states in implementing Basel III standards. However, as implementation of Basel III requires national legislation, the final rules and the timetable for its implementation in each jurisdiction, as well as the treatment of covered bonds, may be subject to some level of national variation. It should also be noted that changes to regulatory capital requirements have been made for insurance and reinsurance undertakings through participating jurisdiction initiatives, such as the Solvency II framework in Europe. Prospective investors should therefore make themselves aware of the requirements described above (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other applicable regulatory requirements with respect to their investment in the Covered Bonds. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

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

In addition, preferential regulatory treatment under Article 129 of the EU CRR is no longer available in respect of the Covered Bonds after 31 January 2020 following the UK's departure from the EU. Furthermore, none of the Covered Bonds will be grandfathered under the EU covered bond reforms given that the new covered bond directive provides for permanent grandfathering for Article 52(4) UCITS Directive-compliant covered

bonds issued by an issuer with its registered office in an EU member state before the relevant implementing measures came into force, provided there is continued supervision by the relevant designated competent authority in the EU (similar grandfathering provisions are also provided for in the new regulation). The Covered Bonds may be eligible as Level 2A assets under Delegated Regulation (EU) 2018/1620 (as amended), provided that certain equivalence and transparency requirements are met, as to which no assurances are made and prospective investors should therefore make themselves aware of the changes in addition to any other applicable regulatory requirements with respect to their investment in the Covered Bonds.

***Impact of UK EMIR and EU EMIR on the Interest Rate Swaps and Covered Bond Swaps.*** The derivatives markets are subject to extensive regulation in a number of jurisdictions, including in the UK pursuant to Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories as it forms part of domestic law by virtue of the EUWA (**UK EMIR**) and in the EU pursuant to Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (**EU EMIR**), each as amended from time to time. UK EMIR and EU EMIR establish certain requirements for OTC derivatives contracts, including (i) a mandatory clearing obligation for certain classes of OTC derivatives contracts (the **Clearing Obligation**), (ii) margin posting, daily valuation and other risk-mitigation techniques for OTC derivatives contracts not cleared by a central counterparty (the **Risk Mitigation Requirements**), and (iii) certain reporting and recordkeeping requirements.

Under UK EMIR and EU EMIR, counterparties can be classified as (i) financial counterparties (**FCs**) (which includes a sub-category of small FCs), (ii) non-financial counterparties (**NFCs**) whose positions, together with the positions of all other non-financial counterparties in their "group" (as defined in UK EMIR or EU EMIR, as applicable), in OTC derivatives (excluding hedging positions) exceed a specified clearing threshold (**NFC+s**) and (iii) NFCs whose positions, together with the positions of all other non-financial counterparties in their "group" (as defined in UK EMIR or EU EMIR, as applicable), in OTC derivatives (excluding hedging positions) do not exceed a specified clearing threshold (**NFC-s**). Whereas FCs (excluding small FCs) and NFC+ entities must clear in-scope OTC derivatives contracts that are entered into on or after the effective date for the relevant Clearing Obligation, such obligation does not apply in respect of NFC- entities.

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

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

If the LLP's status changes to an NFC+ or FC for the purposes of UK EMIR and/or a third country equivalent to an NFC+ or FC (a **TCE NFC+** or a **TCE FC** respectively) for the purposes of EU EMIR, this may result in the application of the relevant Clearing Obligation or (more likely) the relevant margining requirements and the relevant daily valuation obligation under the Risk Mitigation Requirements (the **Margin Obligation**), as it seems unlikely that any of the Swap Agreements would be a relevant class of OTC derivatives contract that would be subject to the Clearing Obligation under UK EMIR and EU EMIR to date. It should also be noted that the relevant Margin Obligation should not apply in respect of swaps entered into prior to the relevant application date, unless such a swap is materially amended on or after that date. Where the relevant swap counterparty is a UK entity, an exemption from the Clearing Obligation under UK EMIR and a partial exemption in respect of the Margin Obligation under UK EMIR may be available in respect of the Interest Rate Swaps and Covered Bond Swaps, provided that certain conditions are satisfied.

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

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

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

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

Finally, the Bond Trustee shall be obliged, without the consent of the holders of any of the Covered Bonds and which are not consolidated and do not form a single Series with any Covered Bonds issued prior to such date or any other Secured Creditor (other than any Secured Creditor party to the relevant Transaction Document to be amended), and shall direct the Security Trustee to agree to modifications to satisfy the requirements of EU EMIR and/or UK EMIR, as applicable, in making any modifications to the Transaction Documents and/or Conditions of the Covered Bonds that are requested by the Issuer and/or the LLP in order to enable the Issuer to comply with any requirements which apply to it under EU EMIR or UK EMIR and such modifications may adversely affect the Covered Bondholders' interests (see risk factor "*Risks relating to Structural and Documentation Changes: The Bond Trustee and the Security Trustee may agree to modifications to the Transaction Documents without, respectively, the Covered Bondholders' or Secured Creditors' prior consent*").

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

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

("ESMA") on its website in accordance with the EU CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

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

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

**Pensions Act 2004.** Under the Pensions Act 2004, a person that is "connected with" or an "associate" of an employer under an occupational pension scheme can be subject to either a contribution notice or a financial support direction. The Issuer is an employer under an occupational scheme and also a Member of the LLP. On this basis, the LLP is likely to be treated as "connected with" the Issuer.

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

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

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

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

**Volcker Rule.** The enactment of the Dodd-Frank Act, which was signed into law on 21 July 2010, imposed a new regulatory framework over the U.S. financial services industry and the U.S. consumer credit markets in general. On 10 December 2013, U.S. regulators adopted final regulations to implement Section 619 of the Dodd-Frank Act, which added a new section 13 to the Bank Holding Company Act of 1956, commonly referred to as the **Volcker Rule**. The Volcker Rule generally prohibits "banking entities" (broadly defined to include U.S. banks, bank holding companies and foreign banking organisations, together with their respective subsidiaries and other affiliates) from (i) engaging in proprietary trading, (ii) acquiring or retaining an

ownership interest in, or sponsoring, a "covered fund" and (iii) entering into certain relationships with such funds, subject to certain exceptions and exclusions. See "*Certain U.S. Regulatory Considerations*" for details with respect to the LLP's status under the Investment Company Act and the Volcker Rule. Although the LLP has conducted careful analysis to determine the availability of the exemption provided by Section 3(c)(5)(C) of the Investment Company Act, there is no assurance that the U.S. Securities and Exchange Commission will not take a contrary position. If the U.S. Securities and Exchange Commission did take a contrary position this could result in any relevant investor being subject to enforcement proceedings from the U.S. Securities and Exchange Commission.

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



## FORM OF THE COVERED BONDS

The Covered Bonds of each Series (with no Series maturing within six months of another) will be in either bearer form, with or without interest coupons and/or talons attached, or registered form, without interest coupons and/or talons attached. Bearer Covered Bonds will be issued outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act ("**Regulation S**") and Registered Covered Bonds will be issued both: (i) outside the United States to non-U.S. persons in reliance on the exemption from registration provided by Regulation S; and (ii) within the United States or to, or for the account or benefit, of U.S. persons who are QIBs in reliance on Rule 144A or otherwise in private transactions, in each case pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable state or local securities laws.

### **Bearer Covered Bonds**

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

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

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

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

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

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

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

The following legend will appear on all Bearer Covered Bonds (other than Temporary Global Covered Bonds) which have an original maturity of more than one year (taking into account any unilateral right to extend or rollover) and on all interest coupons and talons relating to such Bearer Covered Bonds:

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

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

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

### **Registered Covered Bonds**

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

The Registered Covered Bonds of each Tranche may only be offered and sold in the United States or to or for the account or benefit of U.S. persons pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, in each case: (i) to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act ("**QIBs**") acting on their own behalf or on the behalf of one or more other QIBs; or (ii) to institutional "accredited investors" as defined in Rule 501(a)(1), (2), (3) or (7) of

Regulation D under the Securities Act ("**Institutional Accredited Investors**" or "**IAIs**") acting on their own behalf or on the behalf of one or more other IAIs, and in each case not with a view to the distribution thereof in accordance with the Securities Act.

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

Registered Global Covered Bonds will either: (i) be deposited with a custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream, Luxembourg; or (ii) be deposited with a common depository for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg, as specified in the applicable Final Terms. In the case of a Regulation S Global Covered Bond registered in the name of a nominee of DTC, prior to the end of the distribution compliance period (as defined in Regulation S) applicable to the Covered Bonds represented by such Regulation S Global Covered Bond, interests in such Regulation S Global Covered Bond may only be held through the accounts of Euroclear and Clearstream, Luxembourg.

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

The Registered Covered Bonds of each Tranche sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof ("**Definitive IAI Registered Covered Bonds**"). Unless otherwise set forth in the applicable Final Terms, Definitive IAI Registered Covered Bonds will be issued only in minimum denominations of U.S.\$500,000 and integral multiples of U.S.\$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Definitive IAI Registered Covered Bonds will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described under "*Subscription and Sale and Transfer and Selling Restrictions*". Institutional Accredited Investors that hold Definitive IAI Registered Covered Bonds may elect to hold such Covered Bonds through DTC, but transferees acquiring the Covered Bonds in transactions exempt from or not subject to the registration requirements of the Securities Act pursuant to Regulation S or Rule 144A under the Securities Act (if available) or Section 4(2)(a) of the Securities Act may do so upon satisfaction of the requirements applicable to such transfer as described under "*Subscription and Sale and Transfer and Selling Restrictions*". The Rule 144A Global Covered Bonds and the Definitive IAI Registered Covered Bonds will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

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

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

Interests in a Registered Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for Registered Definitive Covered Bonds without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes "**Exchange Event**" means that: (i) in the case of Covered Bonds registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Covered Bonds and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act; (ii) in the case of Covered Bonds

registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Covered Bonds represented by the Registered Global Covered Bond in definitive form. The Issuer will promptly give notice to the Covered Bondholders of each Series of Registered Global Covered Bonds in accordance with Condition 13 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any registered holder of an interest in such Registered Global Covered Bond) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in paragraph (iii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.

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

### **Transfer of Interests**

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

### **General**

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

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

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

The Issuer will notify the ICSDs and the Paying Agents upon issue whether the Covered Bonds are intended, or are not intended, to be held in a manner which would allow Eurosystem eligibility and deposited with one of the ICSDs as Common Safekeeper (and in the case of registered Covered Bonds, registered in the name of a nominee of one of the ICSDs acting as Common Safekeeper). Where the Covered Bonds are not intended to be deposited with one of the ICSDs as Common Safekeeper upon issuance, should the Eurosystem eligibility criteria be amended in the future such as that the Covered Bonds are capable of meeting such criteria, the

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

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

## FORM OF FINAL TERMS

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

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

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

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

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

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

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

to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer[s]'s target market assessment) and determining appropriate distribution channels.

[Date]

## Coventry Building Society

**Legal entity identifier (LEI): 2138004G59FXEAZ6IO10**

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

## PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Covered Bonds (the "**Conditions**") set forth in the offering circular dated [●] 2024 [and the supplemental offering circular dated [●] which constitutes a base prospectus (the "**Offering Circular**") for the purposes of the Prospectus Regulation (Regulation (EU) 2017/1129) as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**")]. This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of the UK Prospectus Regulation and must be read in conjunction with such Offering Circular in order to obtain all the relevant information. Copies of the Offering Circular [and the supplemental Offering Circular] [is] [are] published on the website of the London Stock Exchange and are available free of charge to the public at the principal office of the Issuer and from the specified office of each of the Paying Agents have been published on the Regulatory News Service operated by the London Stock Exchange at [www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html).

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Covered Bonds (the "**Conditions**") set forth in the offering circular dated [●] 2024 (which have been incorporated by reference into the offering circular dated [●]) [and the supplemental offering circular(s) dated [●] and [●]] which [together] constitute(s) a base prospectus (the "**Offering Circular**") for the purpose of the Prospectus Regulation (Regulation (EU) 2017/1129) as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**"). This document constitutes the final terms of the Covered Bonds described herein for the purposes of the UK Prospectus Regulation and must be read in conjunction with the Offering Circular in order to obtain all the relevant information. Copies of such Offering Circular(s) is/are available free of charge to the public at the principal office of the Issuer and from the specified office of each of the Paying Agents and have been published on the Regulatory News Service operated by the London Stock Exchange at [www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html).]

- |    |       |  |                                   |
|----|-------|--|-----------------------------------|
| 1. | (i)   | Issuer:  | Coventry Building Society         |
|    | (ii)  | Guarantor:   | Coventry Godiva Covered Bonds LLP |
| 2. | (i)   | Series Number:   | [●]                               |
|    | (ii)  | Tranche Number:  | [●]                               |
|    | (iii) | Series which Covered Bonds will be consolidated and form a single Series with: | [[●]/Not Applicable]              |

- (iv) Date on which the Covered Bonds will be consolidated and form a single Series with the Series specified above: ☐/Issue Date/Not Applicable]
3. Specified Currency or Currencies: ☐
4. Nominal Amount of Covered Bonds to be issued: ☐
5. Aggregate Nominal Amount of the Covered Bonds Admitted to trading:
- (i) Series: ☐
- (ii) Tranche: ☐
6. Issue Price: ☐ per cent. Of the Aggregate Nominal Amount [plus accrued interest from ☐
7. (i) Specified Denominations: [€100,000 and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Covered Bonds in definitive form will be issued with a denomination above [€199,000].]
- (ii) Calculation Amount: ☐
8. (i) Issue Date: ☐
- (ii) Interest Commencement Date: ☐/Issue Date/Not Applicable]
9. (i) Final Maturity Date: Interest Payment Date falling in or nearest to ☐
- (ii) Extended Due for Payment Date of Guaranteed Amounts corresponding to the Final Redemption Amount under the Covered Bond Guarantee: ☐/Interest Payment Date falling in or nearest to ☐
10. Interest Basis: ☐ per cent. Fixed Rate]  
[[Compounded Daily SONIA/ [EURIBOR] ☐ [+/-]  
☐ per cent.] Floating Rate]  
[Zero Coupon]
11. Redemption/Payment Basis: [100] per cent. of the nominal value
12. Change of Interest Basis or Redemption/Payment Basis: ☐/[in accordance with paragraphs ☐ and ☐ below]
13. Call Options: [Issuer Call/Not Applicable]  
  
[Further particulars specified below]
14. Date [Board] approval for issuance of Covered Bonds obtained: ☐ [and ☐, respectively]



## PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- |     |   |   |
|-----|---|---|
| 15. | Fixed Rate Covered Bond Provisions  | [Applicable/Not Applicable]   |
|     | (i) Fixed Rate(s) of Interest:  | [●] per cent. per annum payable in arrear on each Interest Payment Date   |
|     | (ii) Interest Payment Date(s):  | [●] in each year up to and including the [Final Maturity Date] [Extended Due for Payment Date] (provided however that after the Extension Determination Date, the Interest Payment Date shall be monthly)   |
|     | (iii) Business Day Convention:  | [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]  |
|     | (iv) Business Day(s):   | [●]   |
|     | (v) Additional Business Centre(s):  | [New York], [●]   |
|     | (vi) Fixed Coupon Amount(s):  | [●] per Calculation Amount  |
|     | (vii) Initial Broken Amount(s):   | [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]/[Not Applicable]   |
|     | (viii) Final Broken Amount:   | [●]   |
|     | (ix) Day Count Fraction:  | [30/360 or Actual/Actual (ICMA)]  |
|     | (x) Determination Date(s):  | [[●] in each year]/[Not Applicable]   |
| 16. | Floating Rate Covered Bond Provisions   | [Applicable/Not Applicable]   |
|     | (i) Specified Period(s)/Specified Interest Payment Date(s):   | [●] (provided however that [prior to the Extension Determination Date] [the Specified Interest Payment Date shall be no more frequent than quarterly][, and provided further that][after the extension of the Extension Determination Date, the Interest Payment Date shall be [monthly][quarterly]]) The first Interest Payment Date shall be [●]. |
|     | (ii) Business Day Convention:   | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]   |
|     | (iii) Additional Business Centre(s):  | [●]/ [Not Applicable]   |
|     | (iv) Manner in which the Rate of Interest and Interest Amount is to be determined:                                  | [Screen Rate Determination/ISDA Determination]  |
|     | (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): | [●]   |

- (vi) Screen Rate Determination: [Applicable /Not Applicable]
- Reference Rate: [Compounded Daily SONIA]/[[●]-month]  
[EURIBOR]
  - Relevant Financial Centre: [London/Brussels]
  - Interest Determination Date(s): [[●] [T2/[●]] Business Days [in [●]] prior to the [●] day in each Interest Accrual Period/each Interest Payment Date][5 London Business Days prior to the end of each Interest Period] [●]
  - Relevant Screen Page: [[●]/Not Applicable]
  - Relevant Time: [●]
  - SONIA Lag Period (p): [5 / [●] London Business Days] [Not Applicable]
  - Observation Method: [Lag][Lock-Out][Shift]
  - Index Determination: [Applicable]/[Not Applicable]
- [Where Index Determination is applicable, "Shift" should be specified as the Observation Method]*
- (vii) ISDA Determination: [Applicable/Not Applicable]
- Floating Rate Option: [●]
  - Designated Maturity: [●]
  - Reset Date: [●]
- (viii) Margin(s): [+/-] [●] per cent. per annum.
- (ix) Minimum Rate of Interest: [●] per cent. per annum
- (x) Maximum Rate of Interest: [●] per cent. per annum
- (xi) Day Count Fraction: [Actual/Actual  
Actual/Actual (ISDA)  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
360/360  
Bond Basis  
30E/360  
Eurobond Basis]
17. Zero Coupon Covered Bond Provisions [Applicable/Not Applicable]
- (i) Accrual Yield: [●] per cent. per annum
  - (ii) Reference Price: [●]

- (iii) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (iv) Business Day(s): [●]
- (v) Additional Business Centre(s): [●]/ [Not Applicable]
- (vi) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Condition 6(e) (*Redemption due to illegality*) applies]

## PROVISIONS RELATING TO REDEMPTION BY THE ISSUER

- 18. Issuer Call: [Applicable/Not Applicable]
  - (i) Optional Redemption Date(s): [●]
  - (ii) Optional Redemption Amount and method, if any, of calculation of such amount(s): [●] per Calculation Amount
  - (iii) If redeemable in part:
    - (a) Minimum Redemption Amount: [●]
    - (b) Higher Redemption Amount: [●]
- 19. Covered Bondholder Put Option: [Applicable/Not Applicable]
  - (i) Optional Redemption Date(s): [●]
  - (ii) Optional Redemption Amount and method, if any, of calculation of such amount(s): [●]
  - (iii) Notice period (if other than as set out in the Conditions): [●]
- 20. Final Redemption Amount: [Nominal Amount/[●] per Calculation Amount]
- 21. Early Redemption Amount payable on redemption for taxation reasons, on acceleration following an Issuer Event of Default or an LLP Event of Default [●] per Calculation Amount

## GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

- 22. New Global Covered Bond: [Yes/No]
- 23. Form of Covered Bonds: [Bearer Covered Bonds:  
[Temporary Global Covered Bond exchangeable for a Permanent Global Covered Bond which is

exchangeable for Bearer Definitive Covered Bonds in definitive form only after an Exchange Event[/on not less than 60 days' notice]]]

[Temporary Global Covered Bond exchangeable for Bearer Definitive Covered Bonds only after an Exchange Event]

[Permanent Global Covered Bond exchangeable for Bearer Definitive Covered Bonds in definitive form only after an Exchange Event[/on not less than 60 days' notice]]

[Registered Covered Bonds:

Regulation S Global Covered Bond (U.S.\$[●]

nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg]/Rule

144A Global Covered Bond (U.S.\$[●] nominal amount) registered in the name of a nominee for

[DTC/ a common depositary for Euroclear and Clearstream, Luxembourg]/Definitive IAI

Registered Covered Bond]

24. Additional Financial Centre(s) or other special provisions relating to Payment Dates:

[New York/Not Applicable]

25. Talons for future Coupons to be attached to Bearer Definitive Covered Bonds (and dates on which such Talons mature):

[Yes, as the Covered Bonds have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

## **PART B – OTHER INFORMATION**

### **1. LISTING AND ADMISSION TO TRADING**

Admission to trading:

[Application [is expected to be/has been] made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on the London Stock Exchange's main market and to be listed on the Official List of the FCA with effect from [●].]

Estimate of total expenses related to admission to trading: [●]

### **2. RATINGS**

Ratings:

The Covered Bonds to be issued are expected to be rated:

Fitch: [●]

*(Include a brief explanation of the meaning of the ratings if this has previously been published by the relevant Rating Agency)*

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

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

### **4. REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS**

(i) Reasons for the offer

[See ["Use of Proceeds"] in the Offering Circular/Give details]

*(See ["Use of Proceeds"] wording in Offering Circular – if reasons for offer different from what is disclosed in the Offering Circular, give details.)*

(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.)*

### **5. OPERATIONAL INFORMATION**

(i) ISIN Code:

[●]

(ii) Common Code:

[●]

- (iii) [(Any other relevant codes such as CUSIP AND CINS codes)] [Not Applicable]/[●]
- (iv) Names and addresses of additional Paying Agent(s) (if any): [●]
- (v) Intended to be held in a manner which would allow Eurosystem eligibility:
 

[Yes. Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)][include this text for registered covered bonds] and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

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

## 6. DISTRIBUTION

- (i) Method of Distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated:
  - (a) Names of Dealers: [●]
  - (b) Stabilising Manager(s) (if any): [Not Applicable]/[●]
- (iii) Date of [Subscription] Agreement: [●]
- (iv) If non-syndicated, name of Dealer: [Not Applicable]/[●]

(v)	U.S. Selling Restrictions:	[Rule 144A/sales to Institutional Accredited Investors under the Securities Act permitted/Reg. S Compliance Category 2; TEFRA D/TEFRA C/TEFRA Not Applicable]
	<b>Prohibition of Sales to EEA Retail Investors</b>	[Applicable/Not Applicable]  <i>(If the Covered Bonds clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Covered Bonds may constitute "packaged" products, "Applicable" should be specified.)</i>
	<b>Prohibition of Sales to UK Retail Investors</b>	[Applicable/Not Applicable]  <i>(If the Covered Bonds clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Covered Bonds may constitute "packaged" products, "Applicable" should be specified.)</i>
<b>7.</b>	<b>YIELD (Fixed Rate Covered Bonds only)</b>	<b>[●]</b>
	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.
<b>8.</b>	<b>RELEVANT BENCHMARKS</b>	[[Specify benchmark] is provided by [administrator legal name]]. As at the date hereof, [administrator legal name] [appears] / [does not appear] in the register of administrators and benchmarks established and maintained by the FCA pursuant to Article 36 (Register of administrators and benchmarks) of the UK Benchmarks Regulation] / [As far as the Issuer is aware, as at the date hereof, [specify benchmark] does not fall within the scope of the UK Benchmarks Regulation] / [Not Applicable].
	Signed on behalf of the Issuer:	Signed on behalf of the LLP:
	By:	By:
	Duly authorised	Duly authorised

## TERMS AND CONDITIONS OF THE COVERED BONDS

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

This Covered Bond is one of a Series (as defined below) of Covered Bonds issued by Coventry Building Society (the "**Issuer**") constituted by a trust deed (such trust deed as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated 14 October 2020 (the "**Programme Date**") made between the Issuer, Coventry Godiva Covered Bonds LLP as guarantor (the "**LLP**") and HSBC Corporate Trustee Company (UK) Limited as bond trustee (in such capacity, the "**Bond Trustee**", which expression shall include any successor as Bond Trustee) and as security trustee (in such capacity, the "**Security Trustee**", which expression shall include any successor as Security Trustee).

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

- (i) in relation to any Covered Bonds represented by a global covered bond (a "**Global Covered Bond**"), units of the lowest Specified Denomination in the Specified Currency;
- (ii) any Global Covered Bond;
- (iii) any Definitive Covered Bonds in bearer form ("**Bearer Definitive Covered Bonds**") issued in exchange for a Global Covered Bond in bearer form; and
- (iv) any Definitive Covered Bonds in registered form ("**Registered Definitive Covered Bonds**") (whether or not issued in exchange for a Global Covered Bond in registered form).

The Covered Bonds and the Coupons (as defined below) have the benefit of an agency agreement (such agency agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated the Programme Date and made between the Issuer, the LLP, the Bond Trustee, the Security Trustee and HSBC Bank plc, as issuing and principal paying agent and agent bank (in such capacity, the "**Principal Paying Agent**", which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents), HSBC Bank plc, as exchange agent (in such capacity, the "**Exchange Agent**", which expression shall include any additional or successor exchange agent), HSBC Bank plc, as registrar (in such capacity, the "**Registrar**", which expression shall include any successor registrar) and 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 interest coupons ("**Coupons**") and, in the case of Covered Bonds which when issued in definitive form have more than 27 interest payments remaining, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Covered Bonds and Global Covered Bonds do not have Coupons or Talons attached on issue.

The Final Terms for this Covered Bond (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Covered Bond which completes these terms and conditions (the "**Conditions**"). References to the "**applicable Final Terms**" are to the Final Terms (or the relevant provisions



thereof) attached to or endorsed on this Covered Bond or as set out in any drawdown prospectus issued specifically in relation to a particular series of Covered Bonds.

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

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

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

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

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

Copies of the Trust Deed, the Deed of Charge, the Master Definitions and Construction Agreement (as defined below), the Agency Agreement and each of the other Transaction Documents are available for inspection during normal business hours at the registered office for the time being of the Bond Trustee being at the Programme Date at 8 Canada Square, London E14 5HQ and at the specified office of each of the Paying Agents or can be viewed online at <https://live.irooms.net/CoventryBuildingSociety/>. Copies of the applicable Final Terms for all Covered Bonds of each Series are obtainable during normal business hours at the specified office of each of the Paying Agents and any Covered Bondholder must produce evidence satisfactory to the Issuer and the Bond Trustee or, as the case may be, the relevant Paying Agent as to its holding of Covered Bonds and identity. The Covered Bondholders and the Couponholders are deemed to have notice of, are bound by, and are entitled to the benefit of, all the provisions of, and definitions contained in, the Trust Deed, the Deed of Charge, the Master Definitions and Construction Agreement, the Agency Agreement, each of the other Transaction Documents and the applicable Final Terms which are applicable to them and to have notice of each set of Final Terms relating to each other Series.

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

## 1. Form, Denomination and Title

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

This Covered Bond may be denominated in any currency.

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

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

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

For so long as any of the Covered Bonds is represented by a Global Covered Bond deposited with a common depositary (in the case of a CGCB) or common safekeeper (in the case of a NGCB) for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, S.A. ("**Clearstream, Luxembourg**") or so long as The Depository Trust Company ("**DTC**") or its nominee is the registered holder of a Registered Global Covered Bond, each person (other than Euroclear or Clearstream, Luxembourg or DTC) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg or DTC as the holder of a particular nominal amount of such Covered Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg or DTC as to the nominal amount of such Covered Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error and any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CEDCOM system) in accordance with its usual procedures and in which the holder of a particular nominal amount of the Covered Bonds is clearly identified with the amount of such holding) shall be treated by the Issuer, the LLP, the Paying Agents, the Security Trustee and the Bond Trustee as the holder of such nominal amount of such Covered Bonds for all purposes other than with respect to the payment of principal or interest or other amounts on such nominal amount of such Covered Bonds, and, in the case of DTC or its nominee, voting, giving consents and making requests, for which purpose the bearer of the relevant Global Covered Bond or the registered holder of the relevant Registered Global Covered Bond shall be treated by the Issuer, the LLP, any Paying Agent, the Security Trustee and the Bond Trustee as the holder of such nominal amount of such Covered Bonds in accordance with and subject to the terms of the relevant Global Covered Bond and the expression "**Covered Bondholder**" and related expressions shall be construed accordingly.

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

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

## **2. Transfers of Registered Covered Bonds**

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

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

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

Subject as provided in Conditions 2(e), 2(f) and 2(g) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Covered Bond in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer: (i) the holder or holders must: (A) surrender the Registered Covered Bond for registration of the transfer of the Registered Covered Bond (or the relevant part of the Registered Covered Bond) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing; and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent; and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Bond Trustee and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 6 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Covered Bond in definitive form of a like aggregate nominal amount to the Registered Covered Bond (or the relevant part of the Registered Covered Bond) transferred. In the case of the transfer of part only of a Registered Covered Bond in definitive form, a new Registered Covered Bond in definitive form in respect of the balance of the Registered Covered Bond not transferred will be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to the address specified by the transferor.

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

In the event of a partial redemption of Covered Bonds under Condition 6, 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 to the effect that such transfer is being made:
  - (A) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or
  - (B) to a person who is an Institutional Accredited Investor, together with a duly executed investment letter from the relevant transferee substantially in the form set out in the Agency Agreement (an "**IAI Investment Letter**"); or
- (ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

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

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

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

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

- (i) to a transferee who takes delivery of such interest through a Regulation S Global Covered Bond, upon receipt by the Registrar of a duly completed Transfer Certificate from the

transferor to the effect that such transfer is being made in accordance with Regulation S and that, in the case of a Regulation S Global Covered Bond registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Covered Bonds being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or

- (ii) to a transferee who takes delivery of such interest through a Legended Covered Bond:
  - (A) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
  - (B) where the transferee is an Institutional Accredited Investor,  
  
subject to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee; or
- (iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

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

Covered Bonds transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC, Euroclear or Clearstream, Luxembourg, as appropriate, and the Registrar will arrange for any Covered Bonds which are the subject of such a transfer to be represented by the appropriate Registered Global Covered Bonds, where applicable.

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

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

Holders of Registered Covered Bonds in definitive form, other than Institutional Accredited Investors, may exchange such Covered Bonds for interests in a Registered Global Covered Bond of the same type at any time.

(h) ***Definitions***

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

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

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

**"Institutional Accredited Investor"** means an "accredited investor" (as defined in Rule 501 (a)(1), (2), (3) or (7) under the Securities Act) that is an institution;

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

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

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

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

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

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

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

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

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

#### **(a) Status of the Covered Bonds**

The Covered Bonds and any relative Coupons constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference 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 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) discharge *pro tanto* the obligations of the Issuer in respect of such payment under the Covered Bonds and Coupons except where such payment has been declared void, voidable or otherwise recoverable in whole or in part and recovered from the Bond Trustee or the Covered Bondholders.

#### 4. Interest

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

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

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

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

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

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

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

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

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

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

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

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

In these Conditions:

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

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

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

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

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

(i) ***Interest Payment Dates***

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

- (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 paragraph (B) below, the "**Floating Rate Convention**", such Interest Payment Date: (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of paragraph (B) below shall apply *mutatis mutandis*; or (ii) in the case of paragraph (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;
- (2) the "**Following Business Day Convention**", such Interest Payment Date shall be postponed to the next day which is a Business Day;
- (3) the "**Modified Following Business Day Convention**", such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the "**Preceding Business Day Convention**", such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

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

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and
- (B) in the case of any sum payable, either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency 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 or any successor or replacement for that system thereto ("**T2**") is open.

(ii) *Rate of Interest*

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

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

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest

Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this paragraph (A), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Principal Paying Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 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 the day specified in the applicable Final Terms.

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

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

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

**I. EURIBOR**

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

- (1) the offered quotation (if there is only one quotation on the Relevant Screen Page); or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

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

The Agency Agreement contains provisions for determining the Rate of Interest pursuant to this paragraph (B)(I) in the event that the Relevant Screen Page is not available or if, in the case of paragraph (1) above, no such offered quotation appears

or, in the case of paragraph (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

## II. SONIA

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

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

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

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

or

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

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

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

where:

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

"**d<sub>o</sub>**" is (i) where "Lag" or "Lock-Out" is specified in the relevant Final Terms as the Observation Method, the number of London Business Days in the relevant Interest Accrual Period and (ii) where "Shift" is specified in the relevant Final Terms as the Observation Method, for any Observation Period, the number of London Business Days in the relevant Observation Period;

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

"**Index<sub>END</sub>**" means, in relation to any Interest Accrual Period, the Index Value on the day which is "p" London Business Days prior to the Interest Payment Date for such Interest Accrual Period;

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

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

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

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

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

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

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

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

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

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

"**SONIA<sub>i-pLBD</sub>**" means (i) where "Lag" is specified in the relevant Final Terms as the Observation Method, in respect of any London Business Day falling in the relevant Interest Accrual Period the SONIA reference rate for the London Business Day falling "p" London Business Days prior to the relevant London Business Day "i", and (ii) where "Shift" or "Lock-Out" is specified in the relevant Final Terms as the Observation Method, SONIA<sub>i</sub>; and

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

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

#### *Fallback provisions*

If, in respect of any London Business Day in the relevant Observation Period, the applicable SONIA reference rate is not made available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, then (unless the Principal Paying Agent (or other party responsible for calculating the Rate of Interest as set out in the relevant Final Terms) has been notified of any Alternative Base Rate (and any related Base Rate Modifications) pursuant to Condition 14(v), if applicable) the SONIA reference rate in respect of such London Business Day shall be: (i) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at 5.00 p.m. (or, if earlier, close of business) on such London Business Day; plus (ii) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five London Business Days on which a SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate.

Notwithstanding the paragraph above, in the event the Bank of England publishes guidance as to (i) how the SONIA reference rate is to be determined or (ii) any rate

that is to replace the SONIA reference rate, the Principal Paying Agent (or such other party responsible for the calculating the Rate of Interest as set out in the relevant Final Terms) shall, subject to receiving written instructions from the Issuer and to the extent that it is reasonably practicable, follow such guidance in order to determine SONIA<sub>i</sub> for the purpose of the relevant Series of Covered Bonds for so long as the SONIA reference rate is not available or has not been published by the authorised distributors.

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions, the Rate of Interest shall be:

- (1) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest (as the case may be) relating to the relevant Interest Accrual Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest (as applicable) relating to that last preceding Interest Accrual Period); or
- (2) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Covered Bonds for the first scheduled Interest Accrual Period had the Covered Bonds been in issue for a period equal in duration to the first scheduled Interest Accrual Period but ending on (and excluding) the Interest Commencement Date (applying the Margin and, if applicable, any Maximum Rate of Interest and/or Minimum Rate of Interest, applicable to the first scheduled Interest Accrual Period).

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

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

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.

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

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

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

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

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

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

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

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

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

where:

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

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

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

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

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

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

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

where:

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

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

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

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

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30.

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

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

(vi) *Certificates to be Final*



All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), whether by the Principal Paying Agent or the Bond Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the LLP, the Principal Paying Agent, the other Paying Agents, the Bond Trustee and all the Covered Bondholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the LLP, the Covered Bondholders or the Couponholders shall attach to the Principal Paying Agent or the Bond Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) ***Accrual of Interest***

Interest (if any) will cease to accrue on each Covered Bond (or in the case of the redemption of part only of a Covered Bond, that part only of such Covered Bond) on the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused in which event, interest will continue to accrue as provided in the Trust Deed.

**5. Payments**

(a) ***Method of payment***

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or electronic transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency; and
- (ii) payments in euro will be made by credit or electronic transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

In the case of Bearer Covered Bonds, payments in U.S. dollars will be made by transfer to a U.S. dollar account maintained by the payee with a bank outside of the United States (which expression, as used in this Condition 5, means the United States of America, including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction), or by cheque drawn on a United States bank. In no event will payment in respect of Bearer Covered Bonds be made by a cheque mailed to an address in the United States. All payments of interest in respect of Bearer Covered Bonds will be made to accounts located outside the United States except as may be permitted by United States tax law in effect at the time of such payment without detriment to the Issuer.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in any jurisdiction but without prejudice to the provisions of Condition 7, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto. References to Specified Currency will include any successor currency under applicable law. Any such amounts withheld or deducted will be treated as paid for all purposes under the Covered Bonds, and no additional amounts will be paid on the Covered Bonds with respect to any such withholding or deduction.

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

Payments of principal and interest (if any) will (subject as provided below) be made against presentation and surrender of Bearer Definitive Covered Bonds or Coupons, as the case may be, at any specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Covered Bonds in definitive bearer form (other than any Long Maturity Covered Bonds) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall include Coupons falling to be issued on exchange of matured Talons), failing which an amount equal to the face value of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 12 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, six years from the date on which such Coupon would otherwise have become due.

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

Upon the due date for redemption of any Floating Rate Covered Bond or Long Maturity Covered Bond in definitive bearer form, all unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Covered Bond**" is a Fixed Rate Covered Bond (other than a Fixed Rate Covered Bond which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Covered Bond shall cease to be a Long Maturity Covered Bond on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the Principal Amount Outstanding of such Covered Bond. If the date for redemption of any Bearer Definitive Covered Bond is not an Interest Payment Date, interest (if any) accrued in respect of such Covered Bond from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Bearer Definitive Covered Bond.

*(c) Payments in respect of Bearer Global Covered Bonds*

Payments of principal and interest (if any) in respect of Covered Bonds represented by any Bearer Global Covered Bond will (subject as provided below) be made in the manner specified above in relation to Bearer Definitive Covered Bonds and otherwise in the manner specified in the relevant Global Covered Bond (against presentation or surrender, as the case may be, of such Global Covered Bond if the Bearer Global Covered Bond is not intended to be issued in NGCB form at the specified office of any Paying Agent outside the United States). On the occasion of each payment, (i) in the case of any Bearer Global Covered Bond which is not issued in NGCB form, a record of such payment made on such Bearer Global Covered Bond, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Covered Bond by the Paying Agent and such record shall be prima facie evidence that the payment in question has been made and (ii) in the case of any Global Covered Bond which is issued in NGCB form, the Paying Agent shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

*(d) Payments in respect of Registered Covered Bonds*

Payments of principal in respect of each Registered Covered Bond (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Covered Bond at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by electronic transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Covered Bond appearing in the register of holders of the Registered Covered Bonds maintained by the Registrar (the "**Register**") at the close of business on the third Business Day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a "**Designated Account**" or (ii) the principal amount of the Covered Bonds held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account maintained by a holder with a "**Designated Bank**" and identified as such in the Register and Designated Bank means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.

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

Holders of Registered Covered Bonds will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Covered Bond as a result of a cheque posted in accordance with this Condition 5 arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Covered Bonds.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Covered Bond in respect of Covered Bonds denominated in a Specified Currency other than U.S. dollars shall be paid by electronic transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer, the LLP, the Bond Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) ***General provisions applicable to payments***

The holder of a Global Covered Bond (or, as provided in the Trust Deed, the Bond Trustee) shall be the only person entitled to receive payments in respect of Covered Bonds represented by such Global Covered Bond and the Issuer or, as the case may be, the LLP will be discharged by payment to, or to the order of, the holder of such Global Covered Bond (or the Bond Trustee, as the case may be) in respect of each amount so paid. Each of the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Covered Bonds represented by such Global Covered Bond must look solely to DTC, Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment so made by the Issuer or the LLP to, or to the order of, the holder of such Global Covered Bond (or the Bond Trustee, as the case may be). No person other than the holder of the relevant Global Covered Bond (or, as provided in the Trust Deed, the Bond Trustee) shall have any claim against the Issuer or the LLP in respect of any payments due on that Global Covered Bond.

Notwithstanding the foregoing provisions of this Condition 5, payments of principal and/or interest in U.S. dollars in respect of the Bearer Covered Bonds will only be made at the specified office of a Paying Agent in the United States if:

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

(f) ***Payment Day***

If the date for payment of any amount in respect of any Covered Bond or Coupon is not a Payment Day (as defined below), the holder thereof shall not be entitled to payment of the relevant amount due until the next following Payment Day and shall not be entitled to any interest or other sum in respect of any such delay. In this Condition 5 (unless otherwise specified in the applicable Final Terms), "**Payment Day**" means any day which (subject to Condition 8) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) the relevant place of presentation;
  - (B) London; and
  - (C) any Additional Financial Centre specified in the applicable Final Terms; 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) or (2) in relation to any sum payable in euro, a day on which the T2 is open; and
- (iii) in the case of any payment in respect of a Registered Global Covered Bond denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee

and in respect of which an accountholder of DTC (with an interest in such Registered Global Covered Bond) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

(g) ***Interpretation of principal and interest***

Any reference in these Conditions to principal in respect of the Covered Bonds shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 7 or under any undertakings or covenants given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Covered Bonds;
- (iii) the Early Redemption Amount of the Covered Bonds;
- (iv) the Optional Redemption Amount(s) (if any) of the Covered Bonds;
- (v) in relation to Zero Coupon Covered Bonds, the Amortised Face Amount (as defined in Condition 6(f));
- (vi) any premium and any other amounts (other than interest) which may be payable under or in respect of the Covered Bonds; and
- (vii) any Excess Proceeds which may be payable by the Bond Trustee under or in respect of the Covered Bonds.

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

(h) ***Definitions***

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

"**Calculation Amount**" has the meaning given in the applicable Final Terms.

"**euro**" means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of Fixed Rate Covered Bonds and Floating Rate Covered Bonds, as determined in, or as determined in the manner specified in, the applicable Final Terms.

"**Treaty**" means the Treaty establishing the European Community, as amended.

**6. Redemption and Purchase**

(a) ***Final redemption***

Unless previously redeemed or purchased and cancelled as specified below, each Covered Bond will be redeemed by the Issuer at its Final Redemption Amount in the relevant Specified Currency on the Final Maturity Date specified in the applicable Final Terms.

Without prejudice to Condition 9, if the Issuer has failed to pay the Final Redemption Amount on the Final Maturity Date specified in the Final Terms (or after expiry of the grace period set out in Condition 9(a)(i)) and following the service of a Notice to Pay on the LLP by no later than the date falling one Business Day prior to the Extension Determination Date the LLP has insufficient monies available to apply under the Guarantee Priority of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of the relevant Series of Covered Bonds on the date falling on the earlier of (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(a)(i)) under the terms of the Covered Bond Guarantee or (b) the Extension Determination Date, then (subject as provided below) payment of the unpaid amount by the LLP under the Covered Bond Guarantee shall be deferred until the Extended Due for Payment Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the earlier of paragraphs (a) and (b) above may be paid by the LLP on any Interest Payment Date thereafter up to (and including) the relevant Extended Due for Payment Date. The Issuer shall confirm to the Principal Paying Agent as soon as reasonably practicable and in any event at least four Business Days prior to the Final Maturity Date of a Series of Covered Bonds whether (a) payment will be made in full of the Final Redemption Amount in respect of a Series of Covered Bonds on that Final Maturity Date or (b) payment will not be made in full of the Final Redemption Amount in respect of a Series of Covered Bonds on that Final Maturity Date. Any failure by the Issuer to notify the Principal Paying Agent shall not affect the validity or effectiveness of the extension.

The LLP shall notify the relevant Covered Bondholders (in accordance with Condition 13), the Rating Agencies, the Bond Trustee, the Security Trustee, the Principal Paying Agent and the Registrar (in the case of Registered Covered Bonds) as soon as reasonably practicable and in any event at least one Business Day prior to the dates specified in paragraphs (a) and (b) of the preceding paragraph of any inability of the LLP to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of a Series of Covered Bonds pursuant to the Covered Bond Guarantee. Any failure by the LLP to notify such parties shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party.

In the circumstances outlined above, the LLP shall on the earlier of (a) the date falling two Business Days after the service of a Notice to Pay or if later the Final Maturity Date (or, in each case, after the expiry of the grace period set out in Condition 9(b)(i)) 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 each Covered Bond of the relevant Series of Covered Bonds and shall pay Guaranteed Amounts constituting the Scheduled Interest in respect of each such Covered Bond on such date. The obligation of the LLP to pay any amounts in respect of the balance of the Final Redemption Amount not so paid shall be deferred as described above. Such failure to pay by the LLP shall not constitute an LLP Event of Default.

Any discharge of the obligations of the Issuer as the result of the payment of Excess Proceeds to or to the order of the Bond Trustee shall be disregarded for the purposes of determining the amounts to be paid by the LLP under the Covered Bond Guarantee in connection with this Condition 6(a).

For the purposes of these Conditions:

**"Extended Due for Payment Date"** means, in relation to any Series of Covered Bonds, the date specified as such in the applicable Final Terms to which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Final Maturity Date will be deferred in the event that the Final Redemption Amount is not paid in full on the Final Maturity Date or the Extension Determination Date, as applicable in accordance with this Condition 6(a).

**"Extension Determination Date"** means, in respect of a Series of Covered Bonds, the date falling two Business Days after the expiry of seven days from (and including) the Final Maturity Date of such Series of Covered Bonds.

**"Guarantee Priority of Payments"** means the priority of payments relating to monies standing to the credit of the Transaction Accounts (in each case to the extent maintained) to be paid on each LLP Payment Date in accordance with the Trust Deed.

**"Rating Agency"** means Fitch Ratings Ltd. and any other rating agency appointed from time to time in connection with the Programme (together, the **"Rating Agencies"**) or their successors, to the extent they provide ratings in respect of the Covered Bonds.

*(b) Redemption for Taxation Reasons*

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

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

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given not less than 15 nor more than 30 days' notice to the Bond Trustee, the Principal Paying Agent, (in the case of the redemption of Registered Covered Bonds) the Registrar and, in accordance with Condition 13, the Covered Bondholders (which notice shall be irrevocable) redeem all or some only (as specified in the applicable Final Terms) of the Covered Bonds then outstanding on any Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date(s). Upon expiry of such notice, the Issuer shall be bound to redeem the Covered Bonds accordingly. In the event of a redemption of some only of the Covered Bonds, such redemption must be for an amount being the Minimum Redemption Amount or a Higher Redemption Amount. In the case of a partial redemption of Covered Bonds, the Covered Bonds to be redeemed (the **"Redeemed Covered Bonds"**) will be selected individually by lot, in the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, and in accordance with the rules of DTC, Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of DTC, Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Covered Bonds represented by a Global Covered Bond, in each case, not more than 60 days prior to the date fixed for redemption (such date of selection being hereinafter called the **"Selection Date"**). In the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, a list of the serial numbers of such Redeemed Covered Bonds will be published in accordance with Condition 13 not less than 30 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Covered Bonds represented by Definitive Covered Bonds shall bear the same proportion to the aggregate nominal amount of all Redeemed Covered Bonds as the aggregate nominal amount of Definitive Covered Bonds outstanding bears to the aggregate nominal amount of the Covered Bonds outstanding, in each case on the Selection Dates, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Covered Bonds represented by a Global Covered Bond shall be equal to the balance of the Redeemed Covered Bonds. No exchange of the relevant Global Covered Bond will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this

Condition 6(c) and notice to that effect shall be given by the Issuer to the Covered Bondholders in accordance with Condition 13 at least 30 days prior to the Selection Date.

(d) ***Redemption at the option of the Covered Bondholders (Investor Put)***

If Investor Put is specified in the applicable Final Terms, upon the holder of any Covered Bond giving to the Issuer in accordance with Condition 13 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Covered Bond on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

To exercise the right to require redemption of this Covered Bond the holder of this Covered Bond must, if this Covered Bond is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise 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 required to be made by cheque, an address) to which payment is to be made under this Condition 6(d) accompanied by this Covered Bond or evidence satisfactory to the Paying Agent concerned that this Covered Bond will, following delivery of the Put Notice, be held to its order or under its control. If this Covered Bond is represented by a Global Covered Bond or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Covered Bond the holder of this Covered Bond must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Covered Bond is represented by a Global Covered Bond, at the same time present or procure the presentation of the relevant Global Covered Bond to the Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Covered Bond pursuant to this Condition 6(d) shall be irrevocable except where, prior to the due date of redemption, an Issuer Event of Default or an LLP Event of Default has occurred and is continuing and the Bond Trustee has declared the Covered Bonds to be due and payable pursuant to Condition 9, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6(d) and instead to declare such Covered Bond forthwith due and payable pursuant to Condition 9.

(e) ***Redemption due to illegality***

The Covered Bonds of all Series may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bond Trustee, the Principal Paying Agent, the Registrar and, in accordance with Condition 13, all the Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Bond Trustee immediately before the giving of such notice that it has, or will, before the next Interest Payment Date of any Covered Bond of any Series, become unlawful for the Issuer to make, fund or allow to remain outstanding any Term Advance made by it to the LLP from the Covered Bonds pursuant to the Intercompany Loan Agreement, as a result of any change in, or amendment to, the applicable laws or regulations or any change in the application or official interpretation of such laws or regulations, which change or amendment has become or will become effective before the next such Interest Payment Date.



Covered Bonds redeemed pursuant to this Condition 6(e) will be redeemed at their Early Redemption Amount referred to in Condition 6(f) below together (if appropriate) with interest accrued up to (but excluding) the date of redemption.

(f) ***Early Redemption Amounts***

For the purpose of Conditions 6(b) above and 6(i) below and Condition 9, each Covered Bond will be redeemed at its Early Redemption Amount calculated as follows:

- (i) in the case of a Covered Bond with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Covered Bond (other than a Zero Coupon Covered Bond) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Covered Bond is denominated, at the amount specified in 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) ***Purchases***

The Issuer or any of its subsidiaries or the LLP may at any time purchase or otherwise acquire Covered Bonds (provided that, in the case of Bearer Definitive Covered Bonds, all unmatured Coupons and Talons appertaining thereto are attached thereto or surrendered therewith) at any price and in any manner. If purchases are made by tender, tenders must be available to all the Covered Bondholders alike. Such Covered Bonds may be held, reissued, resold or, at the option of the Issuer or the relevant subsidiary, surrendered to any Paying Agent and/or the Registrar for cancellation (except that any Covered Bonds purchased or otherwise acquired by the LLP must immediately be surrendered to any Paying Agent and/or the Registrar for cancellation).

(h) ***Cancellation***

All Covered Bonds which are redeemed will forthwith be cancelled (together with, in the case of Bearer Definitive Covered Bonds, all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Covered Bonds so cancelled and any Covered Bonds purchased and surrendered for cancellation pursuant to Condition 6(g) above and cancelled (together

with, in the case of Bearer Definitive Covered Bonds, all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be held, reissued or resold.

(i) ***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), (b) or (c) above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Covered Bond shall be the amount calculated as provided in Condition 6(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 monies payable in respect of such Zero Coupon Covered Bonds has been received by the Principal Paying Agent or the Bond Trustee or the Registrar and notice to that effect has been given to the Covered Bondholders either in accordance with Condition 13 or individually.

(j) ***Certification on redemption under Conditions 6(b) and 6(d) above***

Prior to the publication of any notice of redemption pursuant to Conditions 6(b) and (d) above, the Issuer shall deliver to the Bond Trustee a certificate signed by two Authorised Signatories (as defined in the Master Definitions and Construction Agreement) of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and the Bond Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on all holders of the Covered Bonds and Couponholders.

**7. Taxation**

All payments of principal and interest (if any) in respect of the Covered Bonds and Coupons by or on behalf of the Issuer or the LLP, as the case may be, will be made free and clear of, and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the UK or any political sub-division thereof or by any authority therein or thereof having power to tax unless such withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In the event of such a withholding or deduction being made by the Issuer in respect of a payment made by it, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Covered Bondholders or Coupon holders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Covered Bonds or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Covered Bond or Coupon presented for payment:

- (a) in the UK; or
- (b) by or on behalf of a holder who (i) is able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration of non-residence or other claim for exemption to the relevant taxing authority but fails to do so; or (ii) is liable for such taxes, duties, assessments or governmental charges in respect of such Covered Bonds or Coupons

(as the case may be) by reason of his having some connection with the UK other than merely by reason of the holding of such Covered Bonds or Coupons; or

- (c) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on the last day of such period of 30 days; or
- (d) where the holder is able to avoid such withholding or deduction by presenting an appropriate certificate.

As used herein:

**"Relevant Date"** means the date on which such payment in respect of the Covered Bond or Coupon first becomes due and payable, except that, if the full amount of the monies payable on such date has not been duly received by the Bond Trustee, the Registrar or the Principal Paying Agent on or prior to such date, it means the date on which such monies have been so received, notice to that effect having been given to the Covered Bondholders in accordance with Condition 13.

Should any payments made by the LLP under the Covered Bond Guarantee be made subject to any withholding or deduction for or on account of taxes or duties of whatever nature imposed or levied by or on account of the UK or any political sub-division thereof or by any authority therein or thereof having power to tax, the LLP will not be obliged to pay any additional amounts as a consequence.

## 8. Prescription

The Covered Bonds (whether in bearer or registered form) and Coupons will become void unless presented for payment within ten 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) therefor, subject in each case to the provisions of Condition 5.

There shall not be included in any Coupon sheet issued on exchange of a Talon, any Coupon the claim for payment in respect of which would be void pursuant to this Condition 8 or Condition 5 or any Talon which would be void pursuant to Condition 5.

## 9. Events of Default and Enforcement

### (a) *Issuer Events of Default*

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds then Outstanding (as defined in the Master Definitions and Construction Agreement) (which for this purpose or the purpose of any Extraordinary Resolution referred to in this Condition 9(a) means the Covered Bonds of this Series together with the Covered Bonds of any other Series constituted by the Trust Deed) then outstanding as if they were a single Series (with the nominal amount of Covered Bonds not denominated in Sterling converted into Sterling at the relevant Covered Bond Swap Rate) or if so directed by an Extraordinary Resolution of all the holders of the Covered Bonds then Outstanding shall (subject in each case to being indemnified and/or secured to its satisfaction), (but in the case of the happening of any of the events mentioned in paragraphs (ii) to (vii) below (other than (v)(b)), only if the Bond Trustee shall have certified in writing that such event is, in its opinion, materially prejudicial to the interests of the Covered Bondholders of any Series, provided that a breach of any obligation to provide notices, reports or other information to the FCA under the RCB Regulations and/or the RCB Sourcebook shall not be considered materially prejudicial to the interests of the Covered Bondholders by the Bond Trustee) give notice (an **"Issuer Acceleration Notice"**) in writing to the Issuer that as against the Issuer (but not, for the avoidance of doubt, against the LLP under the Covered Bond Guarantee) each Covered Bond of each Series is, and each such Covered Bond shall

thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an "**Issuer Event of Default**") shall occur and be continuing:

- (i) the Issuer fails to pay any interest or principal due in respect of the Covered Bonds or any of them and the default continues for a period of 14 days or more (in the case of interest) or seven days or more (in the case of principal); or
- (ii) if the Issuer fails to perform or observe any obligations under the Covered Bonds or Coupons of any Series, the Trust Deed or any other Transaction Document to which the Issuer is a party (other than the Programme Agreement and the Subscription Agreement) but excluding any obligation of the Issuer to comply with the Asset Coverage Test or any representation or warranty given by the Issuer in respect of the Asset Coverage Test, and such failure continues for a period of 30 days (or such longer period as the Bond Trustee may permit) next following the service by the Bond Trustee on the Issuer of notice requiring the same to be remedied; or
- (iii) if any payment in respect of the principal of or any premium or interest on any indebtedness for monies borrowed having an outstanding aggregate principal amount of at least £10,000,000 (or its equivalent in any other currency or currencies) of the Issuer or any Subsidiary is not made on its due date (or by the expiry of any applicable grace period) or any such indebtedness of the Issuer or any Subsidiary becomes due and payable prior to its stated maturity by reason of default or if any guarantee of or indemnity in respect of any such payment in respect of any such indebtedness of any third party by the Issuer or any Subsidiary is not honoured when due and called upon; or
- (iv) if an administrative or other receiver or an administrator or other similar official is appointed in relation to the Issuer or any Principal Subsidiary or in relation to the whole or a material part of the assets of any of them or if an encumbrancer takes possession of the whole or any material part of the assets of the Issuer or any Principal Subsidiary or a distress, diligence or execution is levied or enforced upon or sued out against the whole or any material part of the assets of the Issuer or any Principal Subsidiary and, in any such case, is not discharged within 60 days; or
- (v) if, except for the purposes of or pursuant to a Permitted Transfer or Substitution:
  - (a) the Issuer stops payment to its creditors generally or ceases to carry on the whole or substantially the whole of its business; or
  - (b) a petition is presented for the winding-up of the Issuer or an effective resolution, instrument of dissolution or award for dissolution is passed, entered into or made or an order is made or an effective resolution is passed for the winding-up or the dissolution of the Issuer or the Issuer is wound up or dissolved in any other manner; or
  - (c) an order is made pursuant to the Building Societies Act 1986 the effect of which is to prevent the Issuer from accepting the deposit of, or otherwise borrowing, any money or from accepting any payment representing the whole or any part of the amount due by way of subscription for a share in the Issuer, other than a payment which fell due before the making of the said order; or
  - (d) the Issuer ceases to be an authorised person to carry on a deposit-taking business for the purposes of the FSMA or the registration of the Issuer as a building society is suspended or cancelled or the Issuer requests any such suspension or cancellation; or

- (e) the Issuer amalgamates with, or transfers the whole or a material part of its engagements or its business to, another person; or
- (f) the Issuer gives notice in writing pursuant to the FSMA that it wishes to renounce its authorisation to accept the deposit of, or otherwise borrow, any money; or
- (vi) if, except for the purposes of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Bond Trustee or by an Extraordinary Resolution of the Covered Bondholders or for the purposes of a solvent winding-up where the assets of a Principal Subsidiary attributable directly or indirectly to the Issuer are distributed to any one or more of the Issuer and the other Principal Subsidiaries:
  - (a) a Principal Subsidiary stops payment to its creditors generally or ceases to carry on the whole or substantially the whole of its business; or
  - (b) an order is made by any competent court or resolution is passed for the winding-up or dissolution of any Principal Subsidiary; or
- (vii) if an Asset Coverage Test Breach Notice has been served and not revoked (in accordance with the terms of the Transaction Documents) on or before the third Calculation Date after service of such Asset Coverage Test Breach Notice.

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) below.

The Trust Deed provides that all monies received by the Bond Trustee from the Issuer or any receiver, liquidator, administrator or other similar official appointed in relation to the Issuer following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice and a Notice to Pay (the "**Excess Proceeds**"), shall be paid by the Bond Trustee on behalf of the Covered Bondholders of the relevant Series to the LLP for its own account, as soon as practicable, and shall be held by the LLP in the LLP Accounts and the Excess Proceeds shall thereafter form part of the Security and shall be used by the LLP in the same manner as all other monies from time to time standing to the credit of the LLP Accounts pursuant to the Deed of Charge and the LLP Deed. Any Excess Proceeds received by the Bond Trustee shall discharge *pro tanto* the obligations of the Issuer in respect of the payment of the amount of such Excess Proceeds under the Covered Bonds and Coupons. However, the obligations of the LLP under the Covered Bond Guarantee are (following service of a Notice to Pay) unconditional and irrevocable and the receipt by the Bond Trustee of any Excess Proceeds shall not reduce or discharge any of such obligations.

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

(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 then Outstanding (which for this purpose and the purpose of any Extraordinary Resolution referred to in this Condition 9(b) means the Covered Bonds of this Series together with the Covered Bonds of any other Series

constituted by the Trust Deed) as if they were a single Series (with the nominal amount of Covered Bonds not denominated in Sterling converted into Sterling at the relevant Covered Bond Swap Rate) or if so directed by an Extraordinary Resolution of all the holders of the Covered Bond then Outstanding shall (subject in each case to being indemnified and/or secured to its satisfaction), but in the case of the happening of any of the events described in paragraphs (ii) and (iv) 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 Bondholder of any Series, give notice (the "**LLP Acceleration Notice**") in writing to the Issuer and to the LLP, that (x) each Covered Bond of each Series is, and each Covered Bond of each Series shall as against the Issuer (if not already due and repayable against it following an Issuer Event of Default), thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest and (y) all amounts payable by the LLP under the Covered Bond Guarantee shall thereupon immediately become due and payable at the Guaranteed Amount corresponding to the Early Redemption Amount for each Covered Bond of each Series together with accrued interest, in each case as provided in the Trust Deed and thereafter the Security shall become enforceable if any of the following events (each an "**LLP Event of Default**") shall occur and be continuing:

- (i) default is made by the LLP for a period of seven days or more in the payment of any Guaranteed Amounts when Due for Payment in respect of the Covered Bonds of any Series except in the case of the payments of a Guaranteed Amount when Due for Payment under Condition 6(a) where the LLP shall be required to make payments of Guaranteed Amounts which are Due for Payment on the dates specified therein; or
- (ii) if default is made by the LLP in the performance or observance of any obligation, condition or provision binding on it (other than any obligation for the payment of Guaranteed Amounts in respect of the Covered Bonds of any Series) under the Trust Deed, the Deed of Charge or any other Transaction Document to which the LLP is a party and, except where such default is or the effects of such default are, in the opinion of the Bond Trustee, not capable of remedy when no such continuation and notice as is hereinafter mentioned will be required, such default continues for 30 days (or such longer period as the Bond Trustee may permit) after written notice thereof has been given by the Bond Trustee to the LLP requiring the same to be remedied; or
- (iii) an order is made or an effective resolution passed for the liquidation or winding-up of the LLP; or
- (iv) 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, and, in any such case, is not discharged within 20 days, 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

assignment 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 each Calculation Date (or, if that is not a Business Day, then the immediately preceding Business Day) following an Issuer Event of Default; or
- (viii) the Covered Bond Guarantee is not, or is claimed by the LLP not to be, in full force and effect.

Following the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice on the LLP each of the Bond Trustee and the Security Trustee may or shall take such proceedings or steps in accordance with the first and second paragraphs, respectively, of Condition 9(c) below and the Covered Bondholders (or the Bond Trustee on their behalf) shall have a claim against the LLP, under the Covered Bond Guarantee, for an amount equal to the Early Redemption Amount together with accrued interest and any other amount due under the Covered Bonds (other than additional amounts payable under Condition 7) as provided in the Trust Deed in respect of each Covered Bond.

(c) ***Enforcement***

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

In exercising any of its powers, trusts, authorities and discretions the Bond Trustee shall only have regard to the interests of the 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, steps or action 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 the Bond Trustee itself acting at its sole discretion or as 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 Covered Bond Swap Rate as aforesaid); and (ii) it shall have been indemnified and/or secured to its satisfaction. In exercising any of its powers, trusts, authorities and discretions under this paragraph the Security Trustee shall only have regard to the interests of the Covered Bondholders of all Series and shall not have regard to the interests of any other Secured Creditors. In having regard to the interests of the Covered Bondholders, the Security Trustee shall be entitled to rely solely on a written confirmation from the Bond Trustee as to whether, in the opinion of the Bond Trustee, any matter, action or omission is or is not in the interests of or is or is not prejudicial or materially prejudicial to the interests of, the Covered Bondholders.

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

Security 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, Coupons and Talons**

Should any Covered Bond, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent in London (in the case of Bearer Covered Bonds or Coupons) or the Registrar (in the case of Registered Covered Bonds), or any other place approved by the Bond Trustee of which notice shall have been published in accordance with Condition 13 upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Covered Bonds, Coupons or Talons must be surrendered before replacements will be issued.

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

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

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

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

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) the Issuer will, so long as any of the Covered Bonds is outstanding, maintain a Paying Agent (which may be the Principal Paying Agent) having a specified office in a city 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; and
- (d) so long as any of the Registered Global Covered Bonds payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York City.

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

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the LLP and, in certain circumstances specified therein, of the Bond Trustee and do not assume any obligation to,



or relationship of agency or trust with, any Covered Bondholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

## **12. Exchange of Talons**

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

## **13. Notices**

All notices regarding the Bearer Covered Bonds will be valid if published in the Financial Times or any other daily newspaper in London approved by the Bond Trustee or, if this is not possible, in one other English language daily newspaper approved by the Bond Trustee with general circulation in the UK. 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 weekday 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, 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**

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

The Trust Deed contains provisions for convening meetings (including by way of conference call, which extends to the use of a videoconference platform) of the Covered Bondholders to consider any

matter affecting their interests, including the modification by Extraordinary Resolution of these Conditions or the provisions of the Trust Deed. The quorum at any such meeting in respect of any Covered Bonds of any Series for passing an Extraordinary Resolution is one or more persons holding or representing not less than a clear majority of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any adjourned meeting one or more persons being or representing the Covered Bondholders whatever the nominal amount of the Covered Bonds of such Series so held or represented, except that at any meeting the business of which includes the modification of any Series Reserved Matter, the quorum shall be one or more persons holding or representing not less than two-thirds of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one third of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Covered Bondholders of a Series shall, subject as provided below, be binding on all the Covered Bondholders of such Series, whether or not they are present at the meeting, and on all Couponholders in respect of such Series of Covered Bonds. Pursuant to the Trust Deed, the Bond Trustee or the Issuer may convene a single meeting of the holders of Covered Bonds of more than one Series if in the opinion of the Bond Trustee there is no conflict between such Covered Bondholders, in which event the provisions of this paragraph shall apply thereto *mutatis mutandis*.

Notwithstanding the provisions of the immediately preceding paragraph, any Extraordinary Resolution to direct the Bond Trustee to accelerate the Covered Bonds pursuant to Condition 9 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 the Covered Bondholders of any Series. The quorum at any such meeting for passing a Programme Resolution is one or more persons holding or representing at least a clear majority of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series for the time being outstanding or at any adjourned such meeting one or more persons holding or representing Covered Bonds whatever the nominal amount of the Covered Bonds of any Series so held or represented. A Programme Resolution passed at any meeting of the Covered Bondholders of all Series shall be binding on all the Covered Bondholders of all Series, whether or not they are present at the meeting, and on all related Couponholders in respect of such Series of Covered Bonds.

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

The Bond Trustee, the Security Trustee, the LLP and the Issuer may also agree, without the consent of the Covered Bondholders or Couponholders of any Series and without the consent of the other Secured Creditors to:

- (a) any modification (other than in relation to a Series Reserved Matter) of the Covered Bonds of one or more Series, the related Coupons or any Transaction Document provided that in the opinion of the Bond Trustee such modification is not materially prejudicial to the interests of any of the Covered Bondholders of any Series; or
- (b) any modification of the Covered Bonds of any one or more Series, the related Coupons or any Transaction Document which is, in the opinion of the Bond Trustee, of a formal, minor or technical nature or is in the opinion of the Bond Trustee made to correct a manifest error or to comply with mandatory provisions of law; or
- (c) in the case of the Security Trustee (save as otherwise expressly provided in the Deed of Charge) any modification to any Transaction Document only if so directed by (a) the Bond

Trustee, so long as there are any Covered Bonds outstanding or (b) all of the other Secured Creditors, if there are no Covered Bonds outstanding.

Notwithstanding the above:

- (i) the Issuer, the LLP and the Bond Trustee may agree, without the consent of the Security Trustee, the Covered Bondholders or Couponholders or any of the other Secured Creditors, to any modification of any of the provisions of any Final Terms which is in the opinion of the Bond Trustee of a formal, minor or technical nature or is made to correct a proven or manifest error or to comply with any mandatory provisions of law;
- (ii) the Issuer and the LLP may request the Bond Trustee and the Security Trustee to agree to modifications to the Transaction Documents and/or the Terms and Conditions of the Covered Bonds to enable the Covered Bonds issued under the Programme to qualify and/or to continue to qualify, as regulated covered bonds under the RCB Regulations or any replacement or amended regulations. Each of the Bond Trustee and the Security Trustee shall agree to such modifications without the consent or sanction of any of the Covered Bondholders or the Couponholders and without the consent or sanction of any other Secured Creditors, subject to receipt by the Bond Trustee and the Security Trustee of: a certificate signed by two directors of the Issuer and a certificate of a Designated Member of the LLP, each certifying to the Bond Trustee and the Security Trustee (i) that the requested modifications are to be made solely for the purpose of enabling the Covered Bonds issued under the Programme to qualify and/or to continue to qualify as regulated covered bonds under the RCB Regulations or any replacement or amended regulations and (ii) that the requested modifications are not, in the opinion of the Issuer or the LLP, materially prejudicial to the interests of any Covered Bondholders or any Secured Creditor. Neither the Bond Trustee nor the Security Trustee shall be obliged to agree to any modification which, in the sole opinion of the Bond Trustee or the Security Trustee, as the case may be, would have the effect of (a) exposing the Bond Trustee or the Security Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (b) increasing the obligations or duties, or decreasing the protections, powers, authorisations, discretions and indemnifications of the Bond Trustee or the Security Trustee in the Transaction Documents and/or the Terms and Conditions of the Covered Bonds;
- (iii) the Bond Trustee shall, without the consent of the holders of any of the Covered Bonds or any other Secured Creditor, (other than any Secured Creditor party to the relevant Transaction Document to be amended) be obliged to concur with the Issuer and/or the LLP, and/or direct the Security Trustee to concur with the Issuer and/or the LLP, in making any modifications to the Transaction Documents and/or the Terms and Conditions of the Covered Bonds that are requested by the Issuer and/or the LLP in order to enable the Issuer to comply with any requirements which apply to it under the EU EMIR and/or UK EMIR in accordance with the terms of the Trust Deed, subject to receipt by the Bond Trustee of a certificate of the Issuer (upon which the Bond Trustee may rely without further enquiry or liability to any person) certifying to the Bond Trustee and the Security Trustee that the requested modifications are to be made solely for the purpose of enabling the Issuer and/or the LLP to satisfy any requirements which apply to either of them under EU EMIR and/or UK EMIR in accordance with the terms of the Trust Deed, the requested modifications are not materially prejudicial to the interests of the Covered Bondholders and on the matters set out in (a) and (b) below in this paragraph (iii). The Bond Trustee and the Security Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Bond Trustee and the Security Trustee, as applicable, would have the effect of (a) exposing the Bond Trustee and the Security Trustee, as applicable, to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (b) increasing the obligations or duties, or decreasing the protections, of the Bond Trustee and the Security Trustee, as applicable, in the Transaction

Documents and/or the Conditions of the Covered Bonds. No such modification as described in this paragraph (iii) shall extend to a Series Reserved Matter;

- (iv) the Bond Trustee shall, without the consent of the holders of any of the Covered Bonds or any other Secured Creditor, (other than any Secured Creditor party to the relevant Transaction Document to be amended) be obliged to concur with the Issuer and/or the LLP, and/or direct the Security Trustee to concur with the Issuer and/or the LLP, in making any modifications to the Transaction Documents and/or the Terms and Conditions of the Covered Bonds that are requested by the Issuer and/or the LLP in order to enable the LLP to appoint any additional Account Bank(s) in connection with the provision of Transaction Account(s), such Transaction Account(s) to be immediately charged in favour of the Security Trustee pursuant to the Deed of Charge, subject to receipt by the Bond Trustee of a certificate of the Issuer (upon which the Bond Trustee may rely without further enquiry or liability to any person) certifying to the Bond Trustee and the Security Trustee that the requested modifications are to be made solely for the purpose of enabling the LLP to appoint such additional Account Bank(s), the requested modifications are not materially prejudicial to the interests of the Covered Bondholders and on the matters (a) and (b) set out below in this paragraph (iv). The Bond Trustee and the Security Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Bond Trustee and the Security Trustee, as applicable, would have the effect of (a) exposing the Bond Trustee and the Security Trustee, as applicable, to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (b) increasing the obligations or duties, or decreasing the protections, of the Bond Trustee and the Security Trustee, as applicable, in the Transaction Documents and/or the Conditions of the Covered Bonds. The powers under this Condition 14(iv) shall not extend to a Series Reserved Matter;
- (v) the Bond Trustee shall, without the consent of the holders of any of the Covered Bonds or any other Secured Creditor, (other than any Secured Creditor party to the relevant Transaction Document to be amended) be obliged to concur with the Issuer and/or the LLP, and/or direct the Security Trustee to concur with the Issuer and/or the LLP, in making any modifications to the Transaction Documents and/or the Terms and Conditions of the Covered Bonds that are requested by the Issuer and/or the LLP in order to enable the LLP to appoint any additional Rating Agency in connection with the Programme, subject to receipt by the Bond Trustee of a certificate of the Issuer (upon which the Bond Trustee may rely without further enquiry or liability to any person) certifying to the Bond Trustee and the Security Trustee that the requested modifications are to be made solely for the purpose of enabling the LLP to appoint such additional Rating Agency, the requested modifications are not materially prejudicial to the interests of the Covered Bondholders and on the matters (a) and (b) set out below in this paragraph (v). The Bond Trustee and the Security Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Bond Trustee and the Security Trustee, as applicable, would have the effect of (a) exposing the Bond Trustee and the Security Trustee, as applicable, to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (b) increasing the obligations or duties, or decreasing the protections, of the Bond Trustee and the Security Trustee, as applicable, in the Transaction Documents and/or the Conditions of the Covered Bonds. The powers under this Condition 14(v) shall not extend to a Series Reserved Matter;
- (vi) at the request of the Issuer and the LLP, the Bond Trustee and the Security Trustee shall (other than as specified in paragraph (A) below) without the consent or sanction of any of the Covered Bondholders or the Couponholders and without the consent or sanction of any other Secured Creditors, (a) in the case of an update in the published Rating Agency criteria applicable to a Swap Agreement, consent to the amendments to such Swap Agreement to reflect such updated, published Rating Agency criteria and concur with the Issuer and the LLP in making consequential modifications to the Transaction Documents that solely implement

such update in the published, Rating Agency criteria or (b) in the case of a replacement of a Swap Provider, consent to such replacement of a Swap Provider and concur with the Issuer and the LLP in making such modifications to the Transaction Documents (including, but not limited to, the terms of the relevant Swap Agreement) as are consequent upon such replacement of a Swap Provider subject to receipt by the Bond Trustee and the Security Trustee of:

- (A) written notice from the Cash Manager (acting reasonably in its own opinion in its determinations) certifying to the Bond Trustee and Security Trustee that:
  - I. the replacement Swap Provider has at least the same ratings as the outgoing Swap Provider (or such rating as would be sufficient to maintain a AAA rating from Fitch) or, as applicable the updated Rating Agency criteria has been published and the relevant amendments to the relevant Swap Agreement and the consequential modifications to the Transaction Documents, as determined by the Cash Manager, are being made solely to implement such updated, published Rating Agency criteria; and
  - II. the then current ratings of the Covered Bonds will not be downgraded or withdrawn by the Rating Agencies as a result of such amendments, modifications or replacement of such Swap Provider; and
- (B) a certificate signed by an Authorised Signatory of the Issuer and a certificate signed by a Designated Member of the LLP, each certifying to the Bond Trustee and the Security Trustee that such amendments, replacement of Swap Provider and/or modifications (as the case may be) are not, in the opinion of the Issuer or the LLP, materially prejudicial to the interests of any Covered Bondholders or any Secured Creditor provided that for the purposes of this Condition 14(vi), such amendments, replacement of Swap Provider and/or modifications (as the case may be) shall be conclusively deemed not to be materially prejudicial to the interest of any Covered Bondholders or any Secured Creditor where such amendments, replacement of Swap Provider and/or modifications would not result in the downgrade or withdrawal by the Rating Agencies of the then current ratings of the Covered Bonds,

(such notice, determination and certificates shall be conclusive and binding on all Secured Creditors (including the Covered Bondholders)), provided that neither the Bond Trustee nor the Security Trustee shall be obliged to consent to or concur in any such replacement of a Swap Provider, amendments and/or modifications (as the case may be) which, (i) in the sole opinion of the Bond Trustee and/or the Security Trustee, would have the effect of (a) exposing the Bond Trustee and/or Security Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (b) increasing the obligations or duties, or decreasing the protections, of the Bond Trustee and/or Security Trustee under the Transaction Documents or (ii) would result in a Series Reserved Matter. Such replacement, amendments and/or modifications, once implemented, shall be conclusive and binding on all parties and all Secured Creditors (including the Covered Bondholders);

- (vii) the Bond Trustee shall, without the consent of the holders of any of the Covered Bonds or any other Secured Creditor, (other than any Secured Creditor party to the relevant Transaction Document to be amended) be obliged to concur with the Issuer and/or the LLP, and/or direct the Security Trustee to concur with the Issuer and/or the LLP, in entering into any Interest Rate Swap and/or making any modifications to the Transaction Documents and/or the Terms and Conditions of the Covered Bonds that are requested by the Issuer and/or the LLP in order to enable the LLP to enter into any such Interest Rate Swap in connection with the Programme, subject to receipt by the Bond Trustee of a certificate of the Issuer (upon which the Bond Trustee may rely without further enquiry or liability to any person) certifying to the Bond

Trustee and the Security Trustee (a) that the requested modifications are to be made solely for the purpose of enabling the LLP to enter into such Interest Rate Swap, (b) that an Interest Rate Swap Provider is, or will be on the date it enters into an Interest Rate Swap, a Secured Creditor, and (c) that the requested modifications are not materially prejudicial to the interests of the Covered Bondholders. The Bond Trustee and the Security Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Bond Trustee and the Security Trustee, as applicable, would have the effect of (a) exposing the Bond Trustee and the Security Trustee, as applicable, to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (b) increasing the obligations or duties, or decreasing the protections, of the Bond Trustee and the Security Trustee, as applicable, in the Transaction Documents and/or the Conditions of the Covered Bonds. The powers under this Condition 14(vii) shall not extend to a Series Reserved Matter;

- (viii) the Bond Trustee and the Security Trustee shall (other than in respect of a Series Reserved Matter, provided that a Base Rate Modification (as defined below) will not constitute a Series Reserved Matter) concur in making any amendments to the Conditions and/or any Transaction Document (including, for the avoidance of doubt but without limitation, the Covered Bond Swap in relation to the relevant Series of Covered Bonds and subject to the consent only of the Secured Creditors (i) party to the relevant Transaction Document being amended or (ii) whose ranking in any Priorities of Payments is affected) that the Issuer considers necessary for the purpose of changing the base rate in respect of the Covered Bonds from Compounded Daily SONIA, EURIBOR or such other benchmark rate (each, a "**Reference Rate**") to an alternative base rate (any such rate, an "**Alternative Base Rate**") and make such other amendments to the Conditions, the Trust Deed and/or any other Transaction Document as are necessary or advisable in the reasonable judgement of the Issuer to facilitate such change (a "**Base Rate Modification**"), provided that:

- (A) the Issuer certifies to the Bond Trustee and the Security Trustee in writing (such certificate, a "**Base Rate Modification Certificate**") that:

I. such Base Rate Modification is being undertaken due to:

- (1) a material disruption to the relevant Reference Rate, an adverse change in the methodology of calculating the relevant Reference Rate or the relevant Reference Rate ceasing to exist or be published; or
- (2) a public statement by the administrator of the relevant Reference Rate that it will cease publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator for the Reference Rate has been appointed that will continue publication of the relevant Reference Rate) and such cessation is reasonably expected by the Issuer to occur prior to the Final Maturity Date or the Extended Due for Payment Date, as applicable; or
- (3) a public statement by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will be permanently or indefinitely discontinued or will be changed in an adverse manner and such cessation is reasonably expected by the Issuer to occur prior to the Final Maturity Date or the Extended Due for Payment Date, as applicable; or
- (4) a public statement by the supervisor of the administrator of the relevant Reference Rate that means such Reference Rate may no longer be used or that its use is subject to restrictions or adverse consequences; or

- (5) the reasonable expectation of the Issuer that any of the events specified in paragraphs (1) to (4) will occur or exist within six months of the proposed effective date of such Base Rate Modification,

II. such Alternative Base Rate is:

- (1) a base rate published, endorsed, approved or recognised by the Bank of England, any regulator in the United States, the United Kingdom or the EU or any stock exchange on which the Covered Bonds are listed or any relevant committee (or other body established, sponsored or approved by any of the foregoing); or
- (2) a base rate utilised in a material number of publicly-listed new issues of floating rate covered bonds or floating rate senior unsecured notes prior to the effective date of such Base Rate Modification (for these purposes, unless agreed otherwise by the Bond Trustee, five such issues shall be considered material); or
- (3) a base rate utilised in a publicly-listed new issue of floating rate covered bonds where the issuer is the Issuer or an affiliate of the Issuer; and

III. the Base Rate Modification proposed is required solely for the purpose of applying the Alternative Base Rate and making consequential modifications to the Conditions, the Trust Deed and/or any Transaction Document which are, as reasonably determined by the Issuer, necessary or advisable, and the modifications have been drafted solely to such effect;

(B) at least 30 days' prior written notice of any proposed Base Rate Modification has been given to the Bond Trustee and the Security Trustee;

(C) the Base Rate Modification Certificate is provided to the Bond Trustee and the Security Trustee both (i) at the time the Bond Trustee and the Security Trustee are notified of the Base Rate Modification and (ii) on the effective date of such Base Rate Modification;

(D) with respect to each Rating Agency, either:

I. the Issuer obtains from such Rating Agency written confirmation that such Base Rate Modification would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the relevant Covered Bonds of any Series by such Rating Agency or (y) such Rating Agency placing the Covered Bonds of any Series on rating watch negative (or equivalent) and delivers a copy of each such confirmation to the Bond Trustee and the Security Trustee; or

II. the Issuer certifies in writing to the Bond Trustee and the Security Trustee that it has notified such Rating Agency of the Base Rate Modification and, in its opinion, formed on the basis of due consideration and consultation with such Rating Agency (including, as applicable, upon receipt of oral confirmation from an appropriately authorised person at such Rating Agency), such Base Rate Modification would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the Covered Bonds of any Series by such Rating Agency or (y) such Rating Agency

placing the Covered Bonds of any Series on rating watch negative (or equivalent);

- (E) the Issuer pays (or arranges for the payment of) all documented fees, costs and expenses (including legal fees) incurred by the Bond Trustee and the Security Trustee in connection with such Base Rate Modification;
- (F) the Issuer has provided at least 30 days' notice to the Covered Bondholders of the relevant Series of Covered Bonds of the Base Rate Modification in accordance with Condition 13 and by publication on Bloomberg on the "Company News" screen relating to the Covered Bonds (in each case specifying the date and time by which Covered Bondholders must respond), and Covered Bondholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds then outstanding have not contacted the Issuer in writing (or otherwise in accordance with the then current practice of any applicable Clearing System through which such Covered Bonds may be held) by the time specified in such notice that such Covered Bondholders do not consent to the Base Rate Modification.

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

Objections made in writing other than through the applicable Clearing System must be accompanied by evidence to the Issuer's and the Bond Trustee's satisfaction (having regard to prevailing market practices) of the relevant Covered Bondholder's holding of the Covered Bonds.

When implementing any modification pursuant to paragraph (viii) above:

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

Neither the Bond Trustee nor the Security Trustee shall be responsible or liable in damages or otherwise to any party or person for any loss incurred by reason of the Bond Trustee and/or the Security Trustee consenting to or concurring in such amendments, replacement and modifications.



The Bond Trustee may also agree, without the consent of the Covered Bondholders of any Series or the related Couponholders, to the waiver or authorisation of any breach or proposed breach of any of the provisions of the Covered Bonds of any Series, or determine, without any such consent as aforesaid, that any Issuer Event of Default or LLP Event of Default or Potential Issuer Event of Default or Potential LLP Event of Default shall not be treated as such, provided that, in any such case, it is not, in the opinion of the Bond Trustee, materially prejudicial to the interests of any of the Covered Bondholders of any Series. Save as otherwise expressly provided in the Deed of Charge, the Security Trustee shall agree to the waiver or authorisation of any breach or proposed breach of any of the provisions of any Transaction Document only if so directed by (a) the Bond Trustee, so long as there are any Covered Bonds outstanding or (b) all of the other Secured Creditors, if there are no Covered Bonds outstanding.

In respect of any proposed modification, waiver, authorisation or determination, prior to the Bond Trustee agreeing to any such modification, waiver, authorisation or determination pursuant to this Condition 14, the Issuer must send written confirmation to the Bond Trustee that such modification, waiver, authorisation or determination, as applicable, would not result in a breach of the RCB Regulations or result in the Issuer and/or the Programme ceasing to be registered under the RCB Regulations and that either:

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

Any such modification, waiver, authorisation or determination shall be binding on all the Covered Bondholders of all Series of Covered Bonds for the time being outstanding, the related Couponholders and the other Secured Creditors, and unless the Security Trustee and the Bond Trustee otherwise agree, any such modification shall be notified by the Issuer to the Covered Bondholders of all Series of Covered Bonds for the time being outstanding and the other Secured Creditors in accordance with the relevant terms and conditions as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Bond Trustee 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 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 or the related Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Bond Trustee and the Security Trustee shall not be entitled to require, nor shall any Covered Bondholder or Couponholder be entitled to claim, from the Issuer, the LLP, the Bond Trustee, the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Covered Bondholder and/or Couponholders, except to the extent already provided for in Condition 7 and/or in any undertaking or covenant given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

In having regard to the interests of the Covered Bondholders, the Security Trustee shall be entitled to rely solely on a written confirmation from the Bond Trustee as to whether, in the opinion of the Bond Trustee, any matter, action or omission is or is not in the interests of or is or is not prejudicial or materially prejudicial to the interests of, the Covered Bondholders. The Bond Trustee shall have sole

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

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

### ***Substitution***

- (a) Subject as provided in the Trust Deed, the Bond Trustee, if it is satisfied that so to do would not be materially prejudicial to the interests of the Covered Bondholders, may agree, without the consent of the Covered Bondholders or Couponholders, to the substitution of any Successor in Business of the Issuer or of a Subsidiary of the Issuer or any such Successor in Business, not being in any such case a building society formed by the amalgamation of the Issuer and one or more other building societies pursuant to section 93 of the Building Societies Act or a building society to which the Issuer has transferred all of its engagements pursuant to section 94 of the Building Societies Act or the successor in accordance with section 97 of the Building Societies Act or a subsidiary of a mutual society to which the Issuer has transferred the whole of its business pursuant to any order made in the future by HM Treasury (under section 3 of the Funding and Mutual Societies Transfers Act), in place of the Issuer as principal debtor under the Covered Bonds and the Trust Deed, provided (in case of the substitution of any company which is a Subsidiary of the Issuer or such Successor in Business) that the obligations of such Subsidiary in respect of the Covered Bonds and the Trust Deed in respect thereof shall be guaranteed by the Issuer or such Successor in Business in such form as the Bond Trustee may require.
- (b) In the event of a Permitted Transfer, the successor under such a Permitted Transfer will, automatically be substituted in place of the Issuer as principal debtor under the Trust Deed without any prior approval (save in the case of a transfer, reconstruction or amalgamation under paragraph (b) or (f) in the definition of Permitted Transfer) thereof being required from the Covered Bondholders, the Couponholders or the Bond Trustee (but without prejudice to the provisions of paragraph (a) above).
- (c) Any substitution pursuant to this Condition 14 shall be binding on the Covered Bondholders and the Couponholders and, unless the Bond Trustee agrees otherwise, shall be notified to the Covered Bondholders as soon as practicable thereafter in accordance with Condition 13.

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

- (i) the Covered Bond Guarantee shall remain in place or be modified to apply *mutatis mutandis* and continue in full force and effect in relation to any Successor in Business or any Subsidiary of the Issuer or any other successor entity which is proposed to be substituted for the Issuer as principal debtor under the Covered Bonds and the Trust Deed; and
- (ii) (provided that the Issuer (in relation to the Programme) is included in the register of issuers under the RCB Regulations) any successor to the Issuer, including any Successor in Business or any Subsidiary of the Issuer or of such Successor in Business, is included in the register of Issuers pursuant to the RCB Regulations and that all other provisions of the RCB Regulations (including Regulation 20 of the RCB Regulations) are satisfied prior to the substitution of the Issuer.

### ***Rating Agencies***

If:

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

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

For the purposes of this Condition 14:

**"Potential Issuer Event of Default"** means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute an Issuer Event of Default;

**"Potential LLP Event of Default"** means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute an LLP Event of Default;

**"Successor in Business"** means:

- (a) any building society (not being a building society which is established by the amalgamation of the Society under and in accordance with the terms of section 93 of the Building Societies Act) which is validly and effectually, in accordance with all enactments, orders and regulations in force from time to time, registered as a successor society to the Issuer and to another building society or other building societies in order to effect the amalgamation of the Issuer with such other society or societies; or
- (b) any building society (not being a building society which undertakes under and in accordance with the terms of section 94 of the Building Societies Act to fulfil the engagements of the Issuer) which validly and effectually, in accordance with all enactments, orders and regulations in force from time to time, undertakes to fulfil the obligations of the Issuer as part of a transfer of engagements by the Issuer to such building society; or
- (c) a company or other entity (not being a successor within the meaning of section 97 of the Building Societies Act or a subsidiary of a mutual society to which the Issuer has transferred the whole of its business pursuant to any order made in the future by HM Treasury under section 3 of the Funding and Mutual Societies Transfers Act) to which the Issuer validly and effectually, in accordance with all enactments, orders and regulations in force for the time being and from time to time, as part of a transfer of the whole or substantially the whole of its business, undertaking or assets, transfers the whole or substantially the whole of its business, undertaking or assets for the purpose of such other company or entity assuming and

conducting the business of the Issuer in its place and which company or other entity undertakes to fulfil the obligations of the Issuer under these presents; or

- (d) any other entity (not being a successor within the meaning of section 93 of the Building Societies Act, a society to which the engagements of the Issuer are transferred under section 94 of the Building Societies Act or a successor within the meaning of section 97 of the Building Societies Act or a subsidiary of a mutual society to which the Issuer has transferred the whole of its business pursuant to any order made in the future by HM Treasury under section 3 of the Funding and Mutual Societies Transfers Act) which in acquiring in any other manner all or a substantial part of the undertaking, property and/or assets of the Issuer or in carrying on as a successor to the Society the whole or a substantial part of the business carried on by the Issuer prior thereto undertakes to fulfil the obligations of the Issuer under these presents,

where, in each of the cases in paragraphs (a) to (d) above the terms of the proposed transaction have been previously approved by the Bond Trustee or by an Extraordinary Resolution of the Covered Bondholders; and

**"Series Reserved Matter"** in relation to Covered Bonds of a Series means: (i) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds; (ii) alteration of the currency in which payments under the Covered Bonds and Coupons are to be made; (iii) alteration of the majority required to pass an Extraordinary Resolution; (iv) any amendment to the Covered Bond Guarantee or the Deed of Charge (except in a manner determined by the Bond Trustee not to be materially prejudicial to the interests the Covered Bondholders of any Series); (v) except in accordance with this Condition 14, the sanctioning of any such scheme or proposal for the exchange or sale of the Covered Bonds for or the conversion of the Covered Bonds into, or the cancellation of the Covered Bonds in consideration of, shares, stock, Covered Bonds, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, bonds, Covered Bonds, debentures, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash and for the appointment of some person with power on behalf of the Covered Bondholders to execute an instrument of transfer of the Registered Covered Bonds held by them in favour of the persons with or to whom the Covered Bonds are to be exchanged or sold respectively; and (vi) alteration of the proviso to paragraph 5 or paragraph 6 of Schedule 4 to the Trust Deed.

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

If, in connection with the exercise of its powers, trusts, authorities or discretions the Bond Trustee 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 by Extraordinary Resolution or by a direction in writing of such Covered Bondholders of at least 25 per cent. of the Principal Amount Outstanding of Covered Bonds of the relevant Series then outstanding.

The Trust Deed and the Deed of Charge contain provisions for the indemnification of the Bond Trustee and the Security Trustee and for their relief from responsibility, including provisions relieving them from taking any action unless indemnified and/or secured to their satisfaction.

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

with the Issuer, the LLP and/or any of their respective Subsidiaries and affiliates and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the LLP and/or any of their respective Subsidiaries and affiliates; (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Covered Bondholders or Couponholders or the other Secured Creditors and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

Neither the Bond Trustee nor the Security Trustee will be responsible for any loss, expense or liability, which may be suffered as a result of any Loans or Related Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Bond Trustee and/or the Security Trustee. Neither the Bond Trustee nor the Security Trustee will be responsible for: (i) supervising the performance by the Issuer or any other party to the Transaction Documents of their respective obligations under the Transaction Documents and the Bond Trustee and the Security Trustee will be entitled to assume, until they each have written notice to the contrary, that all such persons are properly performing their duties; (ii) considering the basis on which approvals or consents are granted by the Issuer or any other party to the Transaction Documents under the Transaction Documents; (iii) monitoring the Portfolio, including, without limitation, whether the Portfolio is in compliance with the Asset Coverage Test or the Amortisation Test; or (iv) monitoring whether Loans and Related Security satisfy the Eligibility Criteria. Neither the Bond Trustee nor the Security Trustee will be liable to any Covered Bondholder or other Secured Creditor for any failure to make or to cause to be made on their behalf the searches, investigations and enquiries which would normally be made by a prudent chargee in relation to the Security and have no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Transaction Documents.

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

## **16. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Covered Bondholder 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 (and any non-contractual obligations arising out of or in connection with it) are governed by, and shall be construed in accordance with, English law unless specifically stated to the contrary.

**19. Submission to Jurisdiction**

The Trust Deed (including the Covered Bond Guarantee) and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. Unless specifically stated to the contrary:

- (a) the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Covered Bonds and the Transaction Documents; and
- (b) the Issuer and any parties to the Transaction Documents irrevocably submit to the exclusive jurisdiction of the courts of England.

## 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 to (i) acquire Loans and their Related Security or (ii) to invest the same in Substitution Assets up to the prescribed limit to the extent required to meet the requirements of (i) (if the Issuer is admitted to the register of issuers and the Programme is admitted to the register of regulated covered bonds under the RCB Regulations) Regulations 23 and 24(1)(a) of the RCB Regulations and (ii) the Asset Coverage Test and thereafter may be applied by the LLP:

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

## THE ISSUER

### COVENTRY BUILDING SOCIETY

#### Introduction

Coventry Building Society is the second largest building society in the UK based on asset size. Total assets of the Coventry Group as at 31 December 2023 stood at £62,462.7 million. Except as otherwise stated, all figures in this section are extracted from the audited consolidated annual financial statements of the Society for the year ended 31 December 2023. The Society now operates a network of 64 branches, 15 agencies and has over two million members.

#### The Society

The Society was originally founded in 1884 and in its present form was created as a result of a merger between Coventry Economic Building Society and Coventry Provident Building Society on 30 June 1983 and, more recently, as a result of a merger between Coventry Building Society and Stroud & Swindon Building Society on 1 September 2010. The Society's principal office is Coventry House, Binley Business Park, Harry Weston Road, Coventry, CV3 2TQ, UK – telephone number +44 24 7655 5255.

The Society operates exclusively in the UK and has a branch network focused on Coventry, Warwickshire and the South West. Mortgage and savings products are offered via branches, the internet, by telephone and through the post to customers both inside and outside the branch operating area. Mortgage products are distributed primarily through intermediary channels.

The Society is incorporated under the Building Societies Act 1986 (the **Act**) and operates in accordance with the Act, regulations made thereunder and its Rules and Memorandum. The Society is an incorporated building society for the purposes of the Act and is authorised and regulated by the FCA and PRA under firm reference number 150892. The affairs of the Society are conducted and managed by a Board who are elected and serve in accordance with the Rules and Memorandum. The Board is responsible to the members for the proper conduct of the affairs of the Society and appoints and supervises executives who are responsible to the Board for the day-to-day management of the Society.

The Society is a mutual organisation with both retail investors and borrowers having membership. Eligibility to vote at General Meetings is governed by the Act and by the Society's Rules.

For the avoidance of doubt all figures quoted are the consolidated numbers for the Coventry Group (i.e. the Society, and its subsidiaries).

Following the Society's announcement on 21 December 2023 that it had entered into an exclusivity agreement in relation to a possible offer for the Co-operative Bank Holdings Limited and its announcement on 18 April 2024 that non-binding heads of terms have been agreed for this acquisition, the Society made the Acquisition Announcement (which is incorporated by reference in this Offering Circular), which specified that the parties have signed a share purchase agreement pursuant to which the Society will acquire the entire issued share capital of Co-operative Bank Holdings p.l.c. Upon completion of the Acquisition, an integration period will begin during which each of the Society and the Co-op Bank will remain separate entities while the work to finalise integrated services is completed (the Integration Period). Each of the Society and the Co-op Bank will maintain its own banking licence during the Integration Period. There can be no assurance that the Acquisition will complete. The Acquisition will be subject to the satisfaction of certain conditions, including the receipt of appropriate regulatory clearances. See also the risk factor headed “*Proposed acquisition of the issued share capital of The Co-operative Bank Holdings p.l.c.*”.



## Business

### General

The principal purpose of the Society, as stated in Clause 3 of its Memorandum, is making loans which are secured on residential property and are funded substantially by its members. The Society seeks to provide a safe and attractive home for members' savings.

The Society obtains funds from the retail market through personal savings and deposit accounts and also raises funds in the wholesale markets. It advances the funds raised mainly to borrowers on the security of first charge mortgages secured on freehold (and its equivalent in Scotland) and leasehold property.

The Society concentrates on its core business of personal savings and residential mortgage lending. As at 31 December 2023 99 per cent. of loans were fully secured on residential property.

### Mortgage lending activities

During 2023 the Society made mortgage and other loan advances of £7.9 billion gross, with a net increase in lending (total gross loans and advances to customers (contractual amounts)) of £2.3 billion. The corresponding figures for 2022 were advances of £8.7 billion and a net increase in lending (total gross loans and advances to customers (contractual amounts)) of £1.4 billion. In the six month period ended 30 June 2024, the Society made mortgage and other loan advances of £4.0 billion with a net increase in lending (total gross loans and advances to customers (contractual amounts)) of £1.1 billion.

### Personal savings activities

The Society's main source of funding continues to be the retail savings market. Members with savings in the Society are described in the Society's Rules as holding shares in the Society. Shares held principally by individuals amounted to £47,582.3 million as at 31 December 2023, representing 76.0 per cent. of total shares and borrowings.

### Cost control

As a result of its focus on containing costs, the Society's ratio of management expenses to mean total assets as at 31 December 2023 was 0.51 per cent. The corresponding figure for 2022 was 0.52 per cent.

The ratio of management expenses to mean total assets is a measurement of the efficiency of the business.

The ratio of management expenses to mean total assets is derived as follows:

	(£m)	(£m)
Total assets 2023	62,462.7	
Total assets 2022	<u>58,867.1</u>	
Mean total assets		<u>60,665</u>
Administrative expenses	285.8	
Amortisation of intangible assets	12.9	
Depreciation of property, plant and equipment	<u>13.2</u>	

Management expenses	311.9
Ratio of management expenses to mean assets	0.51

## Financial position and liability management

### Capital base

The Society is well capitalised and had a common equity tier 1 capital ratio of 29.1 per cent. at the end of 2023, and of 28.9per cent. as at 30 June 2024. The table below sets out the consolidated capital ratios of the Society (on an individual consolidated basis), based on the Society's current understanding of the applicable regulatory capital requirements.

	End-point 31 December 2023 (%)	End-point 31 December 2022 (%)
common equity tier 1 (as a percentage of risk weighted assets) <sup>1</sup>	29.1	27.4
Leverage ratio	4.6	4.5
Modified Leverage Ratio	5.4	5.2

<sup>1</sup> The common equity tier 1 capital ratio is the sum of general reserves less various prescribed deductions, divided by risk weighted assets.

### Subscribed Capital and Other Equity Instruments

The Society has further subscribed Tier 1 capital in the form of £40 million Permanent Interest-Bearing Shares ("PIBS") and £415 million Perpetual Contingent Convertible Additional Tier 1 Capital Securities ("PCS") issued in 2019:

	As at 31 December		
	First Call Date	2023 £m	2022 £m
£40 million Permanent Interest-Bearing Shares	n/a	41.6	41.6
£415 million Perpetual Contingent Convertible Additional Tier 1 Capital Securities	18 September 2024	415.0	415.0

### PIBS

Interest is payable in arrear on the PIBS at the rate of 12.125 per cent. per annum in half-yearly instalments, subject to the conditions of issue of the PIBS. The PIBS are repayable only in the event of a winding-up of the Society or otherwise with the prior consent of the PRA.

In a winding up or dissolution of the Society, the claims in respect of PIBS would rank pari passu with claims in respect of PCS issued by the Society and behind all other creditors of the Society, including creditors in respect of subordinated liabilities, and the claims of members holding shares (other than deferred shares) as to

principal and interest on those shares. The holders of the PIBS are not entitled to any share in any final surplus upon a winding up or final dissolution of the Society.

The PIBS do not meet CRD IV recognition criteria and, accordingly, are not included in the Society's capital calculations.

#### PCS

Interest is payable, subject to the conditions of issue of the PCS, semi-annually in arrear on the PCS, at a rate of 6.875 per cent. per annum up to, and including, the first call date on 18 September 2024 (the "First Call Date"). If the PCS in issue remain outstanding following the First Call Date, they will bear interest at a rate which is reset on the First Call Date and each fifth anniversary of the First Call Date, as the sum of the prevailing rate on a benchmark Gilt at that time and a margin of 6.111 per cent.

In a winding-up or dissolution of the Society, the claims in respect of the PCS would rank *pari passu* with claims in respect of the PIBS and behind all other creditors of the Society including creditors in respect of subordinated liabilities and the claims of members holding shares (other than deferred shares) as to principal and interest on those shares. The holders of the PCS are not entitled to any share in any final surplus upon a winding-up or final dissolution of the Society.

#### Subordinated Liabilities

	As at 31 December	
	2023 £m	2022 £m
Fixed rate subordinated notes 2032 - 7.54% .....	15.4	15.4
Total .....	15.4	15.4

All of the subordinated notes are denominated in Sterling. The subordinated notes are repayable in the years stated, or earlier in accordance with their terms at the option of the Society, with the prior consent of the PRA. The rights of repayment of the holders of the notes are subordinated to the claims of all depositors, creditors and members holding shares as to principal and interest.

#### Non-share ("wholesale") funding

As at 31 December 2023 the Society obtained 18.7 per cent. of its funding from sources other than shares held by individuals, compared to 23.9 per cent. as at 31 December 2022.

#### Wholesale funding

	As at 31 December	
	2023 £m	2022 £m
Deposits from banks .....	5,230.7	7,542.9
Debt securities in issue .....	5,377.5	5,243.2
Other deposits .....	0	5.0

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>£m</b>	<b>£m</b>
Amounts owed to other customers .....	237.3	416.1
Total wholesale funding .....	10,845.5	13,207.2

### **Liquidity**

The Society is required by the PRA to maintain a sufficient level of liquidity that reflects the range and composition of its business. In practice the Society seeks to operate with a buffer over and above this. The classes of instruments that may be held by the Society for liquidity purposes are prescribed by the PRA. As at the 31 December 2023, the Society held Treasury assets (comprising cash and balances with the Bank of England, loans and advances to credit institutions and debt securities) of £10.9bn (31 December 2022 £10.0bn) and reported a Liquidity Coverage Ratio (LCR) of 227 per cent. (195 per cent. as at 31 December 2022).

### **Business Developments**

The Society is committed to retaining its building society status, which it believes provides better outcomes for its members. Initiatives for savers and borrowers include the following:

- Competitive traditional residential sector mortgage products as well as a wide range of other competitive products including offset mortgages and buy-to-let mortgages.
- Existing borrowers have access to mortgage products at the same rates as new business.
- Competitive savings product set which offers traditional fixed rate bonds, instant access accounts, ISAs and children's accounts, which are available through branch, telephone and internet channels.
- With no dividends to pay to outside shareholders and high levels of cost efficiency, the Society is able to offer competitive interest rates to both savers and borrowers, not only to attract new customers but also to ensure that existing customers are retained as well.
- The Society's aim is to maintain a high level of service to all customers, both existing and new, which allows them to take advantage of the Society's wide range of savings and mortgage products.

### **Final Results**

On 29 February 2024, the Society issued its final results for the year ending 31 December 2023. Selected financial highlights are as follows:

- Profit before tax of £473.5 million compared to £370.5 million for the year ended 31 December 2022.
- Loans and advances to customers increased to £50,276.1 million.
- New mortgage lending of £7.9 billion.
- Shares balances increased by £5.3 billion to £47,582.3 million.
- Rated A-/F1 by Fitch and A2/P1 by Moody's.
- Common Equity Tier 1 ratio of 29.1 per cent.

- Cost to mean assets ratio of only 0.51 per cent.
- 0.26 per cent. of mortgage balances were three months or more in arrears.
- Impairment charge for Expected Credit Losses on loans and advances to customers of £6.9 million.

### Results for the six month period ended 30 June 2024

On 31 July 2024, the Society issued its interim results for the six month period ending 30 June 2024. Selected financial highlights are as follows:

- Profit before tax of £158.8 million, compared to £268.6 million for the six month period ended 30 June 2023.
- Loans and advances to customers of £51,397.4 million and shares balances of £48,823.7 million.
- Common Equity Tier 1 ratio of 28.9 per cent.
- Cost to mean assets ratio of 0.55 per cent.
- A release of impairment charges for Expected Credit Losses on loans and advances to customers of £13.8 million.

### Management

The Board is responsible for the Society's strategy and direction. The execution of that strategy and day-to-day management is vested with the Executive Directors. The members of the Board, their roles in relation to the Society and their principal outside activities (if any) of significance to the Society are as follows:

### Board of Directors

Name	Position within the Society	Other Directorships and positions
D Thorburn	Chair of the Board	EY UK LLP Chartered Banker Institute 2025 Foundation
M Stewart	Independent Non-Executive Director	OakNorth Bank plc Northern Bank Ltd Clayton Stewart Ltd Clayton Stewart Properties Ltd Paragon Bank PLC
I Amiri	Independent Non-Executive Director	Development Bank of Wales plc AON UK Limited Eurocell plc
E Kerin	Independent Non-Executive Director	Daiwa Capital Markets Europe Limited Smart Works Trading Limited Smart Works Charity
S Mohammed	Independent Non-Executive Director	Pezula Limited Athora Italia S.p.A.
B O'Connor	Independent Non-Executive Director	FCE Bank Plc

I Plunkett	Independent Non-Executive Director	CitiGroup Global Markets Limited
L Raybould	Chief Financial Officer and Executive Director	ITL Mortgages Limited Godiva Mortgages Limited Arkose Funding Limited Coventry Property Services Limited Coventry Financial Services Limited Godiva Financial Services Limited Godiva Housing Developments Limited Godiva Securities and Investments Limited Godiva Savings Limited
S Hughes	Chief Executive Officer and Executive Director	Godiva Mortgages Limited ITL Mortgages Limited Member of the BSA Council The Pennies Foundation The Money and Pension Service

The business address of the Directors and Executive Directors is Coventry House, Binley Business Park, Harry Weston Road, Coventry CV3 2TQ.

The Executive Directors have entered into service contracts which enable the Society to give not less than six months' notice of termination.

There are no existing or potential conflicts of interest between any duties owed to the Society by its Directors or members of its Executive and the private interests and/or other external duties owed by these individuals.

### **Subsidiaries**

The following direct, wholly owned subsidiaries of the Society are carrying on a business:

- Godiva Mortgages Limited
- ITL Mortgages Limited

In addition, the Society has the following direct, wholly owned subsidiary companies, none of which are carrying on a business:

- Coventry Financial Services Limited
- Coventry Property Services Limited
- Godiva Financial Services Limited
- Godiva Housing Developments Limited
- Godiva Savings Limited
- Godiva Securities and Investments Limited

The subsidiaries detailed in this sub-section are, together, the "**Subsidiaries**". The Society also has an interest in Coventry Godiva Covered Bonds LLP, which gives rise to risks and rewards that are in substance no different than if it was a subsidiary undertaking, and which is therefore consolidated under the IFRS in the Coventry Group accounts.

The following entities are consolidated under the IFRS as if they were wholly owned subsidiaries of the Society:

- Coventry Building Society Covered Bonds LLP
- Coventry Godiva Covered Bonds LLP
- Economic Master Issuer plc

See note 15 (Loans and advances to customers) and note 16 (Investments in group undertakings) of the Society's audited consolidated financial statements for the financial year ended 31 December 2023 for further information.

### **Independent Auditors**

PricewaterhouseCoopers LLP of One Chamberlain Square, Birmingham, B3 3AX have audited without qualification the financial statements of the Society as of and for each of the years ending 31 December 2023 and 31 December 2022. PricewaterhouseCoopers LLP is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

## THE LLP

### Introduction

Coventry Godiva Covered Bonds LLP was incorporated in England and Wales on 6 August 2020 as a limited liability partnership (partnership number OC432879) with limited liability under the LLPA 2000 by the Society, Godiva and the Liquidation Member as its Members. The registered address and the business address of the LLP is at Oakfield House, Binley Business Park, Harry Weston Road, Coventry CV3 2TQ. The LLP has no subsidiaries.

### Principal Activities

The principal objectives of the LLP are set out in the LLP Deed and include, *inter alia*, the ability to carry on the business of acquiring the Loans and their Related Security pursuant to the terms of the Mortgage Sale Agreements 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 while the Covered Bonds or any Term Advance remains outstanding, in any material activities other than activities incidental to its incorporation under the LLPA 2000, activities contemplated under the Transaction Documents to which it is or will be a party or other matters that are incidental or ancillary to the foregoing.

### Members

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

<i>Name</i>	<i>Principal Office</i>
Coventry Building Society	Coventry House, Binley Business Park, Harry Weston Road, Coventry, CV3 2TQ
Godiva Mortgages Limited	Coventry House, Harry Weston Road, Binley, Coventry, CV3 2TQ
Coventry Godiva Covered Bonds Finance Limited (the " <b>Liquidation Member</b> ")	6th Floor, Duo Building, 280 Bishopsgate, London, EC2M 4RB

The LLP has no employees.

### Directors of the Members

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

<i>Name</i>	<i>Business Address</i>	<i>Business Occupation</i>
MaplesFS UK Corporate Director No.1 Limited	6th Floor, Duo Building, 280 Bishopsgate, London, EC2M 4RB	Corporate Director
MaplesFS UK Corporate Director No.2 Limited	6th Floor, Duo Building, 280 Bishopsgate, London, EC2M 4RB	Corporate Director
Charles Michael Leahy	6th Floor, Duo Building, 280 Bishopsgate, London, EC2M 4RB	Vice President



Philip John Hemsley

6th Floor, Duo Building, 280 Bishopsgate, London, EC2M 4RB Director

The directors of each of the corporate directors, MaplesFS UK Corporate Director No.1 Limited and MaplesFS UK Corporate Director No.2 Limited, are set out below.

### **LLP Management Committee**

The LLP Management Committee, consisting as at the date of this Offering Circular of directors, officers and/or employees of the Society and a representative of the Liquidation Member, will act on behalf of the LLP to which (other than any decision to approve the audited accounts of the LLP or to make a resolution for the voluntary winding-up of the LLP, which requires a unanimous decision of the Members) the Members will 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 while any Covered Bonds are outstanding with the consent of the Security Trustee.

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

No potential conflicts of interest exist between any duties to the LLP of the members of the LLP Management Committee (who are listed in the table below) and their private interests or other duties in respect of their management roles.

<i>Name</i>	<i>Business Address</i>	<i>Business Occupation</i>
Lee Raybould	Oakfield House, Binley Business Park, Harry Weston Road, Coventry, CV3 2TQ	Building Society Chief Financial Officer
Stephen Hughes	Oakfield House, Binley Business Park, Harry Weston Road, Coventry, CV3 2TQ	Building Society Chief Executive
Lyndon Horwell	Oakfield House, Binley Business Park, Harry Weston Road, Coventry, CV3 2TQ	Treasurer
MaplesFS UK Corporate Director No.1 Limited	6th Floor, Duo Building, 280 Bishopsgate, London, EC2M 4RB	Corporate Director

### **Directors of the corporate directors of the Liquidation Member (MaplesFS UK Corporate Director No.1 Limited and MaplesFS UK Corporate Director No.2 Limited)**

<i>Name</i>	<i>Business Address</i>	<i>Business Occupation</i>
Scott William Somerville	6th Floor, Duo Building, 280 Bishopsgate, London, EC2M 4RB	CEO
Sam Michael Howard Ellis	6th Floor, Duo Building, 280 Bishopsgate, London, EC2M 4RB	Head of Fiduciary Services (London)

No potential conflicts of interest exist between any duties to the LLP of the individual directors of MaplesFS UK Corporate Director No.1 Limited and MaplesFS UK Corporate Director No.2 Limited (being the corporate directors of the Liquidation Member) and their private interests or other duties in respect of their management roles.

### **Independent Auditors**

PricewaterhouseCoopers LLP of One Chamberlain Square, Birmingham, B3 3AX have audited without qualification the financial statements of the LLP as of and for each of the years ending 31 December 2023 and 31 December 2022. PricewaterhouseCoopers LLP is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

## **GODIVA MORTGAGES LIMITED**

Godiva will be appointed as a Seller under the Godiva Mortgage Sale Agreement and is a wholly owned subsidiary of CBS.

### **Introduction**

Godiva Mortgages Limited is a private limited company, incorporated and registered under the laws of England and Wales with company registration number 05830727. Its registered address is Coventry House, Harry Weston Road, Binley, Coventry, England CV3 2TQ.

CBS launched Godiva in 2007 for the principal purpose of originating residential mortgage loans to borrowers in England, Wales, Scotland and Northern Ireland. Building on the proven service standards and expertise of CBS, Godiva is the dedicated intermediary-only brand of the Coventry Group and provides buy-to-let mortgage products through the intermediary channel. It is well established in the intermediary market and operates in accordance with the same origination, underwriting and servicing criteria as CBS. Both CBS and Godiva share the same staff and infrastructure. Principal areas of distinction between CBS and Godiva relate to product range and distribution channel. Furthermore, Godiva borrowers do not become members of CBS.

Godiva is authorised and regulated by the Financial Conduct Authority, firm reference number 457622. Further details of the products offered from time to time by Godiva are available on the Godiva website at <http://www.coventrybuildingsociety.co.uk/intermediaries/home.aspx> (this website and the contents thereof do not form part of this Offering Circular).

### **Directors**

Godiva's directors are:

- Lee Raybould;
- Darin Landon; and
- Stephen Hughes.

### **Corporate Governance**

It is the practice of Godiva to apply a high standard of corporate governance. In this regard, all relevant activities are fully considered by the Coventry Group's Audit Committee, which is comprised of independent non-executive directors.

## SUMMARY OF THE PRINCIPAL DOCUMENTS

### Trust Deed

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

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

### Covered Bond Guarantee

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

Following the occurrence of an Issuer Event of Default and after the Covered Bonds have been declared due and payable by the Bond Trustee as against the Issuer, following service of an Issuer Acceleration Notice, the Bond Trustee will serve a Notice to Pay on the LLP. Payment by the LLP of the Guaranteed Amounts pursuant to the Covered Bond Guarantee will be made on the later of: (i) the day that is two Business Days following service of a Notice to Pay on the LLP; or (ii) the day on which the Guaranteed Amounts are otherwise Due for Payment.

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

Under the terms of the Covered Bond Guarantee, the LLP agrees that its obligations under the Covered Bond Guarantee shall be as principal debtor and not merely as surety and shall be absolute and unconditional, irrespective of, and unaffected by, any invalidity, irregularity or unenforceability of, or defect in, any provisions of the Trust Deed or the Covered Bonds or Receipts or Coupons or the absence of any action to enforce the same or the waiver, modification or consent by the Bond Trustee or any of the Covered

Bondholders, Receiptholders or Couponholders in respect of any provisions of the same or the obtaining of any judgment or decree against the Issuer or any action to enforce the same or any other circumstances which might otherwise constitute a legal or equitable discharge or defence of a guarantor.

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

The Trust Deed provides that the Excess Proceeds shall be paid by the Bond Trustee on behalf of the Covered Bondholders of the relevant Series to the LLP for its own account, as soon as practicable, and shall be held by the LLP in the Transaction Accounts and the Excess Proceeds shall thereafter form part of the Security and shall be used by the LLP in the same manner as all other monies from time to time standing to the credit of the LLP Accounts. 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 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.

The Trust Deed and any non-contractual obligations arising out of or in respect of it are governed by and shall be construed in accordance with English law.

### **Intercompany Loan Agreement**

On each Issue Date, the Issuer will use the proceeds of the Covered Bonds issued under the Programme to lend on that date an amount equal to the Principal Amount Outstanding on the Issue Date of the issue of the related Covered Bonds to the LLP by way of a Term Advance pursuant to the Intercompany Loan Agreement. Each Term Advance will be made in the Specified Currency of the relevant Series or Tranche, as applicable, of the Covered Bonds, as set out in the applicable Final Terms, and will be swapped into Sterling pursuant to the relevant Covered Bond Swap Agreement, if required. The Sterling Equivalent of each Term Advance will be used by the LLP: (a) as consideration in part for the acquisition of Loans and their Related Security from the Sellers pursuant to the terms of the Mortgage Sale Agreements, as described under "*Mortgage Sale Agreements – Sale by the Sellers of Loans and Related Security*" below; and/or (b) to invest in Substitution Assets in an amount not exceeding the prescribed limit to the extent required to meet the requirements of (i) (if the Issuer is admitted to the register of issuers and the Programme is admitted to the register of regulated covered bonds under the RCB Regulations) Regulations 23 and 24(1)(a) of the RCB Regulations and (ii) the Asset Coverage Test and thereafter may be applied by the LLP: (i) as consideration in part for the acquisition of Loans and their Related Security from the Sellers pursuant to the terms of the Mortgage Sale Agreements, as described under "*Mortgage Sale Agreements – Sale by the Sellers of Loans and Related Security*" below; and/or (ii) to invest in Substitution Assets in an amount not exceeding the prescribed limit; and/or (iii) (subject to satisfying the Asset Coverage Test) to make a Capital Distribution to a Member; and or (iv) if an existing Series, or part of an existing Series, of Covered Bonds is being refinanced by such issue of Covered Bonds, to repay the Term Advance(s) corresponding to the Covered Bonds being so refinanced; and/or (v) to make a deposit in the Transaction Accounts (including, without limitation, to fund the Reserve Fund to an amount not exceeding the prescribed limit). Each Term Advance will bear interest at a rate of interest equal to the rate of interest payable on the corresponding Series or Tranche, as applicable, of Covered Bonds.

The Issuer will not be relying on repayment of any Term Advance in order to meet its repayment obligations under the Covered Bonds. The LLP will pay amounts due in respect of Term Advances(s) in accordance with the relevant Priorities of Payments. Prior to the service of an Asset Coverage Test Breach Notice (which has not been revoked) or a Notice to Pay on the LLP, amounts due in respect of each Term Advance will be paid by the LLP to, or as directed by, the Issuer on each Interest Payment Date, subject to paying all higher ranking amounts in the Pre-Acceleration Revenue Priority of Payments or, as applicable, the Pre-Acceleration Principal Priority of Payments. The Issuer may use the proceeds of the Term Advances to pay amounts due on the

Covered Bonds. However, any failure by the LLP to pay any amounts due on the Term Advances will not affect the liability of the Issuer to pay the relevant amount due on the Covered Bonds. For so long as an Asset Coverage Test Breach Notice is outstanding and has not been revoked, the LLP may not borrow any new Term Advances (and the Issuer may not make any new Term Advances) under the Intercompany Loan Agreement.

The amounts owed by the LLP to the Issuer under the Term Advances will be reduced by: (i) any amounts paid by the LLP under the terms of the Covered Bond Guarantee to repay the Covered Bonds (the proceeds of which were originally applied to make such Term Advances); and (ii) the Principal Amount Outstanding of any Covered Bonds (the proceeds of which were originally applied to make such Term Advances) purchased by the LLP and cancelled in accordance with Condition 6(h) (*Cancellation*).

The Intercompany Loan Agreement is governed by and shall be construed in accordance with English law.

## **Mortgage Sale Agreements**

### ***The Sellers***

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

### ***Sale by the Sellers of Loans and Related Security***

The Portfolio will consist of Loans and their Related Security sold from time to time by the Sellers to the LLP in accordance with the terms of the Mortgage Sale Agreements. The types of Loans forming part of the Portfolio will vary over time provided that, at the time the relevant Loans are sold to the LLP, the Eligibility Criteria (as described below) in respect of such Loans are met on the relevant Transfer Date. Accordingly, the Portfolio may, at any time, include Loans with characteristics that were not being offered to Borrowers on previous Transfer Dates.

Prior to the occurrence of an Issuer Event of Default or an LLP Event of Default, the LLP will acquire Loans and their Related Security from the Society and/or Godiva (each in its capacity as Seller) in the three circumstances described below.

- (a) First, in relation to the issue of Covered Bonds from time to time in accordance with the Programme, the Issuer will make Term Advances to the LLP, the proceeds of which may be applied in whole or in part by the LLP to acquire Loans and their Related Security from the Sellers. In exchange for the sale of the Loans and their Related Security to the LLP, each Seller will receive an amount equal to the True Balance of those Loans sold by it as at the Transfer Date, which will be satisfied by a combination of:
  - (i) a cash payment to be made by the LLP from the proceeds of the relevant Term Advance and/or from Available Principal Receipts unless an Asset Coverage Test Breach Notice has been served and remains outstanding; and/or
  - (ii) the relevant Seller being treated as having made a Capital Contribution in an amount equal to the difference between the True Balance of the Loans sold by that Seller as at the relevant Transfer Date and the cash payment (if any) made by the LLP; and
  - (iii) Deferred Consideration.
- (b) Second, prior to service of an Asset Coverage Test Breach Notice on the LLP (which has not been revoked), the LLP will use the Available Principal Receipts to acquire New Loans and their Related Security and Additional Loan Advances from the Sellers and/or Substitution Assets (in respect of any

Substitution Assets, up to the prescribed limit) on any London Business Day (including an LLP Payment Date).

- (c) Third, the LLP and the Society (in its capacity as a Member of the LLP) are required to ensure that the Portfolio is maintained at all times in compliance with the Asset Coverage Test (as determined by the Cash Manager on each Calculation Date). If on any Calculation Date there is a breach of the Asset Coverage Test, the Society will use all reasonable endeavours to sell or procure the sale by Godiva of sufficient New Loans and their Related Security to the LLP on or before the next Calculation Date in consideration of the Society or Godiva (each in its capacity as a Seller) (as applicable) being treated as having made a Capital Contribution (in an amount equal to the True Balance of the New Loans) sold by that Seller as at the relevant Transfer Date and in consideration of the right to receive the Deferred Consideration.

The LLP shall pay to the Sellers as part of the Deferred Consideration any and all Early Repayment Charge Receipts received by the LLP in respect of the Loans included in the Initial Portfolio provided that, if the Servicer determines that any Loans in respect of which Early Repayment Charges are payable are the subject of a trust, the Sellers, the LLP and the Security Trustee agree that the benefit of any Early Repayment Charges payable under such Loan shall, on the date of payment to the relevant Seller of the related Early Repayment Charge Receipts, be released from such trust.

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

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

### ***Eligibility Criteria***

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

- (a) no Issuer Event of Default or LLP Event of Default under the Transaction Documents has occurred which is continuing as at the relevant Transfer Date;
- (b) the LLP, acting on the advice of the Cash Manager, is not aware, and could not reasonably be expected to be aware, that the purchase of the Loans and their Related Security would adversely affect the then current ratings by Fitch of the Covered Bonds;
- (c) the weighted average yield on the Loans in the Portfolio (including the New Loans) is at least 0.40 per cent. greater than the SONIA Spot Rate published on the final London Business Day in the previous Calculation Period after taking into account: (i) the average yield on the Loans; (ii) the margins on the Interest Rate Swaps (if any); and (iii) the average yield on any Substitution Assets held by the LLP;
- (d) no Loan has a True Balance of more than £1,000,000;
- (e) no Loan has any arrears outstanding;
- (f) no Loan to be sold on the First Transfer Date or on any subsequent Transfer Date relates to a Property that is not a residential Property; and

- (g) no Loan constitutes a New Loan Type, in respect of which no Rating Agency Confirmation has been received by the Security Trustee in accordance with the terms of the relevant Mortgage Sale Agreement, that such Loan may be sold to the LLP.

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

If a Seller accepts an application from or makes an offer (which is accepted) to a Borrower for a Product Switch or Additional Loan Advance, then if the Eligibility Criteria referred to in paragraphs (a), (c), (d), (e), (f) and (g) above relating to the Loan subject to that Product Switch or Additional Loan Advance is not satisfied on the next following Calculation Date, the LLP will be entitled to rectify the relevant breach of those Eligibility Criteria by (in the event of a breach of the Eligibility Criteria in paragraphs (a), (c), (d), (e), (f) and (g) above) requiring that Seller to repurchase the Loans subject to any Product Switch or Additional Loan Advance or (in the event of a breach of the Eligibility Criteria in paragraph (c) above) by requiring that Seller to transfer further Loans to the LLP in an amount sufficient to ensure that the Eligibility Criterion in paragraph (c) above is met.

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

Loans (other than Scottish Loans) will be sold by the Sellers to the LLP by way of equitable assignment. The sale of Scottish Loans were or will be effected by way of Scottish Declarations of Trust by each Seller, under which the beneficial interest in such Scottish Loans will be transferred to the LLP. In relation to Scottish Loans, references in this Offering Circular to a sale of Loans or to 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 Registers of Scotland. As a result, legal title to all of the CBS Loans and their Related Security will remain with the Society and legal title to all of the Godiva Loans and their Related Security will remain with Godiva until legal assignments or assignments (as appropriate) are delivered by the relevant Seller to the LLP and notice of the sale is given by the relevant Seller to the Borrowers. Legal assignment or assignment (as appropriate) of the Loans and their Related Security (including, where appropriate, their registration or recording in the relevant property register) to the LLP will be deferred and will only take place in the limited circumstances described below.

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

- (a) either: (i) the occurrence of an Issuer Event of Default under Conditions 9(a)(i) to (vi) (*Issuer Events of Default*) and service on the Issuer of an Issuer Acceleration Notice and the service on the LLP of a Notice to Pay; or (ii) if the Bond Trustee has previously served on the Issuer an Issuer Acceleration Notice and served on the LLP a Notice to Pay in respect of an Issuer Event of Default under Condition 9(a)(vii) (*Issuer Events of Default*), then the occurrence of any other Issuer Event of Default;
- (b) a written direction is received by the Issuer from the FCA requiring the transfer of all of the engagements or the business of the Issuer to another entity in circumstances where the rights of borrowing members of the Society will cease (provided that, where approval of the transfer from the members of the Issuer is required by either the FCA or applicable law, such approval is obtained);
- (c) in respect of Selected Loans only, at the request of the LLP following the acceptance of any offer to sell the Selected Loans and their Related Security to any person who is not a Seller;
- (d) any or all of the Sellers and/or the LLP being required: (i) by law; (ii) by an order of a court of competent jurisdiction; (iii) by a regulatory authority which has jurisdiction over a Seller; or (iv) by any organisation of which a Seller is a member, or whose members comprise, but are not necessarily



limited to, mortgage lenders and with whose instructions it is customary for that Seller to comply, to perfect legal title to the Loans; and

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

Pending completion of the transfer, the right of the LLP to exercise the powers of the legal owner of the Mortgages will be secured by, an irrevocable power of attorney granted by each Seller in favour of the LLP and the Security Trustee.

Except where lodged with the relevant registry in relation to any registration or recording which may be pending at the Land Registry or Registers of Scotland, and save in relation to Loans which are Dematerialised Loans, the Title Deeds and Loan Files relating to the Loans in the Portfolio will be held by or to the order of the relevant Seller or the Servicer, as the case may be, or by solicitors or licensed conveyancers acting for the relevant Seller in connection with the creation of the Loans and their Related Security. The Sellers or the Servicer, as the case may be, will undertake that, save in relation to Loans which are Dematerialised Loans, all of the Title Deeds and Loan Files relating to the Loans in the Portfolio which are at any time in their possession or under their control or held to their order will be held to the order of the Security Trustee or as the Security Trustee may direct.

### ***Representations and Warranties***

None of the LLP, the Security Trustee or the Bond Trustee has made or has caused to be made on its behalf any enquiries, searches or investigations in respect of the Loans and their Related Security to be sold to the LLP. Instead, each is relying entirely on the Representations and Warranties by the Sellers contained in the Mortgage Sale Agreements. The parties to a Mortgage Sale Agreement may, with the prior written consent of the Security Trustee (which shall be given if the Rating Agency Confirmation has been received), amend the Representations and Warranties in that Mortgage Sale Agreement. The Representations and Warranties include the following and are given on the relevant Transfer Date in respect of the Loans and Related Security to be sold to the LLP only on that date and on the Calculation Date following the making of any Additional Loan Advance or Product Switch in respect of the Loan to which the Additional Loan Advance or Product Switch relates only:

- each Loan was originated or purchased by one of the Sellers or any successors in business in the ordinary course of business on or after 1 January 2013 and was denominated in pounds Sterling upon origination or acquisition and in respect of Loans purchased or acquired by one of the Sellers: (i) confirmation has been received from each Rating Agency that the purchase of such Loans by the relevant Seller would not adversely affect the then current ratings of the Covered Bonds; and (ii) the amount of Loans purchased by a Seller does not exceed 10 per cent. of the Portfolio;
- at least two monthly payments due in respect of each Loan has been paid by the relevant Borrower;
- no Loan has a True Balance of more than £1,000,000;
- each Loan has a remaining term of less than 50 years as at the relevant Transfer Date;
- in cases where the Initial Advance or Additional Loan Advance was originated by the relevant Seller prior to the making of each Initial Advance or Additional Loan Advance, the Lending Criteria and all preconditions to the making of any Loan were satisfied in all material respects subject only to such exceptions and waivers as made on a case by case basis as would be acceptable to a Reasonable, Prudent Mortgage Lender;
- each Loan and its Related Security acquired from time to time by a Seller satisfied in all material respects subject only to such exceptions and waivers as made on a case by case basis as would be

acceptable to a Reasonable, Prudent Mortgage Lender or the Seller's Lending Criteria in force at the time of its acquisition;

- the Lending Criteria are consistent with the criteria that would be used by a Reasonable, Prudent Mortgage Lender;
- all of the Borrowers are individuals (and not partnerships) and were aged 18 years or older at the date he or she executed the relevant Mortgage;
- the whole of the True Balance on each Loan is secured by a Mortgage over residential property;
- subject in certain appropriate cases to the completion of an application for registration or recording at the Land Registry or Registers of Scotland, each Mortgage constitutes a valid and subsisting first charge by way of legal mortgage or a valid and subsisting first ranking standard security;
- the True Balance on each Loan and its Related Security constitute a legal, valid, binding and enforceable debt due to the Seller from the relevant Borrower and the terms of each Loan and its Related Security constitute valid and binding obligations of the Borrower enforceable in accordance with their terms and are non-cancellable except that enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the court's discretion in relation to equitable remedies;
- all approvals, consents and other steps necessary to permit a legal or equitable or beneficial transfer, or a transfer of servicing or other disposal as and in the manner contemplated by the Transaction Documents from the relevant Seller to the LLP, of the Loans and their related Mortgages to be sold under the relevant Mortgage Sale Agreement have been obtained or taken and there is no requirement in order for the transfer to be effective to obtain the consent of the Borrower before, on or after any equitable or beneficial transfer or before any legal transfer of the Loans and their related Mortgages and such transfer or disposal shall not give rise to any claim by the Borrower against the LLP, the Security Trustee or any of their successors in title or assigns or assignees;
- all of the Properties are located in England or Wales or Scotland;
- unless a Loan is a Loan Without Independent Valuation, not more than 12 months (or a longer period as may be acceptable to a Reasonable, Prudent Mortgage Lender) prior to the granting of each Mortgage, the relevant Seller received a Valuation Report on the relevant Property (or another form of report concerning the valuation of the relevant Property as would be acceptable to a Reasonable, Prudent Mortgage Lender), the contents of which were such as would be acceptable to a Reasonable, Prudent Mortgage Lender;
- prior to the taking of each Mortgage (other than a remortgage), the relevant Seller:
  - instructed its solicitor or licensed or (in Scotland) qualified conveyancer to carry out an investigation of title to the relevant Property and to undertake other searches, investigations, enquiries and other actions on behalf of that Seller in accordance with the instructions which that Seller issued to the relevant solicitor or licensed or (in Scotland) qualified conveyancer as are set out, in the case of Loans (other than Scottish Loans), in the UK Mortgage Finance Lenders' Handbook (or previously the CML's Lenders' Handbook) for England and Wales and, in the case of Scottish Loans, the UK Mortgage Finance Lenders' Handbook (or previously the CML's Lenders' Handbook) for Scotland or other comparable or successor instructions and/or guidelines as may for the time being be in place, subject only to those variations as would be acceptable to a Reasonable, Prudent Mortgage Lender; and
  - received a Certificate of Title from the solicitor or licensed or (in Scotland) qualified conveyancer referred to in the relevant Mortgage Sale Agreement relating to such Property

the contents of which were such as would have been acceptable to a Reasonable, Prudent Mortgage Lender at that time;

- at origination, each Property was insured under:
  - a buildings insurance policy arranged by the Borrower in accordance with the relevant Mortgage Conditions or under the buildings insurance policy arranged by the relevant Seller; or
  - in the case of a leasehold property or commonhold property, a buildings insurance policy arranged by the relevant landlord or property management company,

and since origination the relevant Seller has not received notice that any such property has since become uninsured or, to the extent that the relevant Seller has received such notice, the relevant Seller has in place suitable insurance to cover any loss arising from the property being uninsured, the benefit of which has been assigned to the LLP;

- immediately prior to the purchase of any Loan and the Related Security by the LLP, and subject to registration or recording at the Land Registry or Registers of Scotland, the relevant Seller has good title to, and is the absolute unencumbered legal and beneficial owner of, all property, interests, rights and benefits in relation to the Loans and Related Security agreed to be sold and/or assigned by that Seller to the LLP under the relevant Mortgage Sale Agreement free and clear of all Security Interests, claims and equities (including, without limitation, rights of set-off or counterclaim and overriding interests within the meaning of section 3(xvi) of the Land Registration Act 1925 in the case of any property, interests or rights governed by English law) which would materially adversely affect such title subject in each case only to the relevant Mortgage Sale Agreement and the Borrower's equity of redemption and the relevant Seller is not in breach of any covenant or undertaking implied by reasons of its selling the relevant Portfolio with full title guarantee or absolute warrandice and, without limiting the foregoing, in the case of a leasehold property:
  - the lease cannot be forfeited or irritated on the bankruptcy of the tenant; and
  - any requisite consent of the landlord to, or notice to the landlord of, the creation of the Related Security has been obtained or given;
- the relevant Seller has, since the making of each Loan, kept or procured the keeping of full and proper accounts, books and records as are necessary to show all material transactions, payments, receipts, proceedings and notices relating to such Loan;
- there are no governmental authorisations, approvals, licences or consents required as appropriate for the relevant Seller to enter into or to perform its obligations under the relevant Mortgage Sale Agreement or to make the relevant Mortgage Sale Agreement legal, valid, binding, enforceable and admissible in evidence in a court in England and Wales which have not been obtained;
- (if the Issuer is admitted to the register of issuers with respect to this Programme, and the Programme is admitted to the register of regulated covered bonds under the RCB Regulations) each Loan and its Related Security will be "eligible property" for the purposes of Regulation 2 of the RCB Regulations;
- the rate of interest under each Loan is charged in accordance with the Standard Documentation, subject to the terms of any offer letter in relation thereto; and
- none of the Related Security or Ancillary Rights in respect of a Loan or any Loans consist of "stock" or "marketable securities" (as such terms are defined for the purposes of section 125 of the Finance Act 2003) or "chargeable securities" (as such term is defined for the purposes of section 99 of the Finance Act 1986) or a "chargeable interest" (as such term is defined for the purposes of section 48 of

the Finance Act 2003) or a “chargeable interest” (as such term is defined for the purposes of section 4 of the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017) or a “chargeable interest” (as such term is defined for the purposes of section 4 of the Land and Buildings Transaction Tax (Scotland) Act 2013).

If New Loan Types are to be sold to the LLP, then the Representations and Warranties in the relevant Mortgage Sale Agreement will be modified as required to accommodate these New Loan Types. The prior consent of the Covered Bondholders to the requisite amendments will not be required to be obtained.

### ***Repurchase of Loans***

If a Seller receives a Loan Repurchase Notice from the Cash Manager identifying a Loan or its Related Security in the Portfolio which was sold by that Seller and which does not, as at the relevant Transfer Date or relevant Calculation Date (in the case of an Additional Loan Advance), materially comply with the Representations and Warranties set out in the relevant Mortgage Sale Agreement, then that Seller will be required to repurchase: (i) any such Loan and its Related Security; and (ii) any other Loans of the relevant Borrower and their Related Security that are included in the Portfolio. The repurchase price payable upon the repurchase of any Loan is an amount (not less than zero) equal to the True Balance thereof and expenses as at the relevant repurchase date. The repurchase price to be paid by the relevant Seller may be satisfied by way of a cash payment or, subject to compliance with the Asset Coverage Test (as calculated on the date of repurchase by reference to the Asset Coverage Test calculated on the immediately preceding Calculation Date taking into account any sales and repurchases (including the contemplated repurchase) since such Calculation Date), a reduction in the Capital Contribution Balance of the relevant Seller. Any repurchase proceeds received by the LLP will be applied (other than Accrued Interest and Arrears of Interest) in accordance with the Pre-Acceleration Principal Priority of Payments (see “*Cashflows*” below).

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

- (a) an Additional Loan Advance made in respect of a Loan results in certain Eligibility Criteria being breached;
- (b) a Product Switch occurs. In these circumstances, the relevant Seller will be able to offer to sell the affected Loan back to the LLP; or
- (c) a proposed Product Switch or Additional Loan Advance would result in the LLP being required to be regulated by the FCA by reason of it entering into a Regulated Mortgage Contract. In these circumstances, if the relevant Seller or Borrower accepts an offer for the Product Switch, the Servicer or administrator (as the case may be) will notify the LLP and the relevant Seller will be required to repurchase the affected Loan or Additional Loan Advance before the Product Switch takes place.

### ***Defaulted Loans***

If a Seller receives a Defaulted Loans Notice from the Cash Manager identifying any Defaulted Loan, then that Defaulted Loan will be attributed a reduced weighting in the calculation of the Asset Coverage Test and the Amortisation Test as at the relevant Calculation Date. In addition, the relevant Seller may, at its option, repurchase a Defaulted Loan and its Related Security from the LLP for an amount equal to its True Balance as at the date of repurchase. The repurchase price to be paid by the relevant Seller may be satisfied by way of a cash payment or, subject to compliance with the Asset Coverage Test (as calculated on the date of repurchase by reference to the Asset Coverage Test calculated on the immediately preceding Calculation Date taking into account any sales and repurchases (including the contemplated repurchase) since such Calculation Date), a reduction in the Capital Contribution Balance of the relevant Seller.

### ***General ability to repurchase***

Prior to the occurrence of an Issuer Event of Default, a Seller may from time to time offer to repurchase a Loan and its Related Security from the LLP for a purchase price of not less than the aggregate True Balance of the relevant Loan. The LLP may accept such offer at its discretion.

### ***Right of Pre-emption***

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

The LLP will serve on the relevant Seller a Selected Loan Offer Notice offering to sell those Selected Loans and their Related Security for an offer price equal to the greater of the then True Balance of the Selected Loans and the Adjusted Required Redemption Amount, subject to the offer being accepted by that Seller within ten Business Days. If an Issuer Event of Default has occurred but no liquidator or administrator has been appointed to the relevant Seller, that Seller's right to accept the offer (and therefore its right of pre-emption) will be conditional upon the delivery by that Seller of a solvency certificate to the LLP and the Security Trustee. If the relevant Seller rejects the LLP's offer or fails to accept it in accordance with the foregoing, the LLP will offer to sell the Selected Loans and their Related Security to other Purchasers (as described under "*LLP Deed – Sale of Selected Loans and their Related Security following service of a Notice to Pay*" below).

If the relevant Seller validly accepts the LLP's offer to sell the Selected Loans and their Related Security, the LLP will, within three Business Days of such acceptance, serve a Selected Loan Repurchase Notice on that Seller. The relevant Seller will sign and return a duplicate copy of the Selected Loan Repurchase Notice and will repurchase from the LLP free from the Security created by and pursuant to the Deed of Charge the relevant Selected Loans and their Related Security (and any other Loan secured or intended to be secured by that Related Security or any part of it) referred to in the relevant Selected Loan Repurchase Notice. Completion of the purchase of the Selected Loans and their Related Security by the relevant Seller will take place on the LLP Payment Date after receipt of the Selected Loans Repurchase Notice(s) or such date as the LLP may direct in the Selected 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 Loan Repurchase Notice to the LLP; and (b) the Final Maturity Date of the Earliest Maturing Covered Bonds).

For the purposes hereof:

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

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

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

### ***Further drawings under Loans***

The relevant Seller is solely responsible for funding all Additional Loan Advances in respect of Loans sold by that Seller to the LLP, if any. The amount of a Seller's Capital Contribution will increase by the amount of the funded Additional Loan Advances.

### ***Authorised Underpayments***

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

### ***New Sellers***

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

- each New Seller accedes to the terms of the LLP Deed as Member (with such subsequent amendments as may be agreed by the parties thereto) so that it has, in relation to those New Loans and their Related Security to be sold by the relevant New Seller, substantially the same rights and obligations as the Sellers had in relation to those Loans and their Related Security comprised in the Initial Portfolio under the LLP Deed;
- each New Seller accedes to the terms of the relevant Mortgage Sale Agreement(s) (with such subsequent amendments as may be agreed by the parties thereto) or enters into a new mortgage sale agreement with the LLP and the Security Trustee, in each case so that it has, in relation to those New Loans and their Related Security to be sold by the relevant New Seller, substantially the same rights and obligations as the Sellers had in relation to those Loans and their Related Security comprised in the Initial Portfolio under the relevant Mortgage Sale Agreement(s);
- each New Seller accedes to the Programme Agreement and enters into such other documents as may be required by the Security Trustee, the Bond Trustee and/or the LLP (acting reasonably) to give effect to the addition of a New Seller to the transactions contemplated under the Programme;
- any New Loans and their Related Security sold by a New Seller to the LLP comply with the Eligibility Criteria set out in the relevant Mortgage Sale Agreement(s);
- either the Servicer services the New Loans and their Related Security sold by a New Seller on the terms set out in the Servicing Agreement (with such subsequent amendments as may be agreed by the parties thereto) or the New Seller (or its nominee) enters into a servicing agreement with the LLP and the Security Trustee which sets out the servicing obligations of the New Seller (or its nominee) in relation to the New Loans and their Related Security and which is on terms substantially similar to the terms set out in the Servicing Agreement (fees payable to the Servicer or the New Seller (or its nominee) acting as servicer of such New Loans and their Related Security would be determined on the date of the accession of the New Seller to the Programme);
- the LLP and the Cash Manager certify in writing to the Security Trustee that any accession of a New Seller to the Programme will not prejudice the Asset Coverage Test; and
- the Security Trustee and the Bond Trustee are provided with a Rating Agency Confirmation in relation to the accession of a New Seller to the Programme.

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

Each Mortgage Sale Agreement and any non-contractual obligations arising out of or in respect of it are governed by and shall be construed in accordance with English law (other than certain aspects relating to the Scottish Loans and their Related Security, which are governed by Scots law).

### **Servicing Agreement**

Pursuant to the terms of the Servicing Agreement entered into on the Programme Date between the LLP, the Society (in its capacity as Servicer) and the Security Trustee, the Servicer has agreed to service on behalf of the LLP the Loans and their Related Security.

The Servicer will be required to administer the Loans in accordance with the Servicing Agreement and:

- (i) as if the Loans and their Related Security sold by the Sellers to the LLP had not been, or were not to be, sold to the LLP but remained, or were to remain, on the books of the Sellers; and
- (ii) in accordance with the relevant Seller's Policy.

The Servicer's actions in servicing the Loans in accordance with its procedures will be binding on the LLP and the Secured Creditors.

The Servicer will have the power to exercise the rights, powers and discretions and to perform the duties of the LLP in relation to the Loans and their Related Security that it is servicing pursuant to the terms of the Servicing Agreement, and to do anything which it reasonably considers necessary or convenient or incidental to the administration of those Loans and their Related Security.

### ***Undertakings of the Servicer***

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

- keep records and accounts on behalf of the LLP in relation to the Loans and their Related Security comprised in the Portfolio;
- keep the Loan Files and Title Deeds in its possession or under its control in safe custody and maintain records necessary to enforce each Mortgage and to provide the LLP and the Security Trustee with access to the Title Deeds (other than Title Deeds in relation to Loans which are Dematerialised Loans) and other records relating to the administration of the Loans and their Related Security;
- maintain a register in respect of the Portfolio, including identifying the relevant Seller for each Loan and its Related Security;
- make available upon request to the LLP and the Security Trustee a report on a monthly basis containing information about the Loans and their Related Security comprised in the Portfolio;
- (if the Issuer is admitted to the register of issuers and the Programme is admitted to the register of regulated covered bonds under the RCB Regulations) provide to the FCA such information about the Loans and their Related Security contained in the Portfolio and/or such other information as the FCA may direct pursuant to the RCB Regulations;
- assist the Cash Manager in the preparation of a monthly asset coverage report in accordance with the Cash Management Agreement;

- take all reasonable steps to recover all sums due to the LLP, including instituting proceedings and enforcing any relevant Loan or Mortgage using the discretion of a Reasonable, Prudent Mortgage Lender in applying the enforcement procedures forming part of the relevant Seller's policy; and
- enforce any Loan which is in default in accordance with the relevant Seller's enforcement procedures or, to the extent that such enforcement procedures are not applicable having regard to the nature of the default in question, with the usual procedures undertaken by a Reasonable, Prudent Mortgage Lender on behalf of the LLP.

The Servicer undertakes that in the event of the Society (in its capacity as a Seller) being assigned a short-term rating falling below F-2 by Fitch, then the Issuer (or the Servicer acting on its behalf) shall use reasonable endeavours to procure that within 60 days of such downgrade any direct debits from Borrowers shall be made into the CB Collection Account. All amounts credited to the CB Collection Account shall be paid to the Transaction Accounts in accordance with the requirements of, and the time limits set out in, the Servicing Agreement. Each Seller also acknowledges that it shall hold all amounts standing to the credit of the CB Collection Account upon trust for the LLP. The Servicer also undertakes that, on the Servicer ceasing to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Fitch of at least BBB, it will use reasonable efforts to enter into a new or a master servicing agreement (in such form as the LLP and the Security Trustee shall reasonably require) with a third party within 60 days under which such third party will undertake the servicing obligations in relation to the Portfolio.

#### ***Setting of Standard Variable Rates and other rates and margins***

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

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

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

In particular, 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**");



- (b) the LLP Standard Variable Rate and any other discretionary rate or margin in respect of the Loans which the Servicer proposes to set under the Servicing Agreement for the Relevant LLP Payment Period; and
- (c) the other resources available to the LLP, including those under each Interest Rate Swap Agreement, if any (or the Interest Rate Swap Guarantee, as the case may be), the relevant Covered Bond Swap Agreements (or any relevant Covered Bond Swap Guarantee, as the case may be) and the Reserve Fund,

whether the LLP would receive an amount of income during the Relevant LLP Payment Period which, when aggregated with the funds otherwise available to it, is less than the amount which is the aggregate of: (1) the amount of interest which would be payable (or provisioned to be paid) under the Intercompany Loan Agreement or, if a Notice to Pay has been served, the Covered Bond Guarantee on each LLP Payment Date falling at the end of the Relevant LLP Payment Period and relevant amounts payable (or provisioned to be paid) to the Covered Bond Swap Providers under the Covered Bond Swap Agreements in respect of all Covered Bonds on each LLP Payment Date of each Series of Covered Bonds falling at the end of the Relevant LLP Payment Period; and (2) the other senior expenses payable by the LLP ranking in priority thereto in accordance with the relevant Priority of Payments applicable prior to an LLP Event of Default and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security.

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 one Business Day, of the amount of the shortfall. If the LLP or the Security Trustee notifies the Servicer and the Sellers that, having regard to the obligations of the LLP and the amount of the shortfall, further Loans and their Related Security should be sold by the Society to the LLP pursuant to the CBS Mortgage Sale Agreement, the Society (in its capacity as Seller) will use all reasonable endeavours to offer to sell New Loans and their Related Security to the LLP (or procure the sale by Godiva of New Loans and their Related Security pursuant to the Godiva Mortgage Sale Agreement) on or before the next Calculation Date which have a Standard Variable Rate and/or other rates or margins sufficient to avoid such shortfall on future Calculation Dates. In consideration of such sale, the Society and/or Godiva (as applicable) will be treated as having made a Capital Contribution (in an amount equal to the True Balance of the New Loans) sold by that Seller as at the relevant Transfer Date and will be entitled to receive the Deferred Consideration.

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

- (a) the LLP Standard Variable Rate and any other applicable discretionary rate or margin, in respect of the Loans in the Portfolio which the Servicer proposes to set under the Servicing Agreement for the relevant LLP Payment Period; and
- (b) the other resources available to the LLP under each Interest Rate Swap Agreement, if any (or the Interest Rate Swap Guarantee, as the case may be),

whether the LLP would receive an aggregate amount of interest on the Loans and amounts under each Interest Rate Swap Agreement, if any (or the Interest Rate Swap Guarantee, as the case may be), during the Relevant LLP Payment Period which would give a yield on the Loans of at least 0.20 per cent. plus the SONIA Spot Rate published on the final London Business Day in the previous Calculation Period.

If the Servicer determines that the Yield Shortfall Test will not be met, it will, within one Business Day of such determination, give written notice to the LLP and the Security Trustee of the amount of the shortfall and the LLP Standard Variable Rate and/or any other discretionary rate or margin applicable in relation to any Loan in the Portfolio which would (taking into account the applicable Mortgage Conditions), in the Servicer's reasonable opinion, need to be set in order for no shortfall to arise, and the Yield Shortfall Test to be met, having regard to the date(s) (which shall be specified in the notice) on which such change to the LLP Standard Variable Rate and the other discretionary rate or margin applicable in relation to any other Loan in the Portfolio

would take effect and at all times acting in accordance with the standards of a Reasonable, Prudent Mortgage Lender as regards the competing interests of Borrowers with Standard Variable Rate Loans and Borrowers with Loans with any other discretionary rate or margin.

If the LLP notifies the Servicer that, having regard to the obligations of the LLP, the LLP Standard Variable Rate and/or the other discretionary rate or margin applicable in relation to any Loans in the Portfolio should be increased, the Servicer shall take all steps which are necessary, including publishing any notice which is required in accordance with the Mortgage Conditions, to effect such change in the LLP Standard Variable Rate and/or any other discretionary rate or margins in relation to other Variable Rate Loans in the Portfolio on the date(s) specified in the notice referred to above, but subject at all times to compliance with the Mortgage Conditions and the relevant Mortgage Sale Agreement.

The LLP and the Security Trustee may terminate the authority of the Servicer to determine the LLP Standard Variable Rate and any other rates or margins in relation to any Loans in the Portfolio on or after becoming aware of the occurrence of a Servicer Event of Default as defined under "*Removal or Resignation of the Servicer*" below, in which case the LLP shall use its reasonable endeavours to appoint a successor servicer to determine the LLP Standard Variable Rate, and any other rates or margins applicable to any Loans in the Portfolio in accordance with the Servicing Agreement.

### ***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 Coventry 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 Coventry Group, the level of this fee may be amended.

### ***Back-up Servicing Agreement***

If the Servicer ceases to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Fitch of at least BBB it will use reasonable efforts to enter, within 60 calendar days of such downgrade, into a back-up master servicing agreement with a third party to perform all of the services under the Servicing Agreement. The back-up master servicing agreement will provide for the third party servicer to undertake the servicing or master servicing obligations in relation to the Portfolio within 60 calendar days of the Servicer ceasing to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Fitch of at least BBB-.

### ***Removal or Resignation of the Servicer***

The LLP (subject to the prior written 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**", and each of the first three events set out below a "**Servicer Event of Default**") occurs:

- the Servicer defaults in the payment on the due date of any payment due and payable by it under the Servicing Agreement and such default continues unremedied for a period of three Business Days after the earlier of the Servicer becoming aware of the default and receipt by the Servicer of written notice from the Security Trustee or the LLP requiring the same to be remedied;
- the Servicer fails to comply with any of its other obligations under the Servicing Agreement which failure, in the opinion of the Security Trustee, is materially prejudicial to the Covered Bondholders and does not remedy that failure within the earlier of 20 Business Days after becoming aware of the failure and receipt by the Servicer of written notice from the Security Trustee or the LLP requiring the same to be remedied;
- an Insolvency Event occurs in relation to the Servicer; or

- the LLP resolves that the appointment of the Servicer should be terminated.

Subject to the fulfilment of a number of conditions, the Servicer may voluntarily resign by giving not less than 12 months' written notice to the Security Trustee and the LLP, provided that a substitute servicer qualified to act as such under the FSMA and with a management team with experience of administering mortgages in the UK has been appointed and enters into a servicing agreement with the LLP substantially on the same terms as the Servicing Agreement. The resignation of the Servicer is conditional on the resignation having no adverse effect on the then current ratings of the Covered Bonds unless the Covered Bondholders agree otherwise by Extraordinary Resolution.

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

The Servicer may sub-contract or delegate the performance of its duties under the Servicing Agreement, provided that it meets the conditions as set out in the Servicing Agreement.

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

The Servicing Agreement and any non-contractual obligations arising out of or in respect of it are governed by and shall be construed in accordance with English law and was made by way of deed.

#### **Asset Monitor Agreement**

Under the terms of the Asset Monitor Agreement entered into on 14 October 2020 between the Asset Monitor, the LLP, the Cash Manager and the Security Trustee, the Asset Monitor has agreed, subject to due receipt of the information to be provided by the Cash Manager to the Asset Monitor, to report on the arithmetic accuracy of the calculations performed by the Cash Manager on the Calculation Date immediately prior to each anniversary of the Programme Date, with a view to confirmation of compliance by the LLP with the Asset Coverage Test or the Amortisation Test, as applicable, on that Calculation Date.

If the long-term ratings of the Cash Manager or the Issuer fall below BBB- by Fitch, 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 and, following a determination by the Asset Monitor of any errors in the calculations performed by the Cash Manager such that the Asset Coverage Test has been failed on the applicable Calculation Date (where the Cash Manager had recorded it as being satisfied) or the Adjusted Aggregate Loan Amount or the Amortisation Test Aggregate Loan Amount is mis-stated by an amount exceeding 1 per cent. of the Adjusted Aggregate Loan Amount or the Amortisation Test Aggregate Loan Amount, as applicable as at the date of the relevant Asset Coverage Test or the relevant Amortisation Test, the Asset Monitor will be required to conduct such tests following each Calculation Date for a period of six months thereafter.

The Asset Monitor is entitled, in the absence of manifest error, to assume that all information provided to it by the Cash Manager for the purpose of reporting on the arithmetic accuracy is true and correct and not misleading, and is not required to report as such or otherwise take steps to verify the accuracy of any such information. The Asset Monitor Report will be delivered to the Cash Manager, the LLP, the Issuer, the Security Trustee and the Arranger.

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

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

Asset Monitor may, at any time, resign by giving at least 60 days' prior written notice to the LLP and the Security Trustee.

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

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

The Asset Monitor has also been appointed as the "Asset Pool Monitor" (as defined in the RCB Regulations) for the purposes of the RCB Regulations from the point at which the RCB Regulations apply to the Programme, as to which see further *"Description of the UK Regulated Covered Bond Regime"*.

The Asset Monitor Agreement and any non-contractual obligations arising out of or in respect of it are governed by and shall be construed in accordance with English law.

## **LLP Deed**

The Members of the LLP have agreed to operate the business of the LLP in accordance with the terms of a limited liability partnership deed entered into on the Programme Date between the LLP, the Society, Godiva, the Liquidation Member, the Bond Trustee and the Security Trustee (the "**LLP Deed**").

## **Members**

As at the Programme Date, each of the Society, Godiva and the Liquidation Member is a member (each a "**Member**", and together with any other members from time to time, the "**Members**") of the LLP. The Society and the Liquidation Member are designated members (each a "**Designated Member**" and, together with any other designated members from time to time, the "**Designated Members**") of the LLP. The Designated Members have such duties as are specified in the LLPA 2000 or otherwise at law and in the LLP Deed. The LLP Deed requires that there will at all times be at least two Designated Members of the LLP.

For so long as Covered Bonds are outstanding, if an administrator or a liquidator is appointed to the Society or Godiva (as the case may be) or if the Society disposes of its interest in the Liquidation Member such that the Society holds less than 20 per cent. of the share capital of the Liquidation Member (without the consent of the LLP and, while any Covered Bonds are outstanding, the Bond Trustee), the Society or Godiva (as the case may be) will automatically cease to be a Member of the LLP and the outstanding balance of the Society's or Godiva's Capital Contribution to the LLP will be converted into a subordinated debt obligation (the "**CBS Subordinated Loan**" or the "**Godiva Subordinated Loan**", as the case may be). In these circumstances, the Liquidation Member may 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 (which is a wholly owned subsidiary of the Liquidation Member) and will appoint such new Member as a Designated Member pursuant to the terms of the LLP Deed (in each case with the prior written consent of the Security Trustee).

Any New Seller that wishes to sell New Seller Loans and their Related Security to the LLP will, among other things, be required to become a Member of the LLP and accede to the LLP Deed, among other documents. Other than in the case of a New Seller or the replacement of a Seller as a Member in the circumstances outlined in the previous paragraph, no New Member may be appointed without the consent of the Security Trustee, which shall be given upon receipt by the LLP or the Security Trustee of a Rating Agency Confirmation.

## ***Capital Contributions***

From time to time the Society and Godiva (each in its capacity as a Member) will make Capital Contributions to the LLP. Capital Contributions may be made in cash or in kind (e.g. through a contribution of Loans to the LLP). The amount of Capital Contributions attributable to each of the Members shall be calculated in Sterling on each Calculation Date in accordance with the formula set out in the LLP Deed. The sum of the Capital Contributions of the Society and Godiva will equal the difference between (a) the True Balance of the Portfolio as at the last day of the immediately preceding Calculation Period plus Principal Receipts standing to the credit of the LLP Accounts plus the principal amount of Substitution Assets and Authorised Investments as at the last day of the immediately preceding Calculation Period and (b) the Sterling Equivalent of the aggregate Principal Amount Outstanding under the Covered Bonds as at the last day of the preceding Calculation Period.

If at any time, the Society is acting as the Cash Manager and a Cash Manager Relevant Event occurs and is continuing the Society in its capacity as a Member of the LLP will:

- (a) within five London Business Days of the occurrence of the Cash Manager Relevant Event, notify the LLP, the Security Trustee, the Account Banks and each Covered Bond Swap Provider of such event;
- (b) within ten London Business Days of the occurrence of the Cash Manager Relevant Event make a Cash Capital Contribution to the LLP in an aggregate amount equal to the Required Coupon Amount for each Series of Covered Bonds payable on:
  - (i) the immediately succeeding Interest Payment Date (in the case of a Term Advance where a Covered Bond Swap is not in place other than in respect of an Accumulation Series of Covered Bonds);
  - (ii) the immediately succeeding payment date specified in the Covered Bond Swap which relates to such Series of Covered Bonds (in the case of a Term Advance where a Covered Bond Swap is in place); and/or
  - (iii) the immediately succeeding LLP Payment Date for each such Term Advance (in the case of a Term Advance relating to an Accumulation Series of Covered Bonds),(each a "**Relevant Payment Date**"); and
- (c) thereafter, if a Required Coupon Amount Shortfall exists in respect of: (a) any Series of Covered Bonds; and/or (b) any Covered Bond Swap, within one London Business Day of receipt by the Society of notification from the Cash Manager (on behalf of the LLP) that the occurrence of a Required Coupon Amount Shortfall exists, make a Cash Capital Contribution to the LLP in an aggregate amount equal to the Required Coupon Amount Shortfall.

Any such Cash Capital Contribution representing Required Coupon Amounts will be treated as a revenue item but will not form part of Available Revenue Receipts.

Within one London Business Day of receipt of such Cash Capital Contribution from the Society (as a Member of the LLP), the LLP shall (or shall procure that the Cash Manager shall) transfer to the Transaction Accounts (for credit to the Coupon Payment Ledger) an amount equal to the amount of the Cash Capital Contribution received by the LLP from the Society (in its capacity as a Member of the LLP) in respect of paragraphs (b) and (c) above.

While a Cash Manager Relevant Event is continuing (but prior to the service of a Notice to Pay or an LLP Acceleration Notice on the LLP), the LLP will, on each LLP Payment Date, to the extent of Available Revenue Receipts (taking into account the amount to be paid in priority to any credit to the Coupon Payment Ledger), fund the Coupon Payment Ledger in an amount up to the Required Coupon Amount for the next following

Relevant Payment Date(s) subject to and in accordance with the Pre-Acceleration Revenue Priority of Payments.

Within one London Business Day of receipt of a Cash Capital Contribution from the Society under paragraph (b) above or, where either: (x) there is no Required Coupon Amount Shortfall; (y) receipt of a Cash Capital Contribution from the Society occurs prior to the Relevant Payment Date in question, each Relevant Payment Date on which a Cash Manager Relevant Event has occurred and is continuing; or (z) (where neither of the foregoing applies) receipt of a Cash Capital Contribution from the Society pursuant to paragraph (c) above, the LLP will deliver an irrevocable payment instruction, instructing the Account Banks to (a) in the case of a Term Advance where no Covered Bond Swap is in place, no later than 11am (local time in the relevant financial centre of the payment or, in the case of a payment in euro, London time), on each date on which any payment of interest in respect of such Term Advance becomes due under the Conditions, make a payment from the Transaction Accounts in an amount equal to the Required Coupon Amount for such Term Advance on the relevant Interest Payment Date to an account specified by the Principal Paying Agent to the Issuer and the LLP from time to time; and/or (b) in the case of a Term Advance where a Covered Bond Swap is in place, on each date on which any payment is due under the relevant Covered Bond Swap(s) (other than any termination payment under the relevant Covered Bond Swap Agreement and any payment in respect of principal), make a payment from the Transaction Accounts in an amount equal to the Required Coupon Amount for such Covered Bond Swap(s) on the relevant payment date under the Covered Bond Swap in accordance with the terms of the relevant Covered Bond Swap Agreement.

**"Required Coupon Amount"** means, in respect of a Term Advance, an aggregate amount equal to the Sterling Equivalent of: (i) (in the case of each Term Advance where a Covered Bond Swap is not in place other than in respect of an Accumulation Series of Covered Bonds) the estimated interest due from the LLP on the Term Advance on the next Loan Interest Payment Date; (ii) (in the case of each Term Advance where a Covered Bond Swap is in place) an estimated amount equal to the net amount due from the LLP under the Covered Bond Swap(s) on the next payment date (other than those amounts due in respect of principal) under the relevant Covered Bond Swap Agreement and (iii) (in the case of a Term Advance relating to an Accumulation Series of Covered Bonds) the LLP Monthly Interest Amount payable by the LLP on that relevant Term Advance for the relevant LLP Payment Date.

**"Required Coupon Amount Shortfall"** means, in respect of each Term Advance on any LLP Payment Date, taking into account any amount to be credited to the Coupon Payment Ledger on the same date in respect of any other Term Advance, the amount by which the Required Coupon Amount exceeds the sum of:

- (a) the amount of Available Revenue Receipts remaining following payment in full of the amounts referred to in items (a) to (d) inclusive of the Pre-Acceleration Revenue Priority of Payments; and
- (b) the amount then standing to the credit of the Coupon Payment Ledger in relation to that Term Advance.

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

Each Seller, in its capacity as a Member of the LLP, may also make a Cash Capital Contribution to the LLP on any London Business Day for the purpose of funding the Reserve Fund up to the Reserve Fund Required Amount.

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

### ***Asset Coverage Test***

Under the terms of the LLP Deed, the LLP and the Society (in its capacity as a Member of the LLP) must ensure that on each Calculation Date, prior to the service of a Notice to Pay, the Adjusted Aggregate Loan Amount is in an amount at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date.

If, on any Calculation Date, the Adjusted Aggregate Loan Amount is less than the aggregate Principal Amount Outstanding of all Covered Bonds as calculated on the relevant Calculation Date, then the LLP (or the Cash Manager on its behalf) will notify the Members, the Bond Trustee and the Security Trustee thereof and the Society (in its capacity as a Seller) will use all reasonable endeavours to sell or procure the sale of sufficient further Loans and their Related Security to the LLP in accordance with the CBS Mortgage Sale Agreement or the Godiva Mortgage Sale Agreement, as applicable (see "*Summary of the Principal Documents – Mortgage Sale Agreements – Sale by the Sellers of Loans and Related Security*") or provide Cash Capital Contributions to ensure that the Asset Coverage Test is met on the next following Calculation Date. If the Adjusted Aggregate Loan Amount is less than the aggregate Principal Amount Outstanding of all Covered Bonds on the next following Calculation Date, the Asset Coverage Test will be breached and the Bond Trustee will serve an Asset Coverage Test Breach Notice on the LLP (subject to the Bond Trustee having actual knowledge or express notice of the same) and the LLP shall send notice of the same to the FCA pursuant to the RCB Regulations (to the extent it has been admitted to the register of issuers in relation to the Programme and the Programme has been admitted to the register of covered bonds under the RCB Regulations). The Bond Trustee (subject to the Bond Trustee having actual knowledge or express notice of such breach) shall revoke an Asset Coverage Test Breach Notice if, on any Calculation Date falling on or prior to the third Calculation Date following the service of an Asset Coverage Test Breach Notice, the Asset Coverage Test is subsequently satisfied (and it has actual knowledge or express notice of the same) and neither a Notice to Pay nor an LLP Acceleration Notice has been served.

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

- (a) the LLP will be required to sell Selected Loans (as described further under "*LLP Deed – Sale of Selected Loans and their Related Security following service of an Asset Coverage Test Breach Notice*");
- (b) prior to the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice or, if earlier, the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice, the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments will be modified as more particularly described in "*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 Issuer shall give notice of the same to the FCA pursuant to the RCB Regulations (to the extent it has been admitted to the register of issuers in relation to the Programme and the Programme has been admitted to the register of covered bonds under the RCB Regulations). Following service of an Issuer Acceleration Notice, the Bond Trustee will be required to serve a Notice to Pay on the LLP.

For the purposes hereof:

**"Adjusted Aggregate Loan Amount"** means the amount calculated on each Calculation Date as follows:

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

where:

A = the lower of paragraphs (i) and (ii) below, where:

- (i) = the sum of the "**Adjusted True Balance**" of each Loan in the Portfolio, which shall be the lower of: (1) the actual True Balance of the relevant Loan in the Portfolio as calculated on the last day of the immediately preceding Calculation Period; and (2) the Indexed Valuation relating to that Loan multiplied by M (where, for all Loans that are less than three months in arrears or not in arrears,  $M = 0.75$ ; for all Loans that are three months or more in arrears and have a True Balance to Indexed Valuation ratio of less than or equal to 75 per cent.,  $M = 0.40$ ; and for all Loans that are three months or more in arrears and have a True Balance to Indexed Valuation ratio of more than 75 per cent.,  $M = 0.25$ ),

*minus*

the aggregate sum of the following deemed reductions to the aggregate Adjusted True Balance of the Loans in the Portfolio if any of the following occurred during the previous Calculation Period:

- (1) a Loan or its Related Security was, in the immediately preceding Calculation Period, in breach of the Representations and Warranties contained in the relevant Mortgage Sale Agreement or subject to any other obligation of the relevant Seller to repurchase the relevant Loan and its Related Security, and in each case the relevant Seller has not repurchased the Loan or Loans of the relevant Borrower and its or their Related Security to the extent required by the terms of the relevant Mortgage Sale Agreement. In this event, the aggregate Adjusted True Balance of the Loans in the Portfolio (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the Adjusted True Balance of the relevant Loan or Loans (as calculated on the last day of the immediately preceding Calculation Period) of the relevant Borrower; and/or
- (2) a Seller, in any preceding Calculation Period, was in breach of any other material warranty under the relevant Mortgage Sale Agreement and/or the Servicer was, in any preceding Calculation Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate Adjusted True Balance of the Loans in the Portfolio (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the resulting financial loss incurred by the LLP in the immediately preceding Calculation Period (such financial loss to be calculated by the Cash Manager without double counting and to be reduced by any amount paid, in cash or in kind, to the LLP by the relevant Seller to indemnify the LLP for such financial loss);

AND

- (ii) = the aggregate "**Arrears Adjusted True Balance**" of the Loans in the Portfolio which in relation to each Loan shall be the lower of: (1) the actual True Balance of the relevant Loan as calculated on the last day of the immediately preceding Calculation Period; and (2) the Indexed Valuation relating to that Loan multiplied by N (where, for all Loans that are less than three months in arrears or not in arrears,  $N = 1$ , for all Loans that are three months or more in arrears and have a True Balance to Indexed Valuation ratio of less than or equal to 75 per cent.,  $N = 0.40$ ; and for all Loans that are three months or more in arrears and have a True Balance to Indexed Valuation ratio of more than 75 per cent.,  $N = 0.25$ ),

*minus*



the aggregate sum of the following deemed reductions to the aggregate Arrears Adjusted True Balance of the Loans in the Portfolio if any of the following occurred during the previous Calculation Period:

- (1) a Loan or its Related Security was, in the immediately preceding Calculation Period, in breach of the Representations and Warranties contained in the relevant Mortgage Sale Agreement or subject to any other obligation of the relevant Seller to repurchase the relevant Loan and its Related Security, and in each case that Seller has not repurchased the Loan or Loans of the relevant Borrower and its or their Related Security to the extent required by the terms of the relevant Mortgage Sale Agreement. In this event, the aggregate Arrears Adjusted True Balance of the Loans in the Portfolio (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the Arrears Adjusted True Balance of the relevant Loan or Loans (as calculated on the last day of the immediately preceding Calculation Period) of the relevant Borrower; and/or
- (2) a Seller, in any preceding Calculation Period, was in breach of any other material warranty under the relevant Mortgage Sale Agreement and/or the Servicer was, in the immediately preceding Calculation Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate Arrears Adjusted True Balance of the Loans in the Portfolio (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the resulting financial loss incurred by the LLP in the immediately preceding Calculation Period (such financial loss to be calculated by the Cash Manager without double counting and to be reduced by any amount paid, in cash or in kind, to the LLP by the relevant Seller to indemnify the LLP for such financial loss),

*the result of the calculation in this paragraph (ii) being multiplied by the Asset Percentage (as defined below);*

- B = the aggregate amount of any Principal Receipts on the Loans in the Portfolio up to the end of the immediately preceding Calculation Period (as recorded in the Principal Ledger) which have not been applied during the immediately preceding Calculation Period to acquire further Loans and their Related Security or otherwise applied in accordance with the LLP Deed and/or the other Transaction Documents;
- C = the aggregate amount of any Cash Capital Contributions made by the Members (as recorded in the Capital Account Ledger of each Member) or proceeds of Term Advances which have not been applied during the immediately preceding Calculation Period to acquire further Loans and their Related Security or otherwise applied in accordance with the LLP Deed and/or the other Transaction Documents and shall not, for the avoidance of doubt, include any Cash Capital Contributions made to fund the Coupon Payment Ledger or to fund the Reserve Fund up to the Reserve Fund Required Amount;
- D = the aggregate outstanding principal balance of any Substitution Assets;
- X = an amount equal to the lower of: (a) 100 per cent. of the aggregate deposit balances (including saving balances and offset balances), as calculated on any day after the last day of the immediately preceding Calculation Period but prior to the Calculation Date of each deposit account held at the Society by Borrowers whose Loans are made by the Society and which are included in the Portfolio; and (b) the aggregate True Balances of those Borrower's Loans;

- Y = 8 per cent. **multiplied by** the Flexible Draw Capacity **multiplied by** 3; and
- Z = the weighted average remaining maturity of all Covered Bonds then outstanding **multiplied by** the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds **multiplied by** the Negative Carry Factor, where the "**Negative Carry Factor**" is: (i) 0.5 per cent. if the weighted average margin of the interest rate payable on the Covered Bonds is less or equal to 0.1 per cent. per annum; or (ii) 0.5 per cent. plus that margin minus 0.1 per cent., if that margin is greater than 0.1 per cent. per annum (provided that if the weighted average remaining maturity is less than one, the weighted average shall be deemed, for the purposes of this calculation, to be one).

"**Asset Percentage**" on any Calculation Date shall be the lowest of:

- (i) 90 per cent.; and
- (ii) the percentage figure as selected from time to time and notified to the LLP and/or the Cash Manager and (if the Security Trustee so requests) the Security Trustee in accordance with the LLP Deed on such Calculation Date or, where the LLP and/or Cash Manager and (if the Security Trustee so requests) Security Trustee has been notified of the minimum percentage figure on the relevant Calculation Date, on the last date of such notification, if applicable, being the asset percentage required to ensure that the Covered Bonds maintain the then current ratings assigned to them by Fitch.

In addition, the LLP or the Cash Manager acting on its behalf may, from time to time, send a notification to the Security Trustee of the percentage figure selected by it.

Notwithstanding anything set out above, the Rating Agencies will not be required to provide a calculation of the Asset Percentage on a regular basis.

### ***Amortisation Test***

The LLP and the Members (other than the Liquidation Member) must ensure that on each Calculation Date following service of a Notice to Pay on the LLP (but prior to service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security) the Amortisation Test Aggregate Loan Amount will be in an amount at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date.

Following service of a Notice to Pay on the LLP, if on any Calculation Date the Amortisation Test Aggregate Loan Amount is less than the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date, then the Amortisation Test will be deemed to be breached and an LLP Event of Default will occur. The LLP or the Cash Manager, as the case may be, will immediately notify the Members, the Security Trustee and (while Covered Bonds are outstanding) the Bond Trustee of any breach of the Amortisation Test, and the Bond Trustee shall be entitled to serve an LLP Acceleration Notice in accordance with the Conditions.

The "**Amortisation Test Aggregate Loan Amount**" will be calculated on each Calculation Date as follows:

$$A + B + C - Z$$

where:

- A = the aggregate "**Amortisation Test True Balance**" of each Loan in the Portfolio, which shall be the lower of (1) the actual True Balance of the relevant Loan as

calculated on the last day of the immediately preceding Calculation Period multiplied by M and (2) 100 per cent. of the Indexed Valuation multiplied by M.

Where, for all the Loans that are less than three months in arrears or not in arrears,  $M = 1$  or for all the Loans that are three months or more in arrears  $M = 0.7$ ;

- B = the sum of the amount of any cash standing to the credit of the LLP Accounts and the principal amount of any Authorised Investments (excluding any Revenue Receipts received in the immediately preceding Calculation Period);
- C = the aggregate outstanding principal balance of any Substitution Assets;
- Z = the weighted average remaining maturity of all Covered Bonds then outstanding **multiplied by** the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds **multiplied by** the Negative Carry Factor.

#### ***Sale of Selected Loans and their Related Security following service of an Asset Coverage Test Breach Notice***

After service of an Asset Coverage Test Breach Notice (which has not been revoked) but prior to service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or the realisation of the Security, the LLP shall sell Selected Loans in the Portfolio and their Related Security in accordance with the LLP Deed (as described below), in each case, subject to the rights of pre-emption enjoyed by the Sellers pursuant to the Mortgage Sale Agreements. The proceeds from any such sale shall be credited to the Transaction 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*").

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

After a Notice to Pay has been served on the LLP but prior to service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, the LLP shall sell Selected Loans in the Portfolio and their Related Security in accordance with the LLP Deed (as described below), in each case subject to the rights of pre-emption enjoyed by the Sellers to buy the Selected Loans and their Related Security pursuant to the relevant Mortgage Sale Agreement. The proceeds from any such sale or refinancing will be credited to the Transaction Accounts and applied as set out in the Guarantee Priority of Payments.

#### ***Method of Sale of Selected Loans***

If the LLP is required to sell Selected Loans and their Related Security to Purchasers following either the service of an Asset Coverage Test Breach Notice (if not revoked) or a Notice to Pay, the LLP will be required to ensure that before offering Selected Loans for sale:

- (a) the Selected Loans have been selected from the Portfolio on a Random Basis if only part of the Portfolio is sold as described in the LLP Deed; and
- (b) the Selected Loans have an aggregate True Balance in an amount (the "**Required True Balance Amount**") which is as close as possible to the amount calculated as follows:
  - (1) following the service of an Asset Coverage Test Breach Notice (but prior to service of a Notice to Pay), such amount that would ensure that, if the Selected Loans were sold at their True Balance plus the Arrears of Interest and Accrued Interest thereon, the Asset Coverage Test would be satisfied on the next Calculation Date taking into account the payment obligations of the LLP on the LLP Payment Date immediately following that Calculation Date (assuming

for this purpose that the Asset Coverage Test Breach Notice is not revoked on the next Calculation Date); or

- (2) following service of a Notice to Pay:

$$N \times \frac{\text{True Balance of all the Loans in the Portfolio}}{\text{the Sterling Equivalent of the Required Redemption Amount in respect of each Series of Covered Bonds then outstanding}}$$

where "N" is an amount equal to the Sterling Equivalent of the Required Redemption Amount of the Earliest Maturing Covered Bonds less amounts standing to the credit of the LLP Accounts and the principal amount of any Authorised Investments (excluding all amounts to be applied on the next following LLP Payment Date to repay higher ranking amounts in the Guarantee Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds).

For the avoidance of doubt, the entire Portfolio may comprise Selected Loans.

The LLP will offer the Selected Loans and their Related Security for sale to Purchasers for the best price reasonably available but in any event:

- (i) following the service of an Asset Coverage Test Breach Notice (but prior to the service of a Notice to Pay) for an amount not less than the True Balance of the Selected Loans plus the Arrears of Interest and Accrued Interest thereon; and
- (ii) following service of a Notice to Pay, for an amount not less than the Adjusted Required Redemption Amount.

Following the service of a Notice to Pay, if the Selected Loans and their Related Security have not been sold (in whole or in part) in an amount equal to the Adjusted Required Redemption Amount by the date which is six months prior to the earliest Extended Due for Payment Date in respect of any relevant Series of Covered Bonds (after taking into account all payments, provisions and credits to be made in priority thereto), then the LLP will offer the Selected Loans for sale for the best price reasonably available notwithstanding that such amount may be less than the Adjusted Required Redemption Amount.

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

The LLP is also permitted to offer for sale to Purchasers a Partial Portfolio. Except in circumstances where the portfolio of Selected Loans is being sold within six months of the Extended Due for Payment Date in respect of the Series of Covered Bonds to be repaid from such proceeds, the sale price of the Partial Portfolio (as a proportion of the Adjusted Required Redemption Amount) shall be at least equal to the proportion that the Partial Portfolio bears to the relevant portfolio of Selected Loans.

If the LLP is obliged or elects to sell Selected Loans, the LLP will through a tender process appoint a portfolio manager of recognised standing on a basis intended to incentivise the portfolio manager to achieve the best price for the sale of the Selected Loans (if such terms are commercially available in the market) to advise it in relation to the sale of the Selected Loans to Purchasers (except where a Seller is buying the Selected Loans in accordance with its right of pre-emption in the relevant 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.

In respect of any sale or refinancing of Selected Loans and their Related Security following service of an Asset Coverage Test Breach Notice (if not revoked) or a Notice to Pay, the LLP will instruct the portfolio manager to use all reasonable endeavours to procure that Selected Loans are sold as quickly as reasonably practicable (in accordance with the recommendations of the portfolio manager) taking into account the market conditions at that time and the scheduled repayment dates of the Covered Bonds and the terms of the LLP Deed.

The terms of any sale and purchase agreement with respect to the sale of Selected Loans (which shall give effect to the recommendations of the portfolio manager) will be subject to the prior written approval of the Security Trustee. The Security Trustee will not be required to release the Selected Loans from the Security unless the conditions relating to the release of the Security (as described under "*– Deed of Charge – Release of Security*" below) are satisfied.

Following the service of a Notice to Pay, if Purchasers accept the offer or offers from the LLP so that some or all of the Selected Loans shall be sold prior to the next following Extended Due for Payment Date in respect of the Series of Covered Bonds to be repaid from such proceeds, then the LLP will, subject to the foregoing paragraph, enter into a sale and purchase agreement with the relevant Purchasers which will require *inter alia* a cash payment from the relevant Purchasers. Any such sale will not include any Representations and Warranties from the LLP in respect of the Loans and the Related Security unless expressly agreed by the Security Trustee or otherwise agreed with the Sellers.

#### ***Covenants of the LLP and the Members***

Each of the Members covenants that, subject to the terms of the Transaction Documents, it will not sell, transfer, convey, create or permit to arise any security interest on, or 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, while the Covered Bonds are outstanding, the Bond Trustee. While any amounts are outstanding in respect of the Covered Bonds, each of the Members undertakes not to terminate or purport to terminate the LLP or institute any winding-up, administration, insolvency or similar proceedings against the LLP.

The LLP covenants that it will not, save with the prior written consent of the LLP Management Committee (and, for so long as any Covered Bonds are outstanding, the consent of the Bond Trustee) or as envisaged by the Transaction Documents:

- (a) create or permit to subsist any security interest over the whole or any part of its assets or undertakings, present or future (unless arising by operation of law);
- (b) transfer, sell, lend, part with or otherwise dispose of, deal with or grant any option or present or future right to acquire any of its assets or undertakings or any interest therein or thereto;
- (c) have an interest in a bank account other than as set out in the Transaction Documents;
- (d) incur any indebtedness or give any guarantee or indemnity in respect of any such indebtedness;
- (e) consolidate or merge with or transfer its properties or assets substantially as an entirety to any other person;
- (f) have any employees, premises or subsidiaries;
- (g) acquire assets other than pursuant to the Mortgage Sale Agreements, the Cash Management Agreement and the LLP Deed;
- (h) engage in any activities or derive income from any activities within the United States or hold any property if doing so would cause it to be engaged or deemed to be engaged in a trade or business within the United States;

- (i) enter into any contracts, agreements or other undertakings;
- (j) compromise, compound or release any debt due to it;
- (k) commence, defend, settle or compromise any litigation or other claims relating to it or any of its assets; or
- (l) be a member of any VAT Group.

The LLP and each of the Members further covenants that from and including the date on which the Issuer is admitted to the register of issuers in relation to the Programme under the RCB Regulations and the Programme is admitted to the register of covered bonds under the RCB Regulations (if applicable) it will:

- (i) ensure that the Asset Pool will only comprise those assets set out in items (a) to (h) of Regulation 3(1) (*Asset Pool*) of the RCB Regulations;
- (ii) ensure that the Loans and the Related Security, the Substitution Assets and the Authorised Investments contained in the Asset Pool comply with the definition of "eligible property" in Regulation 2 (*Eligible Property*) of the RCB Regulations;
- (iii) keep a record of those assets that form part of the Asset Pool which, for the avoidance of doubt, shall not include any Swap Collateral; and
- (iv) at all times comply with its obligations under the RCB Regulations and/or the RCB Sourcebook.

#### ***Limit on Investing in Substitution Assets***

Prior to the service of an Asset Coverage Test Breach Notice (if not revoked) or a Notice to Pay on the LLP, the LLP will be permitted to invest Available Revenue Receipts, Available Principal Receipts and the proceeds of Term Advances standing to the credit of the LLP Accounts in Substitution Assets, provided that the aggregate amount so invested in Substitution Assets does not exceed 10 per cent. of the total assets of the LLP at any one time and provided that such investments are made in accordance with the terms of the Cash Management Agreement and (to the extent the Issuer has been admitted to the register of issuers in relation to the Programme and the Programme has been admitted to the register of covered bonds under the RCB Regulations) the RCB Regulations. Depositing such amounts in any LLP Account will not constitute an investment in Substitution Assets for these purposes.

Following service of an Asset Coverage Test Breach Notice (if not revoked) or a Notice to Pay on the LLP, all Substitution Assets must be sold by the LLP (or the Cash Manager on its behalf) as quickly as reasonably practicable and the proceeds credited to the LLP Accounts and the LLP will be permitted to invest all available monies in Authorised Investments, provided that such investments are made in accordance with the terms of the Cash Management Agreement.

There is no limit on the amounts that the LLP shall be entitled to invest in Authorised Investments.

#### ***Other Provisions***

The allocation and distribution of Revenue Receipts, Principal Receipts and all other amounts received by the LLP are described under "*Cashflows*" below.

The LLP Management Committee, comprising as at the Programme Date, directors, officers and/or employees of the Society, 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 will 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, while any Covered Bonds are outstanding, with the consent of the Bond Trustee.

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

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

Following the appointment of a liquidator to any Member (other than the Liquidation Member), any decisions of the LLP that are reserved to the Members in the LLP Deed shall be made by the Liquidation Member only.

The LLP Deed and any non-contractual obligations arising out of or in respect of it are governed by and shall be construed in accordance with English law.

### **Cash Management Agreement**

The Cash Manager will provide certain cash management services to the LLP pursuant to the terms of the Cash Management Agreement entered into on the Programme Date between the LLP, the Society in its capacities as the Cash Manager, Seller and Servicer, Godiva in its capacity as Seller and the Security Trustee and Bond Trustee.

The Cash Manager's services include but are not limited to:

- (a) maintaining the Ledgers on behalf of the LLP;
- (b) maintaining records of all Authorised Investments and/or Substitution Assets, as applicable;
- (c) distributing the Revenue Receipts and the Principal Receipts in accordance with the Priorities of Payments described under "*Cashflows*" below;
- (d) determining whether the Asset Coverage Test is satisfied on each Calculation Date in accordance with the LLP Deed, as more fully described under "*Credit Structure – Asset Coverage Test*";
- (e) determining whether the Amortisation Test is satisfied on each Calculation Date following an Issuer Event of Default in accordance with the LLP Deed, as more fully described under "*Credit Structure – Amortisation Test*";
- (f) providing the FCA with information on the composition of any Substitution Assets and/or Authorised Investments comprised in the assets of the LLP and/or such other information as may be required by the FCA in accordance with the RCB Regulations (to the extent the Issuer has been admitted to the register of issuers in relation to the Programme and the Programme has been admitted to the register of covered bonds under the RCB Regulations);
- (g) making the necessary notifications and procuring the necessary payments with respect to any Cash Capital Contributions which are to be credited to the Coupon Payment Ledger; and
- (h) preparation of Investor Reports for the Covered Bondholders, the Rating Agencies and the Bond Trustee.

In relation to an Accumulation Series of Covered Bonds, the Cash Manager shall maintain the Interest Accumulation Ledger, to which the LLP Monthly Interest Amount will be credited on each LLP Payment Date. Amounts standing to the credit of the Interest Accumulation Ledger which have accumulated in respect of a Series of Covered Bonds will be applied: (i) prior to the service of a Notice to Pay, on the immediately following Loan Interest Payment Date or, where the Loan Interest Payment Date is also an LLP Payment Date, on such LLP Payment Date in making interest payments, in accordance with the terms of the Intercompany Loan Agreement and the Cash Management Agreement; or (ii) following the service of a Notice to Pay, on the immediately following Interest Payment Date, or, where the Interest Payment Date is also an LLP Payment Date, on that Interest Payment Date (together with any applicable Available Revenue Receipts), in making payments in respect of interest due on the Covered Bonds.

In certain circumstances the LLP and the Security Trustee will each have the right to terminate the appointment of the Cash Manager in which event the LLP will appoint a substitute (the identity of which will be subject to the Security Trustee's written approval). Any substitute cash manager will have substantially the same rights and obligations as the Cash Manager (although the fee payable to the substitute cash manager may be higher).

The Cash Management Agreement and any non-contractual obligations arising out of or in respect of it are governed by and shall be construed in accordance with English law.

### **Back-up Cash Management Agreement**

The Cash Manager undertakes that, on the Cash Manager ceasing to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Fitch of at least BBB, it will use reasonable efforts to enter into a back-up cash management agreement with a suitably experienced third party acceptable to the LLP within 30 days of the Cash Manager ceasing to be assigned such ratings. The Cash Manager will, on behalf of the LLP, make a draft of the back-up cash management agreement available to the Rating Agencies prior to its execution.

If at any time thereafter the Cash Manager is again assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Fitch of at least BBB, the Cash Manager shall no longer be required to enter into and, for the avoidance of doubt may, if applicable and provided that the Cash Management Agreement remains in full force and effect, terminate any back-up cash management agreement entered into within the above paragraph. The back-up cash management agreement will provide for such third party to undertake the cash management services in relation to the Portfolio within 30 days of the Cash Manager ceasing to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Fitch of at least BBB-.

### **Interest Rate Swap Agreement**

Some of the Loans in the Portfolio pay a variable rate of interest for a period of time that may be linked either to a Seller's Standard Variable Rate or linked to an interest rate other than a Seller's Standard Variable Rate, such as a rate that tracks the Bank of England base rate. Other Loans pay a fixed rate of interest for a period of time. However, the Sterling payments to be made by the LLP under the Covered Bond Swaps are based on a compounded daily SONIA rate and, in addition, the LLP's obligations to make interest payments under the outstanding Term Advances, or (following service on the LLP of a Notice to Pay) the Covered Bond Guarantee, may be based on a compounded daily SONIA rate. To provide a hedge against the possible variance between:

- (a) the rates of interest payable on the Loans in the Portfolio; and
- (b) a compounded daily SONIA rate,

the LLP may enter into one or more Interest Rate Swap Agreements with the relevant Interest Rate Swap Providers (and if an Interest Rate Swap Provider is Godiva, then the LLP and the Interest Rate Swap Guarantor shall enter into an Interest Rate Swap Guarantee as described below in respect of the relevant Interest Rate



Swap Agreement). As at the date of this Offering Circular the LLP has not entered into an Interest Rate Swap Agreement.

In the event that the relevant ratings of an Interest Rate Swap Provider or of any guarantor (including the Interest Rate Swap Guarantor where relevant) are downgraded by a Rating Agency below the ratings specified in the relevant Interest Rate Swap Agreement or the relevant Interest Rate Swap Guarantee, if any, (in accordance with the requirements of the Rating Agencies) and, where applicable, as a result of the downgrade, the then current ratings of the Covered Bonds would or may, as applicable, be adversely affected, the Interest Rate Swap Provider will be required to take certain remedial measures which may include providing collateral for its obligations, arranging for its obligations to be transferred to an entity with ratings required by the relevant Rating Agency, procuring another entity with rating(s) required by the relevant Rating Agency to become co-obligor in respect of its obligations, or taking such other action as it may agree with the relevant Rating Agency. A failure to take such steps will allow the LLP to terminate the relevant Interest Rate Swap Agreement.

An Interest Rate Swap Agreement may also be terminated in certain other circumstances (each referred to as an "**Interest Rate Swap Early Termination Event**"), including:

- at the option of any party to the Interest Rate Swap Agreement, if there is a failure by the other party to pay any amounts due under the Interest Rate Swap Agreement; and
- upon the occurrence of the insolvency of the relevant Interest Rate Swap Provider, or any guarantor (including the Interest Rate Swap Guarantor where relevant) and certain insolvency-related events in respect of the LLP, or the merger of the Interest Rate Swap Provider without an assumption of the obligations under the Interest Rate Swap Agreement (except in respect of a transfer by the LLP to the Security Trustee in its fiduciary capacity).

Upon the termination of an Interest Rate Swap Agreement pursuant to an Interest Rate Swap Early Termination Event, the LLP or the Interest Rate Swap Provider may be liable to make a termination payment to the other in accordance with the provisions of the relevant Interest Rate Swap Agreement.

Any termination payment made by an Interest Rate Swap Provider to the LLP in respect of an Interest Rate Swap Agreement will first be used to the extent necessary (prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security) to pay a replacement Interest Rate Swap Provider to enter into a replacement Interest Rate Swap with the LLP, unless a replacement Interest Rate Swap Agreement has already been entered into on behalf of the LLP. Any premium received by the LLP from a replacement Interest Rate Swap Provider in respect of a replacement Interest Rate Swap will first be used to make any termination payment due and payable by the LLP with respect to the previous Interest Rate Swap Agreement, unless such termination payment has already been made on behalf of the LLP.

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

If withholding taxes are imposed on payments made by an Interest Rate Swap Provider under an Interest Rate Swap Agreement, the Interest Rate Swap Provider shall always be obliged to gross up these payments. If withholding taxes are imposed on payments made by the LLP to an Interest Rate Swap Provider under an Interest Rate Swap Agreement, the LLP shall not be obliged to gross up those payments.

If the LLP is required to sell Selected Loans in the Portfolio following an Issuer Event of Default and service of a Notice to Pay on the LLP, then either:

- (a) the relevant Interest Rate Swap in respect of such Loans will partially terminate and any breakage costs payable by or to the LLP in connection with such termination will be taken into account in calculating the Adjusted Required Redemption Amount for the sale of the Selected Loans; or

- (b) such Interest Rate Swap will be partially novated to the purchaser of such Loans, and such purchaser will thereby become party to a separate interest rate swap transaction with the relevant Interest Rate Swap Provider.

Under each Interest Rate Swap Agreement, the LLP's obligations will be limited in recourse to the Charged Property.

Each Interest Rate Swap Agreement and any non-contractual obligations arising out of or in respect of it will be governed by and be construed in accordance with English law.

### **Interest Rate Swap Guarantee**

If an Interest Rate Swap Provider is Godiva, the Society in its capacity as the Interest Rate Swap Guarantor shall pursuant to the terms of a deed of guarantee (the **Interest Rate Swap Guarantee**), provide a guarantee as primary obligor in favour of the LLP in respect of the payment and delivery obligations of the Interest Rate Swap Provider under the relevant Interest Rate Swap Agreement. The amount payable by the Interest Rate Swap Guarantor will be limited to a maximum amount equal to the sum of all amounts payable by the Interest Rate Swap Provider under the relevant Interest Rate Swap and, if any withholding or deduction is required by law for or on account of any tax, such additional amounts as may be necessary in order that the net amount received by the LLP shall equal the full amount which would have been receivable in respect of the Interest Rate Swap in the absence of such withholding or deduction.

Each Interest Rate Swap Guarantee and any non-contractual obligations arising out of or in respect of it will be governed by and shall be construed in accordance with English law.

### **Covered Bond Swap Agreements**

The LLP may enter into one or more Covered Bond Swaps with one or more Covered Bond Swap Providers. Each Covered Bond Swap will provide a hedge against certain interest rate and currency risks in respect of amounts received by the LLP under the Loans and (if applicable) the relevant Interest Rate Swaps and amounts payable by the LLP under the Intercompany Loan Agreement (prior to the service of a Notice to Pay on the LLP) and under the Covered Bond Guarantee in respect of Covered Bonds (after the service of a Notice to Pay on the LLP).

Where required to hedge such risks, there will be one (or more) Covered Bond Swap Agreement(s) and Covered Bond Swap(s) in relation to each Series or Tranche, as applicable, of Covered Bonds. If the Covered Bond Swap Provider is Godiva, then the LLP and the Covered Bond Swap Guarantor shall enter into an Covered Bond Swap Guarantee, as described below. Where a Series or Tranche of Covered Bonds is denominated in a currency other than Sterling, under the Covered Bond Swaps on the relevant Issue Date, the LLP will pay to the Covered Bond Swap Provider the amount received by the LLP under the applicable Term Advance (being an amount equal to the gross proceeds of the issue of such Series or Tranche, as applicable, of Covered Bonds) and in return the Covered Bond Swap Provider will pay an amount equal to the Sterling Equivalent of the applicable Term Advance. Thereafter, the Covered Bond Swap Provider will pay to the LLP on each Interest Payment Date amounts equivalent to the amounts that would be payable by the LLP under either the applicable Term Advance in accordance with the terms of the Intercompany Loan or the Covered Bond Guarantee in respect of interest and principal payable under the relevant Series or Tranche of Covered Bonds. In return, the LLP will pay to the Covered Bond Swap Provider on each LLP Payment Date an amount in Sterling calculated by reference to a compounded daily SONIA rate over a period corresponding to the relevant Covered Bond Swap Observation Period plus a spread and (where applicable) the Sterling Equivalent of any principal due in respect of the relevant Term Advance in accordance with the Intercompany Loan Agreement or the Covered Bond Guarantee, as applicable.

If prior to the Final Maturity Date in respect of the relevant Series or Tranche of Covered Bonds or (if the payment of the amount corresponding to the Final Redemption Amount or any part of it by the LLP under the Covered Bond Guarantee is deferred until the relevant Extended Due for Payment Date pursuant to Condition

6(a) (*Final redemption*) of the Terms and Conditions of the Covered Bonds) any Interest Payment Date thereafter up to (and including) the relevant Extended Due for Payment Date, the LLP notifies (pursuant to the terms of the Covered Bond Swap) the relevant Covered Bond Swap Provider of the amount in the Specified Currency to be paid by the Covered Bond Swap Provider on such Final Maturity Date or Interest Payment Date (such amount being equal to the Final Redemption Amount or the relevant portion thereof payable by the LLP on such Final Maturity Date or Interest Payment Date under the Covered Bond Guarantee in respect of the relevant Series or Tranche of Covered Bonds), the Covered Bond Swap Provider will pay the LLP such amount and the LLP will pay the Covered Bond Swap Provider the Sterling Equivalent of such amount. Further, if on any day an Early Redemption Amount is payable pursuant to Condition 9(b) (*LLP Events of Default*), the Covered Bond Swap Provider will pay the LLP such Amount (or the relevant portion thereof) and the LLP will pay the Covered Bond Swap Provider the Sterling Equivalent thereof, following which the notional amount of the relevant Covered Bond Swaps will reduce accordingly.

Each Covered Bond Swap will terminate on the earlier of:

- (a) the Final Maturity Date, or, if, prior to the Final Maturity Date, the LLP notifies the Covered Bond Swap Provider of the inability of the LLP to pay in full Guaranteed Amounts corresponding to the Final Redemption Amount, the final Interest Payment Date on which an amount representing the Final Redemption Amount is paid (but in any event not later than the Extended Due for Payment Date); and
- (b) the final date on which the Security Trustee distributes the proceeds of the Security in accordance with the Post-Enforcement Priority of Payments, following the enforcement of the Security pursuant to Condition 9(b) (*LLP Events of Default*).

Under the terms of each Covered Bond Swap Agreement, in the event that the relevant rating of the Covered Bond Swap Provider is downgraded by a Rating Agency below the rating(s) specified in the relevant Covered Bond Swap Agreement (in accordance with the requirements of the Rating Agencies) for the Covered Bond Swap Provider, and, where applicable, as a result of the downgrade, the then current ratings of the Covered Bonds would or may, as applicable, be adversely affected, the Covered Bond Swap Provider will, in accordance with the relevant Covered Bond Swap Agreement, be required to take certain remedial measures which may include providing collateral for its obligations under the Covered Bond Swap Agreement, arranging for its obligations under the Covered Bond Swap Agreement to be transferred to an entity with the ratings required by the relevant Rating Agency, procuring another entity with the ratings required by the relevant Rating Agency to become co-obligor in respect of its obligations under the Covered Bond Swap Agreement, or taking such other action as it may agree with the relevant Rating Agency. A failure to take such steps will allow the LLP to terminate the Covered Bond Swaps entered into under that Covered Bond Swap Agreement.

A Covered Bond Swap Agreement may also be terminated in certain other circumstances (each referred to as a "**Covered Bond Swap Early Termination Event**"), including:

- at the option of any party to the Covered Bond Swap Agreement, if there is a failure by the other party to pay any amounts due under such Covered Bond Swap Agreement; and
- upon the occurrence of the insolvency of the relevant Covered Bond Swap Provider or any guarantor, and certain insolvency-related events in respect of the LLP or the merger of the Covered Bond Swap Provider without an assumption of the obligations under the relevant Covered Bond Swap Agreement.

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

Any termination payment made by the Covered Bond Swap Provider to the LLP in respect of a Covered Bond Swap Agreement will first be used to the extent necessary (prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the

LLP and/or realisation of the Security) to pay a replacement Covered Bond Swap Provider (or replacement Covered Bond Swap Providers) to enter into a replacement Covered Bond Swap with the LLP, unless a replacement Covered Bond Swap Agreement (or replacement Covered Bond Swap Agreements) has already been entered into on behalf of the LLP. Any premium received by the LLP from a replacement Covered Bond Swap Provider in respect of a replacement Covered Bond Swap will first be used to make any termination payment due and payable by the LLP with respect to the previous Covered Bond Swap Agreement, unless such termination payment has already been made on behalf of the LLP.

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

If withholding taxes are imposed on payments made by any Covered Bond Swap Provider to the LLP under a Covered Bond Swap Agreement, such Covered Bond Swap Provider shall always be obliged to gross up those payments. If withholding taxes are imposed on payments made by the LLP to the Covered Bond Swap Provider under a Covered Bond Swap Agreement, the LLP shall not be obliged to gross up those payments.

In the event that the Covered Bonds are redeemed and/or cancelled in accordance with the Conditions, the Covered Bond Swap(s) in connection with such Covered Bonds will terminate or partially terminate, as the case may be. Any breakage costs payable by or to the LLP in connection with such termination will be taken into account in calculating:

- (i) the Adjusted Required Redemption Amount for the sale of Selected Loans; and
- (ii) the purchase price to be paid for the relevant Covered Bonds purchased by the LLP in accordance with Condition 6(f) (*Early Redemption Amounts*).

Under each Covered Bond Swap Agreement, the LLP's obligations are limited in recourse to the Charged Property. To the extent that the LLP is unable to make any payment in full under any Covered Bond Swap due to its assets being insufficient to make such payment in full, the relevant Covered Bond Swap Provider's payment obligations will rateably reduce.

The Covered Bond Swap Agreements and any non-contractual obligations arising out of or in respect of them are (or, as applicable, will be) governed by and shall be construed in accordance with English law.

### **Covered Bond Swap Guarantee**

If the Covered Bond Swap Provider is Godiva, the Society in its capacity as the Covered Bond Swap Guarantor shall, pursuant to the terms of a deed of guarantee (each a "**Covered Bond Swap Guarantee**"), provide a guarantee as primary obligor in favour of the LLP in respect of the payment and delivery obligations of the Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement. The amount payable by the Covered Bond Swap Guarantor shall be limited to a maximum amount equal to the sum of all amounts payable by the Covered Bond Provider under the relevant Covered Bond Swap and, if any withholding or deduction is required by law for or on account of any tax, such additional amounts as may be necessary in order that the net amount received by the LLP shall equal the full amount which would have been receivable in respect of the relevant Covered Bond Swap in the absence of such withholding or deduction.

Each Covered Bond Swap Guarantee and any non-contractual obligations arising out of or in respect of it shall be governed by and shall be construed in accordance with English law.

### **Bank Account Agreements**

Pursuant to the terms of the Barclays Bank Account Agreement entered into on the Programme Date between the LLP, Barclays Bank PLC (in its capacity as an Account Bank), the Cash Manager and the Security Trustee, the LLP will maintain with Barclays Bank PLC the Barclays Transaction Account (which will be opened following the Programme Date), into which amounts may be deposited by the LLP (including, following the

occurrence of an Issuer Event of Default which is not cured within the applicable grace period, amounts received from Borrowers in respect of Loans in the Portfolio). Notwithstanding the foregoing, no amounts will be deposited by the LLP in the Barclays Transaction Account (to the extent maintained) unless the Society (in its capacity as an Account Bank) fails to maintain the Account Bank Ratings. 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 may be transferred from the Barclays Transaction Account (to the extent maintained), which will be operated in accordance with the Cash Management Agreement, the Barclays Bank Account Agreement, the LLP Deed and the Deed of Charge.

Pursuant to the terms of the CBS Bank Account Agreement entered into on the Programme Date between the LLP, the Society (in its capacity as an Account Bank), the Cash Manager and the Security Trustee, the LLP will maintain with the Society the CBS Transaction Account, into which amounts may be deposited by the LLP (including, following the occurrence of an Issuer Event of Default which is not cured within the applicable grace period, amounts received from Borrowers in respect of Loans in the Portfolio). On each LLP Payment Date as applicable, amounts required to meet the LLP's various creditors and amounts to be distributed to the Members under the LLP Deed may be transferred from the CBS Transaction Account (to the extent maintained), which will be operated in accordance with the Cash Management Agreement, the CBS Bank Account Agreement, the LLP Deed and the Deed of Charge.

Monies standing to the credit of the Transaction Accounts 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*".

If the short-term, unsecured, unsubordinated and unguaranteed debt obligations of an Account Bank cease to be rated F1 by Fitch or a long-term issuer default rating of at least A by Fitch (the **Account Bank Ratings**), then either:

- the relevant Transaction Account (to the extent maintained) will be closed and all amounts standing to the credit thereof shall be transferred either (i) to accounts held with another Account Bank (to the extent such Account Bank has the Account Bank Ratings) or (ii) to a bank whose short-term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least the Account Bank Ratings; or
- the relevant Account Bank will obtain an unconditional and unlimited guarantee of its obligations under the relevant Bank Account Agreement from a financial institution whose short-term, unsecured, unsubordinated and unguaranteed debt obligations are rated the Account Bank Ratings.

If, following a Transaction Account being transferred as a result of the relevant Account Bank not satisfying the Account Bank Ratings, that Account Bank subsequently satisfies the Account Bank Ratings, the relevant Account Bank may, by notice in writing to the LLP, recommence the provision of a Transaction Account. The provision of such accounts by the relevant Account Bank will be recommenced on a date to be agreed between that Account Bank, the LLP and the relevant replacement Account Bank.

Following the recommencement of the provision of a Transaction Account pursuant to the relevant Bank Account Agreement, the relevant Account Bank shall provide such accounts.

The Bank Account Agreements and any non-contractual obligations arising out of or in respect of them are governed by and shall be construed in accordance with English law.

### **Corporate Services Agreement**

Pursuant to the terms of a corporate services agreement (the "**Corporate Services Agreement**") entered into by the LLP, the Liquidation Member and Holdings with, *inter alios*, Maples Fiduciary Services (UK) Limited (as Corporate Services Provider) on the Programme Date, the Corporate Services Provider has agreed to provide corporate services to the LLP, the Liquidation Member and Holdings respectively.

The Corporate Services Agreement and any non-contractual obligations arising out of or in respect of it are governed by and shall be construed in accordance with, English law.

### **Deed of Charge**

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

- (a) a first fixed charge (which may take effect as a floating charge) over the LLP's interest in the Loans (other than the Scottish Loans), and its Related Security and other related rights comprised in the Portfolio;
- (b) a first fixed charge (which may take effect as a floating charge) over all of the LLP's interests, rights and entitlements under and in respect of any Transaction Document to which it is a party (and, where applicable, in respect of any Interest Rate Swap Agreement, the Interest Rate Swap Guarantee and any Covered Bond Swap Agreement, after giving effect to all applicable netting provisions therein);
- (c) 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;
- (d) a first fixed charge (which may take effect as a floating charge) over the rights and benefits of the LLP in respect of all Authorised Investments and Substitution Assets purchased from time to time from amounts standing to the credit of the LLP Accounts; and
- (e) a first floating charge over all the assets and undertaking of the LLP (including the assets and undertaking of the LLP located in Scotland or governed by Scots law).

In respect of the LLP's interest in the Scottish Loans and their Related Security (comprising the LLP's beneficial interest under the trusts declared by the relevant Seller pursuant to a Scottish Declaration of Trust), fixed security will be created over such property, rights and assets sold to the LLP after the Programme Date by means of Scottish Supplemental Charges to be entered into pursuant to the Deed of Charge.

### **Release of Security**

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

- (i) the Security Trustee provides its prior written consent to the terms of such sale as described under "*LLP Deed – Method of Sale of Selected Loans*"; and
- (ii) in the case of the sale of Selected Loans, the LLP provides to the Security Trustee a certificate confirming that the Selected Loans being sold have been selected on a Random Basis.

In the event of the repurchase of a Loan and its Related Security by a Seller pursuant to and in accordance with the Transaction Documents, such Loans and their Related Security (and any other related rights under the same) will be deemed released, reassigned or discharged from the Security Interests pursuant to the terms of the Deed of Charge on the date of the repurchase.

The Security Trustee shall not be responsible for monitoring or ascertaining whether or not: (i) in the event of any sale of Loans (including Selected Loans) and their Related Security by the LLP as described above, such

sale is made or has been made in accordance with the terms of the Transaction Documents; (ii) the Loans (and their Related Security) that are the subject of such sale have been so released, reassigned and/or discharged from the Security Interests under the Deed of Charge; (iii) in the case of Selected Loans only, such Loans have been selected on a Random Basis; and/or (iv) in the event of the repurchase of a Loan and its Related Security by a Seller as described above, any such repurchase has been made or completed in accordance with the terms of the Transaction Documents and such Loan and its Related Security have been so released, reassigned and/or discharged from the Security Interests under and pursuant to the Deed of Charge. The Security Trustee shall not be liable to any person for any loss occasioned thereby.

### ***Enforcement***

If an LLP Acceleration Notice is served on the LLP, the Security Trustee shall be entitled to and shall if so directed by the Bond Trustee (so long as Covered Bonds are outstanding) or the other Secured Creditors if no Covered Bonds are outstanding appoint a Receiver, enforce the Security constituted by and pursuant to the Deed of Charge (including selling the Portfolio), and/or take such steps as it deems necessary, subject in each case to being indemnified and/or secured and/or pre-funded 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 out of or in respect of it are governed by and shall be construed in accordance with English law (other than each Scottish Supplemental Charge granted pursuant and supplemental to the Deed of Charge and certain other provisions of the Deed of Charge relating to property, rights and assets situated in Scotland or governed by Scots law which are governed by Scots law).

## CREDIT STRUCTURE

The Covered Bonds will be direct, unsecured, unconditional obligations of the Issuer. The LLP has no obligation to pay the Guaranteed Amounts under the Covered Bond Guarantee until the occurrence of an Issuer Event of Default, service by the Bond Trustee on the Issuer of an Issuer Acceleration Notice and on the LLP of a Notice to Pay or, if earlier, following the occurrence of an LLP Event of Default, service by the Bond Trustee of an LLP Acceleration Notice. The Issuer will not be relying on payments by the LLP in respect of the Term Advances or receipt of Revenue Receipts or Principal Receipts from the Portfolio in order to pay interest or repay principal under the Covered Bonds.

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

- the Covered Bond Guarantee provides credit support to the Issuer;
- the Asset Coverage Test is intended to test the asset coverage of the LLP's assets in respect of the Covered Bonds at all times;
- the Amortisation Test is intended to test the asset coverage of the LLP's assets in respect of the Covered Bonds following the occurrence of an Issuer Event of Default, service of an Issuer Acceleration Notice on the Issuer and service of a Notice to Pay on the LLP;
- a Reserve Fund (unless the Society's short-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least F1+ by Fitch) will be established to trap Available Revenue Receipts;
- the pre-funding of the Required Coupon Amount on each LLP Payment Date following a Cash Manager Relevant Event and the delivery of irrevocable payment instructions well in advance of such amounts becoming due for payment will enhance the likelihood of timely payments to the Covered Bondholders.

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

In addition, the Issuer (from and including the date on which the Issuer is admitted to the register of issuers in relation to the Programme under the RCB Regulations and the Programme is admitted to the register of covered bonds under the RCB Regulations (if applicable)) will be required to comply with the terms of the RCB Regulations, as to which see further "*Description of the UK Regulated Covered Bond Regime*" below.

### Guarantee

The Covered Bond Guarantee provided by the LLP under the Trust Deed guarantees payment of Guaranteed Amounts when the same become Due for Payment in respect of all Covered Bonds issued under the Programme. The Covered Bond Guarantee will not guarantee any amount becoming payable for any other reason, including any accelerated payment pursuant to Condition 9 (*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 and "*Cashflows – Guarantee Priority of Payments*" as regards the payment of amounts payable by the LLP to the Covered Bondholders and other Secured Creditors following the occurrence of an Issuer Event of Default.



## **Asset Coverage Test**

The Asset Coverage Test is intended to ensure that the LLP can meet its obligations under the Covered Bond Guarantee and senior ranking expenses which will include costs relating to the maintenance, administration and winding-up of the Asset Pool while the Covered Bonds are outstanding. Under the LLP Deed, the LLP and the Society (in its capacity as a Member of the LLP) must ensure that on each Calculation Date the Adjusted Aggregate Loan Amount will be in an amount equal to or in excess of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date. If on any Calculation Date the Asset Coverage Test is not satisfied and such failure is not remedied on or before the next following Calculation Date, the Asset Coverage Test will be breached and (subject to the Bond Trustee having actual knowledge or express notice of such breach) the Bond Trustee will serve an Asset Coverage Test Breach Notice on the LLP. The Asset Coverage Test is a formula which adjusts the True Balance of each Loan in the Portfolio and has further adjustments to take account of set-off on a Borrower's savings accounts held with the Society (to the extent the Borrower's Loan is made by the Society and is included in the Portfolio) and failure by a Seller, in accordance with the Mortgage Sale Agreements, to repurchase Defaulted Loans or Loans that do not materially comply with the Representations and Warranties on the relevant Transfer Date.

See further "*Summary of the Principal Documents – LLP Deed – Asset Coverage Test*".

An Asset Coverage Test Breach Notice will be revoked if, on any Calculation Date falling on or prior to the third Calculation Date following the service of the Asset Coverage Test Breach Notice, the Asset Coverage Test is satisfied and neither a Notice to Pay nor an LLP Acceleration Notice has been served.

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

The Issuer will (from and including the date on which the Issuer is admitted to the register of issuers in relation to the Programme under the RCB Regulations and the Programme is admitted to the register of covered bonds under the RCB Regulations (if applicable)) additionally be required to ensure that the principal amount of eligible property in the Asset Pool is greater than 108 per cent. of the Principal Amount Outstanding of the Covered Bonds in accordance with the terms of the RCB Regulations. See further "*Description of the UK Regulated Covered Bond Regime*".

## **Amortisation Test**

The Amortisation Test is intended to ensure that if, following an Issuer Event of Default, service of an Issuer Acceleration Notice on the Issuer and the service of a Notice to Pay on the LLP (but prior to service on the LLP of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security), the assets of the LLP available to meet its obligations under the Covered Bond Guarantee fall to a level where the Covered Bondholders may not be repaid, an LLP Event of Default will occur and all amounts owing under the Covered Bonds may be accelerated. Under the LLP Deed, the LLP and its Members (other than the Liquidation Member) must ensure that, on each Calculation Date following an Issuer Event of Default and the service of a Notice to Pay on the LLP, the Amortisation Test Aggregate Loan Amount will be in an amount at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date. The Amortisation Test is a formula that adjusts the True Balance of each Loan in the Portfolio and has further adjustments to take account of Loans in arrears. See further "*Summary of the Principal Documents – LLP Deed – Amortisation Test*".

## **Reserve Fund**

The LLP will be required (unless the Society's short-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least F1+ by Fitch) to establish the Reserve Fund which will be credited with Available

Revenue Receipts up to an amount equal to the Reserve Fund Required Amount. Each Seller, in its capacity as a Member of the LLP, may also make a Cash Capital Contribution to the LLP on any London Business Day for the purpose of funding the Reserve Fund up to the Reserve Fund Required Amount. The LLP will not be required to maintain the Reserve Fund following the occurrence of an Issuer Event of Default.

The Reserve Fund will be funded from Available Revenue Receipts after the LLP has paid all of its obligations in respect of items ranking higher than the Reserve Ledger in the Pre-Acceleration Revenue Priority of Payments on each LLP Payment Date.

The Reserve Fund will be established on the Programme Date and funded by a capital contribution in the LLP by the Issuer. Subsequently, the Reserve Fund will be funded, to the extent necessary, from Available Revenue Receipts or Cash Capital Contributions from the Sellers, as set out in the above paragraph.

A Reserve Ledger will be maintained by the Cash Manager to record the balance from time to time of the Reserve Fund. Following the occurrence of an Issuer Event of Default and service of a Notice to Pay on the LLP, amounts standing to the credit of the Reserve Fund will be added to certain other income of the LLP in calculating Available Revenue Receipts.

### **Interest Accumulation Ledger**

In relation to each Accumulation Series of Covered Bonds, the Cash Manager shall maintain an Interest Accumulation Ledger, to which the LLP Monthly Interest Amount will be credited on each LLP Payment Date. Amounts standing to the credit of the Interest Accumulation Ledger in respect of each such Accumulation Series of Covered Bonds will be applied on the relevant Loan Interest Payment Date, together with Available Revenue Receipts (applied in accordance with the relevant Priorities of Payments), to make payments under the Term Advances or Covered Bonds, as applicable.

### **Coupon Payment Ledger**

If a Cash Manager Relevant Event occurs and is continuing, the Society in its capacity as a Member of the LLP will: (a) within ten London Business Days of the occurrence of the Cash Manager Relevant Event; and (b) thereafter, if a Required Coupon Amount Shortfall exists, within one London Business Day of receipt of notification of each Required Coupon Amount Shortfall, make a Cash Capital Contribution to the LLP in an amount equal to the Required Coupon Amount or the Required Coupon Amount Shortfall, as the case may be.

While a Cash Manager Relevant Event is continuing (but prior to the service of a Notice to Pay or an LLP Acceleration Notice on the LLP) the LLP will, on each LLP Payment Date, fund the Coupon Payment Ledger in an amount up to the Required Coupon Amount.

Within one London Business Day of receipt of a Cash Capital Contribution from the Society, the LLP shall (or shall procure that the Cash Manager shall) credit the Coupon Payment Ledger of the Transaction Accounts with an amount equal to such Cash Capital Contribution.

Within one London Business Day of receipt of a Cash Capital Contribution from the Society or, where either (x) there is no Required Coupon Amount Shortfall; or (y) receipt of a Cash Capital Contribution from the Society occurs prior to the Relevant Payment Date in question, each Relevant Payment Date on which a Cash Manager Relevant Event has occurred and is continuing, the LLP will deliver an irrevocable payment instruction, instructing the Account Banks to: (a) in the case of a Term Advance where no Covered Bond Swap is in place, no later than 11am (local time in the relevant financial centre of the payment or, in the case of a payment in euro, London time) on each date on which any payment of interest in respect of such Term Advance becomes due under the Conditions, make a payment from the Transaction Accounts in an amount equal to the Required Coupon Amount for such Term Advance on the relevant Interest Payment Date to an account specified by the Principal Paying Agent to the Issuer and the LLP from time to time; and/or (b) in the case of a Term Advance where a Covered Bond Swap is in place, on each date on which any payment is due under the relevant Covered Bond Swap(s) (other than any termination payment under the relevant Covered Bond

Swap Agreement and any payment in respect of principal), make a payment from the Transaction Accounts in an amount equal to the Required Coupon Amount for such Covered Bond Swap(s) on the relevant payment date under the Covered Bond Swap in accordance with the terms of the relevant Covered Bond Swap Agreement.

## CASHFLOWS

As described above under "*Credit Structure*", until a Notice to Pay or LLP Acceleration Notice is served on the LLP, the Covered Bonds will be obligations of the Issuer only. The Issuer is liable to make payments when due on the Covered Bonds, whether or not it has received any corresponding payment from the LLP.

This section summarises the Priorities of Payments of the LLP, as to the allocation and distribution of amounts standing to the credit of the LLP Accounts and their order of priority:

- (a) prior to service on the LLP of an Asset Coverage Test Breach Notice, a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security;
- (b) following service of an Asset Coverage Test Breach Notice (and for so long as it has not been revoked);
- (c) following service of a Notice to Pay; and
- (d) following service of an LLP Acceleration Notice, realisation of the Security and/or the commencement of winding-up proceedings against the LLP.

If a Transaction Account is closed in accordance with the terms of the relevant Bank Account Agreement, any payment to be made to or from that Transaction Account shall, as applicable, be made to or from another Transaction Account.

LLP Payment Dates will occur monthly.

**Allocation and distribution of Available Revenue Receipts prior to the service of an Asset Coverage Test Breach Notice (which has not been revoked), a Notice to Pay or an LLP Acceleration Notice and/or the commencement of Winding-Up Proceedings against the LLP and/or the realisation of the security**

Prior to service of an Asset Coverage Test Breach Notice (which has not been revoked), a Notice to Pay or an LLP Acceleration Notice on the LLP and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, Available Revenue Receipts will be allocated and distributed as described below.

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

### ***Pre-Acceleration Revenue Priority of Payments***

Prior to service of a Notice to Pay or service of an LLP Acceleration Notice on the LLP, Available Revenue Receipts will be applied by or on behalf of the LLP on each LLP Payment Date (except for amounts due to the Bond Trustee and the Security Trustee or to other third parties by the LLP or the Issuer under paragraphs (a) and (b) below or Third Party Amounts, which shall be paid when due) in making the following payments and provisions (the "**Pre-Acceleration Revenue Priority of Payments**") (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

- (a) *first*, in or towards *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) all amounts due and payable or to become due and payable to the Bond Trustee (including remuneration payable to it) under the provisions of the Trust Deed together with interest and applicable VAT (or other similar taxes) thereon as provided therein;

- (ii) all amounts due and payable or to become due and payable to the Security Trustee (including remuneration payable to it) under the provisions of the Deed of Charge together with interest and applicable VAT (or other similar taxes) thereon as provided therein;
- (b) *second*, in or towards satisfaction of any amounts due and payable to each Agent and to other third parties other than those referred to in paragraph (a) above and incurred without breach by the LLP of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere in the relevant Priorities of Payments) and to provide for any such amounts expected to become due and payable by the LLP in the immediately succeeding LLP Payment Period and to pay and discharge any liability of the LLP for taxes;
- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicer under the provisions of the Servicing Agreement in the immediately succeeding LLP Payment Period, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
  - (ii) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager under the provisions of the Cash Management Agreement in the immediately succeeding LLP Payment Period, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
  - (iii) amounts (if any) due and payable to the Account Banks (including costs) pursuant to the terms of the Bank Account Agreements, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
  - (iv) 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; and
  - (v) 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 (j) below), together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
- (d) *fourth*, in or towards payment *pro rata* and *pari passu* of any amount due to an Interest Rate Swap Provider (including any termination payment due and payable by the LLP under the relevant Interest Rate Swap Agreement (but excluding any Excluded Swap Termination Amount)) pursuant to the terms of the relevant Interest Rate Swap Agreement;
- (e) *fifth*, in or towards payment on the LLP Payment Date or to provide for payment on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine (and in the case of any such payment or provision, after taking into account any provisions previously made and any amounts receivable from an Interest Rate Swap Provider under the relevant Interest Rate Swap Agreement and, if applicable, any amounts (other than principal) receivable from a Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement on the LLP Payment Date or such date in the future as the Cash Manager may reasonably determine) of:
  - (i) taking into account any amounts paid from amounts credited to the Coupon Payment Ledger (other than any amounts to be credited on such LLP Payment Date in accordance with (f) below), in respect of any Term Advance with a Covered Bond Swap in place, any amounts due or to become due and payable to the Covered Bond Swap Providers (other than in respect of principal) *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (other

than in relation to principal) due and payable by the LLP under the relevant Covered Bond Swap Agreement, but excluding any Excluded Swap Termination Amount (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Swap Providers) pursuant to the terms of the relevant Covered Bond Swap Agreements; and

- (ii) in respect of any Term Advance without a Covered Bond Swap in place, and taking into account any amounts paid from amounts credited to the Coupon Payment Ledger (other than any amounts to be credited on such LLP Payment Date in accordance with (f) below), and, in respect of any Term Advance that relates to an Accumulation Series of Covered Bonds, any amount credited to the Interest Accumulation Ledger in respect of that Series of Covered Bonds, any amounts due to become due and payable (excluding principal amounts), *pro rata* and *pari passu* in respect of each relevant Term Advance to the Issuer pursuant to the terms of the Intercompany Loan Agreement; and
  - (iii) in respect of any Accumulation Series of Covered Bonds, where the amount is not due and payable in respect of any related Term Advance, to, if applicable, make a credit to the Interest Accumulation Ledger in respect of that Term Advance in an amount equal to the LLP Monthly Interest Amount;
- (f) *sixth*, if a Cash Manager Relevant Event has occurred and is continuing, in or towards a deposit to the Transaction Accounts (with a corresponding credit to the Coupon Payment Ledger maintained in respect of that account) of an amount up to but not exceeding the amount by which the then applicable Required Coupon Amount exceeds the amount standing to the credit of the Coupon Payment Ledger;
  - (g) *seventh*, if a Servicer Event of Default has occurred, all remaining Available Revenue Receipts to be credited to the Transaction Accounts (with a corresponding credit to the Revenue Ledger maintained in respect of that account) until such Servicer Event of Default is either remedied by the Servicer or waived by the Security Trustee, or a new servicer is appointed to service the Portfolio (or the relevant part thereof);
  - (h) *eighth*, in or towards a credit to the Reserve Ledger of an amount up to but not exceeding the amount by which the Reserve Fund Required Amount exceeds the existing balance on the Reserve Ledger as calculated on the immediately preceding Calculation Date;
  - (i) *ninth*, 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 Covered Bond Swap Agreements and any Interest Rate Swap Agreement;
  - (j) *tenth*, in or towards payment *pro rata* and *pari passu* in accordance with the respective amounts thereof of any indemnity amount due to the Asset Monitor pursuant to the Asset Monitor Agreement, and any indemnity amount due to the Members pursuant to the LLP Deed;
  - (k) *eleventh*, in or towards repayment to the Society of any Cash Capital Contributions made by the Society (in its capacity as a Member of the LLP) to credit the Coupon Payment Ledger;
  - (l) *twelfth*, in or towards payment of *pro rata* and *pari passu*, the CBS Deferred Consideration and the Godiva Deferred Consideration;
  - (m) *thirteenth*, in or towards payment of the fee due to the Liquidation Member; and
  - (n) *fourteenth*, towards payment *pro rata* and *pari passu* to the Members of a certain sum (specified in the LLP Deed) as their profit for their respective interests as Members in the LLP,

*provided that* if an LLP Payment Date is not the same as an Interest Payment Date, Available Revenue Receipts will be applied initially on the Interest Payment Date in payment of any amount due to the Covered Bond Swap Providers under paragraph (e)(i) above but only to the extent that adequate provision is made for any payments of a higher priority to be made in full on the immediately succeeding LLP Payment Date.

On each Loan Interest Payment Date, any amount standing to the credit of the Interest Accumulation Ledger and (without double counting) any amount credited to the Interest Accumulation Ledger on such Loan Interest Payment Date (if such Loan Interest Payment Date is also an LLP Payment Date), in accordance with (e)(iii) above, shall be applied in paying interest due on the Term Advance in respect of such Accumulation Series of Covered Bonds at item (e)(ii) above of the Pre-Acceleration Revenue Priority of Payments to the extent such amounts are due and payable.

Prior to a Notice to Pay having been delivered, if a Cash Manager Relevant Event occurs, the LLP will on any LLP Payment Date immediately prior to the LLP Payment Date on which amounts or Scheduled Interest is required to be paid in respect of any Term Advance relating to an Accumulation Series of Covered Bonds apply the amount standing to the credit of the Interest Accumulation Ledger in respect of such Accumulation Series of Covered Bonds to the Coupon Payment Ledger to fund in full or in part the amount to be deposited by the Society pursuant to the LLP Deed. Such application shall occur after the application of item (e) above but before the application of item (f) above in each case of the Pre-Acceleration Revenue Priority of Payments.

Any amounts received by the LLP under any Interest Rate Swap Agreement (or any Interest Rate Swap Guarantee, as the case may be) on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payments made on any preceding LLP Payment Date, to make payments (other than in respect of principal) due and payable *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap under the Covered Bond Swap Agreements or, as the case may be, in respect of each relevant Term Advance under the Intercompany Loan Agreement unless an Asset Coverage Test Breach Notice has been served and has not been revoked or otherwise to make provision for such payments on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine.

Any amounts (other than in respect of principal and Swap Collateral) received by the LLP under a Covered Bond Swap on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payments made on any preceding LLP Payment Date, to make payments (other than principal) due and payable *pro rata* and *pari passu* in respect of each relevant Term Advance under the Intercompany Loan Agreement or otherwise to make provision for such payments on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine unless an Asset Coverage Test Breach Notice has been served and has not been revoked.

Any amounts received under any Interest Rate Swap Agreement (or any Interest Rate Swap Guarantee, as the case may be) and any amounts (other than in respect of principal and Swap Collateral) received under the Covered Bond Swap Agreements on the LLP Payment Date or on any date prior to the next succeeding LLP Payment Date that are not put towards a payment or provision in accordance with item (e) above of the Pre-Acceleration Revenue Priority of Payments or the preceding two paragraphs will be credited to the Revenue Ledger on the LLP Accounts and applied as Available Revenue Receipts on the next succeeding LLP Payment Date.

If any Swap Collateral Available Amounts are received by the LLP on an LLP Payment Date, such amounts shall be applied by the LLP (or by the Cash Manager on its behalf) on that LLP Payment Date in the same manner as it would have applied the receipts that such Swap Collateral Available Amounts replace.

Amounts (if any) standing to the credit of the Transaction Accounts that are not available to be applied in accordance with items (a) to (n) of the Pre-Acceleration Revenue Priority of Payments above or items (a) to (d) of the Pre-Acceleration Principal Priority of Payments below will be credited to the appropriate ledger in the Transaction Accounts on the LLP Payment Date.

**Allocation and Distribution of Available Principal Receipts prior to service of an Asset Coverage Test Breach Notice which has not been revoked, a Notice to Pay or an LLP Acceleration Notice and/or the commencement of Winding-Up Proceedings against the LLP and/or the realisation of the security**

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

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

If any payments of principal are required to be made by the LLP on an Interest Payment Date, 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 under the Covered Bonds on that Interest Payment Date unless, notwithstanding the proviso in item (b) below of the Pre-Acceleration Principal Priority of Payments or in the paragraph immediately following the Pre-Acceleration Principal Priority of Payments, payment is made by the LLP directly to the Bond Trustee (or the Principal Paying Agent at the direction of the Bond Trustee).

***Pre-Acceleration Principal Priority of Payments***

Prior to service on the LLP of an Asset Coverage Test Breach Notice (which has not been revoked), a Notice to Pay, an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, all Available Principal Receipts will be applied by or on behalf of the LLP on each LLP Payment Date in making the following payments and provisions (the "**Pre-Acceleration Principal Priority of Payments**") provided that the Cash Manager may, at the direction of the LLP, apply amounts standing to the credit of the Principal Ledger on any London Business Day to acquire New Loans, Additional Loan Advances and Flexible Loans in accordance with paragraph (a) below:

- (a) *first*, to acquire New Loans and their Related Security offered to the LLP by the Sellers in accordance with the terms of the relevant Mortgage Sale Agreements 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;
- (b) *second*, to deposit the remaining Principal Receipts in the Transaction Accounts (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;
- (c) *third*, in or towards repayment on the LLP Payment Date (or to provide for repayment on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine) of the corresponding Term Advance related to such Series of Covered Bonds by making the following payments:
  - (i) the amounts (in respect of principal) due or to become due and payable to the relevant Covered Bond Swap Providers *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment (relating solely to principal) due and payable by the LLP under the relevant Covered Bond Swap Agreements, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Swap Providers) in accordance with the terms of the relevant Covered Bond Swap Agreement; and
  - (ii) (where appropriate, after taking into account any amounts in respect of principal receivable from a Covered Bond Swap Provider on the LLP Payment Date or such date in the future as the Cash Manager may reasonably determine) the amounts (in respect of principal) due or to



become due and payable to the Issuer *pro rata* and *pari passu* in respect of each relevant Term Advance; and

- (d) *fourth*, subject to complying with the Asset Coverage Test, to make a Capital Distribution to the Society and/or Godiva (each in its capacity as a Member) by way of distribution of its equity in the LLP in accordance with the LLP Deed (or, if either the Society or Godiva is not then a Member of the LLP, towards repayment of the relevant Subordinated Loan) in accordance with the LLP Deed.

Unless an Asset Coverage Test Breach Notice has been served and not been revoked, any amounts in respect of principal received by the LLP under a Covered Bond Swap on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payments made on any preceding LLP Payment Date to make payments directly to the Principal Paying Agent unless either the Issuer has paid or discharged the corresponding payment under the relevant Series of Covered Bonds or, following a Cash Manager Relevant Event and for so long as a Cash Manager Relevant Event is continuing, the corresponding payment under the relevant Series of Covered Bonds has been paid from amounts standing to the credit of the Coupon Payment Ledger of the Transaction Accounts pursuant to the LLP Deed or (provided that all principal amounts outstanding under the related Series of Covered Bonds which have fallen due for repayment on such date have been repaid in full by the Issuer) to make payments in respect of principal due and payable to the Issuer in respect of the corresponding Term Advance under the Intercompany Loan Agreement or otherwise to make provision for such payments on such date in the future of such proportion of the relevant payment falling in the future as the Cash Manager may reasonably determine.

Any amounts of principal received under the Covered Bond Swap Agreements on the LLP Payment Date or any date prior to the next succeeding LLP Payment Date that are not put towards a payment or provision in accordance with paragraph (c) above or the preceding paragraph will be credited, on or before the LLP Payment Date, to the Principal Ledger on the Transaction Accounts and applied as Available Principal Receipts on the next succeeding LLP Payment Date.

#### **Allocation and Distribution of Available Revenue Receipts and Available Principal Receipts following service of an Asset Coverage Test Breach Notice**

At any time after service on the LLP of an Asset Coverage Test Breach Notice (which has not been revoked), but prior to service of a Notice to Pay or service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, all Available Revenue Receipts and Available Principal Receipts will continue to be applied in accordance with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments save that, while any Covered Bonds remain outstanding, no monies (including, for the avoidance of doubt, any monies standing to the credit of the Interest Accumulation Ledger) will be applied under items (e)(ii) (unless they are paid directly by the LLP to the Principal Paying Agent) and (j) (to the extent only that such amounts are payable to the Members and are not paid directly to the Principal Paying Agent), (k) or (l) of the Pre-Acceleration Revenue Priority of Payments or items (a), (c)(ii) (unless they are paid directly by the LLP to the Principal Paying Agent) or (d) of the Pre-Acceleration Principal Priority of Payments. In such case, any amounts due from the Covered Bond Swap Provider shall be paid directly to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent.

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

At any time after service of a Notice to Pay on the LLP, but prior to service of an LLP Acceleration Notice and/or the realisation of the Security and/or the commencement of winding-up proceedings in respect of the LLP, all Available Revenue Receipts and Available Principal Receipts (other than Third Party Amounts) will be applied as described below under "– *Guarantee Priority of Payments*".

On each LLP Payment Date, the LLP or the Cash Manager on its behalf will transfer Available Revenue Receipts and Available Principal Receipts from the Revenue Ledger, the Reserve Ledger, the Principal Ledger

or the Capital Account Ledger, as the case may be, to the Coupon Payment Ledger on the LLP Account, in an amount equal to the lower of: (a) the amount required to make the payments set out in the Guarantee Priority of Payments; and (b) the amount of all Available Revenue Receipts and Available Principal Receipts standing to the credit of such ledgers on the LLP Accounts.

The LLP will create and maintain ledgers for each Series of Covered Bonds and record amounts allocated to such Series of Covered Bonds in accordance with item (e) of the Guarantee Priority of Payments, and such amounts, once allocated, will only be available to pay amounts due under the Covered Bond Guarantee and amounts due under the Covered Bond Swap in respect of the relevant Series of Covered Bonds on the scheduled repayment dates thereof.

### ***Guarantee Priority of Payments***

On each LLP Payment Date after the service of a Notice to Pay on the LLP (but prior to the occurrence of an LLP Event of Default), the LLP or the Cash Manager on its behalf will apply Available Revenue Receipts and Available Principal Receipts to make the following payments and provisions in the following order of priority (the "**Guarantee Priority of Payments**") (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) all amounts due and payable or to become due and payable to the Bond Trustee in the immediately succeeding LLP Payment Period under the provisions of the Trust Deed together with interest and applicable VAT (or other similar taxes) thereon as provided therein; and
  - (ii) all amounts due and payable or to become due and payable to the Security Trustee in the immediately succeeding LLP Payment Period under the provisions of the Deed of Charge together with interest and applicable VAT (or other similar taxes) thereon as provided therein;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) any remuneration and other amounts 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
  - (ii) any amounts then due and payable by the LLP to third parties and incurred without breach by the LLP of the Transaction Documents to which it is a party (and for which payment has not been provided elsewhere) and to provide for any such amounts expected to become due and payable by the LLP in the immediately succeeding LLP Payment Period and to pay or discharge any liability of the LLP for taxes;
- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicer in the immediately succeeding LLP Payment Period under the provisions of the Servicing Agreement together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
  - (ii) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager in the immediately succeeding LLP Payment Period under the provisions of the Cash Management Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;

- (iii) amounts (if any) due and payable to the Account Banks (including costs) pursuant to the terms of the Bank Account Agreements, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
  - (iv) 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;
  - (v) amounts (if any) due and payable to the FCA under the RCB Regulations (other than the initial registration fees) together with applicable VAT (or other similar taxes) thereon (to the extent it has been admitted to the register of issuers and the Programme has been admitted to the register of covered bonds under the RCB Regulations); and
  - (vi) amounts due and payable to the Asset Monitor (other than the amounts referred to in paragraph (1) below) pursuant to the terms of the Asset Monitor Agreement, together with applicable VAT (or other similar taxes) thereon as provided therein;
- (d) *fourth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any amounts due and payable to an Interest Rate Swap Provider (including any termination payment due and payable by the LLP under the relevant Interest Rate Swap Agreement but excluding any Excluded Swap Termination Amount) pursuant to the terms of an Interest Rate Swap Agreements;
- (e) *fifth*, to pay *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) taking into account any amounts paid from amounts previously credited to the Coupon Payment Ledger, in respect of any Term Advance with a Covered Bond Swap in place any amounts due and payable to the relevant Covered Bond Swap Provider (other than in respect of principal) *pro rata* and *pari passu* in respect of each relevant Series of Covered Bonds (including any termination payment (other than in respect of principal) due and payable by the LLP under the relevant Covered Bond Swap Agreement but excluding any Excluded Swap Termination Amount) in accordance with the terms of the relevant Covered Bond Swap Agreement; and
  - (ii) in respect of any Term Advance without a Covered Bond Swap in place, and taking into account any amounts paid from amounts previously credited to the Coupon Payment Ledger and, in respect of any Term Advance that related to an Accumulation Series of Covered Bonds, any amount credited to the Interest Accumulation Ledger in respect of that Series of Covered Bonds, in each case to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the Covered Bondholders *pro rata* and *pari passu* Scheduled Interest that is Due for Payment (or will become Due for Payment in the immediately succeeding LLP Payment Period) under the Covered Bond Guarantee in respect of each Series of Covered Bonds; and
  - (iii) in respect of any Accumulation Series of Covered Bonds, where the amount is not due and payable in respect of any related Series of Covered Bonds, to, if applicable, make a credit to the Interest Accumulation Ledger in respect of that Series of Covered Bonds in an amount equal to the LLP Monthly Interest Amount,

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

- (f) *sixth*, to pay or provide *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) the amounts (in respect of principal) due and payable to the relevant Covered Bond Swap Provider *pro rata* and *pari passu* in respect of each relevant Series of Covered Bonds (including any termination payment (relating solely to principal) due and payable by the LLP under the relevant Covered Bond Swap Agreement but excluding any Excluded Swap Termination Amount) in accordance with the terms of the relevant Covered Bond Swap Agreement; and
  - (ii) to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the Covered Bondholders *pro rata* and *pari passu* Scheduled Principal that is Due for Payment (or will become Due for Payment in the immediately succeeding LLP Payment Period) under the Covered Bond Guarantee in respect of each Series of Covered Bonds,

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

- (g) *seventh*, in respect of any Series of Covered Bonds whose Final Redemption Amount was not paid in full by the Extension Determination Date (the "**Extended Covered Bonds**") where the Extended Due for Payment Date is one year or less from the relevant LLP Payment Date and any relevant Covered Bond Swap in respect thereof, on a *pro rata* and *pari passu* basis according to the respective amounts of:
- (i) the amounts (in respect of principal) due and payable to each relevant Covered Bond Swap Provider (or to become due and payable in the immediately succeeding LLP Payment Period) *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (but, for the avoidance of doubt, excluding any Excluded Swap Termination Amount) pursuant to the terms of the relevant Covered Bond Swap Agreement; and
  - (ii) to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the Covered Bondholders *pro rata* and *pari passu* the Final Redemption Amount or the relevant proportion thereof under the relevant Covered Bond Guarantee in respect of each relevant Series of Extended Covered Bonds,

but, in the case of any such payment, after taking into account any amounts (in respect of principal) received or receivable from the relevant Covered Bond Swap Provider in respect of the relevant Covered Bond Swap corresponding to the Extended Covered Bonds on the LLP Payment Date or in the immediately succeeding LLP Payment Period, provided that if the amount available for distribution under this paragraph (g) (excluding any amounts received or to be received from the relevant Covered Bond Swap Provider) would be insufficient to pay the Sterling Equivalent of the Final Redemption Amount in respect of each relevant Series of Extended Covered Bonds under paragraph (g)(ii) above, the shortfall shall be divided amongst all such Series of Extended Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider under each relevant Covered Bond Swap Agreement in respect of each relevant Series of Extended Covered Bonds under paragraph (g)(i) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

- (h) *eighth*, in respect of any Extended Covered Bonds where the Extended Due for Payment Date is more than one year from the relevant LLP Payment Date and any relevant Covered Bond Swap in respect thereof, on a *pro rata* and *pari passu* basis according to the respective amounts thereof of:
  - (i) the amounts (in respect of principal) due and payable to each relevant Covered Bond Swap Provider or to become due and payable in the immediately succeeding LLP Payment Period *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (but, for the avoidance of doubt, excluding any Excluded Swap Termination Amount) pursuant to the terms of the relevant Covered Bond Swap Agreement; and
  - (ii) to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the Covered Bondholders *pro rata* and *pari passu* the Final Redemption Amount or the relevant proportion thereof under the relevant Covered Bond Guarantee in respect of each relevant Series of Extended Covered Bonds,

but, in the case of any such payment, after taking into account any amounts (in respect of principal) received or receivable from the relevant Covered Bond Swap Provider in respect of the relevant Covered Bond Swap corresponding to the Extended Covered Bonds on the LLP Payment Date or in the immediately succeeding LLP Payment Period, provided that if the amount available for distribution under this paragraph (h) (excluding any amounts received or to be received from the relevant Covered Bond Swap Provider) would be insufficient to pay the Sterling Equivalent of the Final Redemption Amount in respect of each relevant Series of Extended Covered Bonds under paragraph (g)(ii) above, the shortfall shall be divided amongst all such Series of Extended Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider under each relevant Covered Bond Swap Agreement in respect of each relevant Series of Extended Covered Bonds under paragraph (g)(ii) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

- (i) *ninth*, to deposit the remaining monies in the Transaction Accounts for application on the next following LLP Payment Date in accordance with the priority of payments described in paragraphs (a) to (h) (inclusive) above, until the Covered Bonds have been fully repaid or provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds);
- (j) *tenth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any Excluded Swap Termination Amount due and payable by the LLP to the relevant Swap Provider under the relevant Swap Agreement;
- (k) *eleventh*, after the Covered Bonds have been fully repaid or provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds), any remaining monies will be applied in and towards repayment in full of amounts outstanding under the Intercompany Loan Agreement;
- (l) *twelfth*, in or towards 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, if the Society and/or Godiva is not then a Member of the LLP, towards repayment of the relevant Subordinated Loan, as applicable) and certain costs, expenses and indemnity amounts due by the LLP to the Asset Monitor pursuant to the Asset Monitor Agreement; and
- (m) *thirteenth*, thereafter any remaining monies will be applied in accordance with the LLP Deed.

On each Loan Interest Payment Date, any amount standing to the credit of the Interest Accumulation Ledger and (without double counting) any amount credited to the Interest Accumulation Ledger on such Interest Payment Date (if such Interest Payment Date is also an LLP Payment Date), in accordance with item (e)(iii) of the Guarantee Priority of Payments in respect of an Accumulation Series of Covered Bonds, shall be applied

in paying Scheduled Interest that is Due for Payment in respect of such Accumulation Series of Covered Bonds in accordance with item (e)(ii) of the Guarantee Priority of Payments.

**Termination payments received in respect of Swaps, premiums received in respect of replacement Swaps**

If the LLP receives any termination payment from a Swap Provider in respect of a Swap Agreement, such termination payment will first be used (prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security) to pay a replacement Swap Provider(s) to enter into a replacement Swap Agreement(s) with the LLP, unless a replacement Swap Agreement(s) has already been entered into on behalf of the LLP. If the LLP receives any premium from a replacement Swap Provider in respect of a replacement Swap Agreement, such premium will first be used to make any termination payment due and payable by the LLP with respect to the previous Swap Agreement(s), unless such termination payment has already been made on behalf of the LLP.

Any amounts received by the LLP which are not applied to pay a replacement Swap Provider(s) to enter into a replacement Swap Agreement(s) will be credited to the Revenue Ledger or the LLP Accounts and applied as Available Revenue Receipts on the next succeeding LLP Payment Date.

**Application of monies received by the Security Trustee following the occurrence of an LLP Event of Default and enforcement of the Security, realisation of the Security and/or the commencement of winding-up proceedings against the LLP**

Subject to Regulations 28 and 29 of the RCB Regulations (with effect on and from the date on which the Issuer is admitted to the register of issuers in relation to the Programme under the RCB Regulations and the Programme is admitted to the register of covered bonds under the RCB Regulations and such regulations apply to the LLP), all monies received or recovered by the Security Trustee (or a Receiver appointed on its behalf) (excluding all amounts due or to become due in respect of any Third Party Amounts and all Swap Collateral Excluded Amounts) after the service of an LLP Acceleration Notice, the commencement of winding-up proceedings against the LLP and/or realisation of the Security, for the benefit of the Secured Creditors in respect of the Secured Obligations, shall be held by it in the LLP Accounts on trust to be applied (save to the extent required otherwise by law) in the following order of priority (and, in each case, only if and to the extent that payments or provisions of a higher order of priority have been made in full) (the "**Post-Enforcement Priority of Payments**"):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) all amounts due and payable or to become due and payable to:
    - (A) the Bond Trustee under the provisions of the Trust Deed together with interest and applicable VAT (or other similar taxes) thereon as provided therein; and
    - (B) the Security Trustee and any Receiver appointed by the Security Trustee under the provisions of the Deed of Charge together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein;
  - (ii) any remuneration and other amounts then due and payable to the Agents under or pursuant to the Agency Agreement and the Corporate Services Provider under or pursuant to the Corporate Services Agreement, in each case together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
  - (iii) amounts in respect of:
    - (A) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicer 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 under the provisions of the Cash Management Agreement, together with applicable VAT (or other similar taxes) thereon to the extent provided therein; and
- (C) amounts due to the Account Banks (including costs) pursuant to the terms of the Bank Account Agreements, together with applicable VAT (or other similar taxes) thereon to the extent provided therein;
- (iv) any amounts due and payable to an Interest Rate Swap Provider (including any termination payment (but excluding any Excluded Swap Termination Amounts)) pursuant to the terms of the relevant Interest Rate Swap Agreement;
- (v) the amounts due and payable:
  - (A) to the relevant Covered Bond Swap Provider *pro rata* and *pari passu* in respect of each relevant Series of Covered Bonds (including any termination payment due and payable by the LLP under the relevant Covered Bond Swap Agreement (but excluding any Excluded Swap Termination Amount)) in accordance with the terms of the relevant Covered Bond Swap Agreement; and
  - (B) under the Covered Bond Guarantee, to the Bond Trustee on behalf of the Covered Bondholders *pro rata* and *pari passu* in respect of interest and principal due and payable on each Series of Covered Bonds,

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

- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof, of any Excluded Swap Termination Amounts due and payable by the LLP to the relevant Swap Provider under the relevant Swap Agreement;
- (c) *third*, after the Covered Bonds have been fully repaid, any remaining monies shall be applied in or towards repayment in full of all amounts outstanding under the Intercompany Loan Agreement;
- (d) *fourth*, towards payment of any indemnity amount due to the Members pursuant to the LLP Deed; and
- (e) *fifth*, thereafter any remaining monies shall be applied in or towards payment to the Members (and, if the Society and/or Godiva is not then a Member of the LLP, towards repayment of the CBS Subordinated Loan and/or the Godiva Subordinated Loan, as applicable),

provided that unless and until the Programme and Covered Bonds previously issued under the Programme are admitted to the register of regulated covered bonds by the FCA, items (i) to (v) of (a) above shall not be applied *pari passu* but shall be applied in accordance with the order of priority set out in paragraph (a), with amounts being applied in respect of (a)(i) (with items (A) and (B) thereof being paid on a *pro rata* and *pari passu* basis),

then (a)(ii), then (a)(iii) (with items (A) to (C) thereof being paid on a *pro rata* and *pari passu* basis), then (a)(iv) and then (a)(v) (with items (A) and (B) thereof being paid on a *pro rata* and *pari passu* basis), in each case only if and to the extent that payment in respect of a higher order of priority has been made in full.

From and including the date of admission of the Issuer to the register of issuers in relation to the Programme and the date of admission of the Programme to the register of covered bonds pursuant to Regulation 14 of the RCB Regulations, the above Post-Enforcement Priority of Payments shall be subject to the provisions of Regulations 28 and 29 of the RCB Regulations. In particular, costs properly incurred by a receiver, liquidator, provisional liquidator or manager of the LLP in relation to:

- (i) persons providing services for the benefit of Covered Bondholders (which pursuant to the RCB Regulations shall include the persons listed in paragraph (a) above (excluding the Swap Providers));
- (ii) the Swap Providers in respect of amounts due to them under paragraph (a) above; and
- (iii) any other persons providing a loan to the LLP to enable it to meet the claims of Covered Bondholders or the costs of the people described in paragraphs (i) and (ii) above (e.g. liquidity loans),

shall be expenses which shall be payable out of the proceeds of realisation of the Security (in the case of a receivership) or the assets of the LLP (in the case of an administration, winding-up or provisional liquidation), and shall rank equally amongst themselves in priority to all other expenses (including the claims of Covered Bondholders). See further "*Risk Factors – Legal and Regulatory Risks – Expenses of insolvency officeholders*".



## FURTHER INFORMATION RELATING TO THE REGULATION OF MORTGAGES IN THE UK

### Certain Regulatory Considerations

#### *Regulation of buy-to-let mortgage loans*

Buy-to-let mortgage loans can fall under several different regulatory regimes. They can be:

- unregulated;
- regulated by the Consumer Credit Act 1974 (the "CCA") as a regulated credit agreement – as defined by article 60B of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) (as amended) (the "RAO") (a "**Regulated Credit Agreement**");
- regulated by the **FSMA** as a regulated mortgage contract – as defined under article 61 RAO (a "**Regulated Mortgage Contract**"); or
- regulated as a consumer buy-to-let mortgage contract under the consumer buy-to-let regime – as defined by the Mortgage Credit Directive Order 2015 (a "**Consumer Buy-to-Let Loan**").

The Portfolio comprises Loans that the Seller believes are either unregulated or Regulated Mortgage Contracts and as described below. If any of the Buy-to-Let Loans are in fact Regulated Credit Agreements or Consumer Buy-to-Let Loans, then breach of the relevant regulations could give rise to a number of consequences (as applicable), including but not limited to: unenforceability of the Mortgage Loans, interest payable under the Mortgage Loans being irrecoverable for certain periods of time, or borrowers being entitled to claim damages for losses suffered and being entitled to set off the amount of their claims against the amount owing by the borrower under the Mortgage Loans.

#### *Unregulated buy-to-let mortgage loans*

Many buy-to-let mortgage loans will be unregulated because they do not meet the criteria for a Regulated Credit Agreement, Regulated Mortgage Contract or Consumer Buy-to-Let Loan. There are, however, still a number of regulated activities that apply to some unregulated buy-to-let mortgage loans; the relevant activities in respect of the Loans being debt administration and debt collection (such activity includes for example contacting borrowers in arrears via letter, telephone and/or SMS; discussing the reason for arrears with the borrowers and seeking to agree a suitable repayment plan with borrowers). The Servicer holds legal title to the relevant Mortgage Loans so are excluded as lender from the regulated activities of debt collection and debt administration. Any replacement servicer would potentially need to have such permissions thereby potentially limiting the entities available to perform such roles. The Issuer is excluded as lender from the regulated activities of debt administration and debt collection in respect of any unregulated loan, Consumer Buy to Let Loan or Regulated Credit Agreement.

#### *Matters relating to Buy-to-Let Loans*

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

Consequently, the Security for the Covered Bonds may be affected by the condition of the private residential rental market in the UK. The condition of the market will influence both the ability of the Borrowers to find

tenants and the level of rental income which may be achieved in letting. The obligations of a Borrower to make payment under the Loan are unconditional without regard to whether the Property is let or the amount of rent received by the Borrower from the relevant tenant.

Upon enforcement of a Loan in respect of a Property which is the subject of an existing tenancy, the Servicer may not be able to obtain vacant possession of that Property until the end of the tenancy. If the Servicer enforces while the tenancy is continuing and sells the Property as an investment property with one or more tenants in situ, this may affect the amount which may be realised in the sale, although the existence of any such tenant paying rent in full on a timely basis may not have an adverse effect on the amount of such realisation. However, in the UK it is common for tenancies to be only for six or 12 months, so a tenanted property will often be vacated sooner than an owner-occupied property. Additionally, enforcement procedures in relation to such Loans include the ability to appoint a receiver of rent, in which case such a receiver would collect any rents payable in respect of such property and apply them in payment of any arrears of principal and interest under the Loan. Under Scots law, a receiver cannot be appointed under a fixed charge (including a standard security, which is the Scottish equivalent of a mortgage) and the only enforcement action which may be taken under a standard security (such as a Scottish Mortgage) is a full enforcement of the charge (i.e. it cannot be enforced selectively by, for instance, attaching to rental payments). Accordingly, in Scotland, securing the rental flows will require the enforcement of the standard security.

There have been various tax related changes to the UK legislation in recent years which may affect the ability of the Borrowers to repay their Buy-to-Let Loans due to the increased tax costs associated with buy-to-let mortgages and there may be further changes in the future which further impact the Borrowers' ability to meet their obligations under such Loans. For example, with effect from 6 April 2020 there is no longer a deduction available for finance costs against rental income for individual landlords and instead an individual landlord is only entitled to relief for interest payable at the basic rate of income tax (20 per cent.) which may result in higher taxes for the individual landlords depending on their personal circumstances.

Further, a higher rate of SDLT, WLTT and LBTT applies to the purchase of additional residential properties (such as buy-to-let properties) in England and Northern Ireland, Wales and Scotland respectively. The current additional rates are as follows: (i) in England and Northern Ireland the higher rate is 3 per cent. above the current SDLT rates; and (ii) in Wales the additional residential rate is 4 per cent. higher than the main WLTT rate for the first band of purchase price; for subsequent bands of purchase price, the additional rates remain higher than the main WLTT rates (by differing percentages) and the bands of purchase price to which the additional rates are applied are structured differently to the main WLTT bands; and (iii) in Scotland the additional dwelling supplement (akin to the additional rate) is 6 per cent. above the current LBTT rates.

In addition, from 1 April 2021, a 2 per cent. SDLT surcharge applies to non-UK residents purchasing residential property in England and Northern Ireland. This applies in addition to the 3 per cent. additional rate that applies to the purchase of additional residential properties in England and Northern Ireland described above.

Further, since 1 April 2018, landlords of relevant domestic properties in England and Wales have not been permitted to grant a tenancy to new or existing tenants if their property has an EPC rating of band F or G (as shown on a valid Energy Performance Certificate for the property) and since 1 April 2020, landlords have not been permitted to continue letting a relevant domestic property which is already let if that property has an EPC rating of band F or G (as shown on a valid Energy Performance Certificate for the property). In both cases described above this is referred to in the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 (the **Energy Efficiency Regulations 2015**) as the prohibition on letting sub-standard property. Where a landlord wishes to continue letting property which is currently sub-standard, the landlord will need to ensure that energy efficiency improvements are made which raise the EPC rating to a minimum of E. In certain circumstances landlords may be able to claim an exemption from this prohibition on letting sub-standard property; this includes situations where the landlord is unable to obtain funding to cover the cost of making improvements, or where all improvements which can be made have been made, and the property remains below an EPC rating of E. Local authorities will enforce compliance with the domestic minimum level of energy efficiency. Local authorities may check whether a property meets the minimum level of energy

efficiency, and may issue a compliance notice requesting information where it appears to the local authority that a property has been let in breach of the Energy Efficiency Regulations 2015 (or an invalid exemption has been registered in respect of it). Where a local authority is satisfied that a property has been let in breach of the Energy Efficiency Regulations 2015 it may serve a notice on the landlord imposing financial penalties. In September 2020 the Department for Business, Energy & Industrial Strategy issued a consultation titled "Improving the energy performance of privately rented homes in England and Wales" regarding, among other things, the proposal to raise energy performance standards for the domestic private rented sector to an EPC rating band of C. The consultation period closed on 8 January 2021. No publication date for the results of the consultation has yet been announced by the UK Government. On 20 September 2023, the government published a press release which set out certain changes to the government's net zero targets and commitments. This press release provided, among other things, that under revised plans, the government will scrap policies to force landlords to upgrade the energy efficiency of their properties, but instead continue to encourage households to do so where they can. It is currently unclear whether the Energy Efficiency Regulations 2015 will be amended and, if they are, to what extent.

Landlords in Scotland currently need to have a valid EPC available for a property offered for let when there is a change in tenancy. Under the Energy Performance of Building (Scotland) Regulations 2008 the EPC is valid for a period of up to ten years, and must be lodged on the EPC register. There is currently no minimum EPC rating required for domestic rented properties in Scotland, however the Scottish Government has introduced proposals for new legislation which will require all private rented sector properties to reach a minimum energy efficiency standard by the end of 2028. A more detailed consultation on the proposed minimum energy efficiency standard is expected, however initial proposals indicate that it will be achieved by installing certain energy efficiency measures within a property (including appropriate insulation and heating controls) or where a good level of energy efficiency can be shown based on an EPC assessment. The proposed legislation also introduces an overarching Heat in Buildings Standard which, in addition to the requirement to meet a minimum energy efficiency standard, will require all building owners in Scotland to have moved to clean heating systems by the end of 2045, with earlier implementation periods for those purchasing properties and where a heat network zone applies. Separately, the Scottish Government have also consulted on proposals to reform EPCs more generally, which includes the addition of a new 'fabric rating' to indicate how well a building retains heat. Implementing regulations in relation to this EPC reform are expected in 2024.

There are currently no minimum standards of energy efficiency for domestic rented properties in Northern Ireland in place. An Energy Performance Certificate is required to be provided on the sale or renting out property.

These measures may adversely affect the private residential rental market in England, Wales, Scotland and Northern Ireland in general and (in the case of the restriction of income tax relief) the ability of individual Borrowers of buy-to-let loans to meet their obligations under those Loans.

### ***Unfair relationships***

Under the CCA, the earlier "extortionate credit" regime was replaced by an "unfair relationship" test. The "unfair relationship" test applies to all existing and new credit agreements, except Regulated Mortgage Contracts and also applies to (as described below) "consumer credit back book mortgage contracts". If the court makes a determination that the relationship between a lender and a borrower is unfair, then it may make an order, among other things, requiring the relevant Originator, or any assignee such as the LLP, to repay amounts received from such borrower. In applying the "unfair relationship" test, the courts are able to consider a wider range of circumstances surrounding the transaction, including the conduct of the creditor (or anyone acting on behalf of the creditor) before and after making the agreement or in relation to any related agreement. There is no statutory definition of the word "unfair" in the CCA as the intention is for the test to be flexible and subject to judicial discretion and it is therefore difficult to predict whether a court would find a relationship "unfair". However, the word "unfair" is not an unfamiliar term in UK legislation due to the UTCCR (and the CRA (each as defined below)). The courts may, but are not obliged to, look solely to the CCA for guidance. The principle of "treating customers fairly" under the FSMA, and guidance published by the FSA and, subsequently, the FCA on that principle and by the OFT on the unfair relationship test, may also be relevant.

Under the CCA, once the debtor alleges that an "unfair relationship" exists, the burden of proof is on the creditor to prove the contrary.

*Plevin v Paragon Personal Finance Limited* [2014] UKSC 61 ("Plevin"), a Supreme Court judgment, has clarified that compliance with the relevant regulatory rules by the creditor (or a person acting on behalf of the creditor) does not preclude a finding of unfairness, as a wider range of considerations may be relevant to the fairness of the relationship than those which would be relevant to the application of the rules. Where add-on products such as insurance are sold and are subject to a significant commission payment, it is possible that the non-disclosure of commission by the lender is a factor that could form part of a finding of unfair relationship.

If a mortgage loan subject to the unfair relationship test is found to be unfair, the court has a wide range of powers and may require the lender (and any associate or former associate of the lender) to repay sums to the debtor, or to do, not do or cease doing anything in relation to the agreement or any related agreement, and may require the lender to reduce or discharge any sums payable by the debtor or surety, return to a surety any security provided by it, alter the terms of the agreement, direct accounts to be taken or otherwise set aside any duty imposed on the debtor or surety. The term "creditor" (i.e. lender as defined under Section 189 of the CRA means the person providing the credit under a consumer credit agreement or the person to whom its rights and duties under the agreement have passed by assignment or operation of law.

### ***Regulated Mortgage Contracts***

In the UK, regulation of residential mortgage businesses under FSMA came into force on 31 October 2004 (the date known as the "**Regulation Effective Date**"). Entering into a regulated mortgage contract as a lender, arranging a regulated mortgage contract or advising in respect of a regulated mortgage contract and administering a regulated mortgage contract (or agreeing to do any of those activities) are (subject to applicable exemptions) each regulated activities under the FSMA and RAO requiring authorisation and permission from the FCA.

The original definition of a 'regulated mortgage contract' was such that if a mortgage contract was entered into on or after the Regulation Effective Date but prior to 21 March 2016, it will be a regulated mortgage contract under the RAO if: (i) the lender provided credit to an individual or to trustees; (ii) the obligation of the Borrower to repay was secured by a first ranking legal mortgage (or in Scotland, a first ranking standard security) on land (other than timeshare accommodation) in the UK; and (iii) at least 40 per cent. of that land was used, or was intended to be used, as or in connection with a dwelling by the Borrower or (in the case of credit provided to trustees) by an individual who was a beneficiary of the trust, or by a related person.

The current definition of a "**Regulated Mortgage Contract**" is such that if a mortgage contract was entered into on or after 21 March 2016, the contract will be a Regulated Mortgage Contract if it meets the following conditions (when read in conjunction with and subject to certain relevant exclusions): (a) the borrower is an individual or trustee; (b) the obligation of the borrower to repay is secured by a mortgage or (in Scotland) standard security on land; and (c) at least 40 per cent. of which is used, or is intended to be used: (i) in the case of credit provided to an individual, as or in connection with a dwelling; or (ii) (in the case of credit provided to a trustee who is not an individual) as or in connection with a dwelling by an individual who is a beneficiary of the trust, or by a Related Person. In relation to a contract entered into before 11pm on 31 December 2020, 'land' means land in the UK or within the territory of an EEA State, and in relation to a contract entered into on or after 11pm on 31 December 2020, 'land' means land in the UK. A related person is: (1) that person's spouse or civil partner; (2) a person (whether or not of the opposite sex) whose relationship with that person has the characteristics of the relationship between husband and wife; or (3) that person's parent, brother, sister, child, grandparent or grandchild (a "**Related Person**").

Credit agreements that were originated before 21 March 2016, were regulated by the CCA, and would have been Regulated Mortgage Contracts had they been entered into on or after 21 March 2016, are "consumer credit back book mortgage contracts" and are also therefore Regulated Mortgage Contracts.

On and from the Regulation Effective Date, subject to any exemption, persons carrying on any specified regulated mortgage-related activities by way of business must be authorised under the FSMA. The specified activities currently are: (a) entering into a Regulated Mortgage Contract as lender; (b) "administering" a Regulated Mortgage Contract (administering in this context broadly means notifying borrowers of changes in mortgage payments and/or taking any necessary steps for the purposes of collecting payments due under the mortgage loan); (c) advising in respect of Regulated Mortgage Contracts; and (d) arranging Regulated Mortgage Contracts. Agreeing to carry on any of these activities is also a regulated activity. If requirements as to the authorisation of lenders and brokers are not complied with, a Regulated Mortgage Contract will be unenforceable against the borrower except with the approval of a court and the unauthorised person may be committing a criminal offence. An unauthorised person who carries on the regulated mortgage activity of administering a Regulated Mortgage Contract that has been validly entered into may also be committing an offence, although this will not render the contract unenforceable against the borrower. The regime under the FSMA regulating financial promotions covers the content and manner of the promotion of agreements relating to qualifying credit and who can issue or approve financial promotions. In this respect, the FSMA regime not only covers financial promotions of Regulated Mortgage Contracts but also promotions of certain other types of secured credit agreements under which the lender is a person (such as an Originator) who carries on the regulated activity of entering into a Regulated Mortgage Contract. Failure to comply with the financial promotion regime (as regards who can issue or approve financial promotions) is a criminal offence and will render the Regulated Mortgage Contract or other secured credit agreement in question unenforceable against the borrower except with the approval of a court.

The Servicer is required to (and does) hold authorisation and permission to enter into and to administer and to advise in respect of Regulated Mortgage Contracts. Subject to certain exemptions, brokers will be required to hold authorisation and permission to arrange and, where applicable, to advise in respect of Regulated Mortgage Contracts. The LLP is not, and does not propose to be, an authorised person under the FSMA. Under the RAO, the LLP does not require authorisation in order to acquire legal or beneficial title to a Regulated Mortgage Contract. The LLP does not carry on the regulated activity of administering Regulated Mortgage Contracts by having them administered pursuant to a servicing agreement by an entity having the required authorisation and permission under the FSMA. If such a servicing agreement terminates, the LLP will have a period of not more than one month (beginning with the day on which such arrangement terminates) in which to arrange for mortgage administration to be carried out by a replacement servicer having the required FSMA authorisation and permission.

The LLP will only hold beneficial title to the Loans and their Related Security. In the event that legal title is transferred to the LLP upon the occurrence of an event referred to in "*Summary of the Principal Documents - Transfer of Title to the Loans to the LLP*", the LLP will have arranged for a servicer to administer these Loans and is not expected to enter into any new Regulated Mortgage Contracts as lender under article 61(1) of the RAO. However, in the event that a mortgage is varied, such that a new contract is entered into and that contract constitutes a Regulated Mortgage Contract, then the arrangement of, advice on, administration of and entry into such variation would need to be carried out by an appropriately authorised entity.

The FCA's Mortgages and Home Finance: Conduct of Business sourcebook ("**MCOB**"), which sets out the FCA's rules for regulated mortgage activities, came into force on 31 October 2004. These rules cover, among other things, certain pre-origination matters such as financial promotion and pre-application illustrations, pre-contract and start-of-contract and post-contract disclosure, contract changes, charges and arrears and repossessions.

### ***FCA Consumer Duty***

The Consumer Duty aims to set a higher level of consumer protection in retail financial markets by requiring regulated firms to act to ensure good retail customer outcomes. It has applied from 31 July 2023 for products and services that remain open to sale or renewal and has applied from 31 July 2024 for closed products and services.

The Consumer Duty applies to the regulated activities and ancillary activities of all firms authorised under the FSMA.

There are three main elements to the new Consumer Duty, comprising a new consumer principle, that "a firm must act to deliver good outcomes for the retail consumers of its products", cross-cutting rules supporting the consumer principle, and four outcomes, relating to the quality of firms' products and services, price and value, consumer understanding and consumer support that provide products and services directly or indirectly to retail customers.

The Consumer Duty applies not only at origination of a product but throughout its subsistence (so in the case of a mortgage loan, throughout the period the mortgage loan is outstanding). The cross-cutting rules include an obligation to avoid causing foreseeable harm to the consumer and the outcomes include an obligation to ensure that the product (for example, a mortgage loan) provides fair value to the retail customer. These obligations (as with the remainder of the Consumer Duty) must be assessed on a regular basis throughout the life of the product.

The Consumer Duty applies to authorised firms that are product manufacturers and distributors, which include purchasers of in scope mortgage loans, as well as firms administering or servicing those mortgage loans. Although the Consumer Duty will not apply retrospectively, the FCA will require firms to apply the Consumer Duty to existing products on a forward-looking basis.

The FCA's guidance states that the Consumer Duty does not apply to unregulated buy-to-let mortgage loans but there are some circumstances in which the Consumer Duty would apply to the servicing of buy-to-let loans and buy-to-let mortgages regulated under the CCA.

The FCA has indicated its intention to take a more active supervisory role and focus on early intervention with firms to tackle consumer harm, but it is not yet possible to predict the precise effect of the new Consumer Duty on the Loans with any certainty. No assurances can be given that it will not have a material adverse effect on the Seller, the Issuer and the LLP and their respective businesses and operations.

### ***Distance Marketing***

The Financial Services (Distance Marketing) Regulations 2004 (the "**DM Regulations**") apply to contracts for financial services entered into on or after 31 October 2004 by a "consumer" within the meaning of the DM Regulations by means of distance communication (i.e. without any substantive simultaneous physical presence of the originator and the borrower).

The DM Regulations (and MCOB in respect of activities related to Regulated Mortgage Contracts) require suppliers of financial services by way of distance communication to provide certain information to consumers. This information generally has to be provided before the consumer is bound by the contract and includes, but is not limited to, general information in respect of the supplier and the financial service, contractual terms and conditions, and whether or not there is a right of cancellation.

A Regulated Mortgage Contract under the FSMA, if originated by a UK lender (who is authorised by the FCA) from an establishment in the UK, will not be cancellable under the DM Regulations but will be subject to related pre-contract disclosure requirements in MCOB. Failure to comply with MCOB pre-contract disclosure rules could result in, among other things, disciplinary action by the FCA and claims for damages under Section 138D of FSMA.

Certain other agreements for financial services may be cancellable under the DM Regulations if the borrower does not receive the prescribed information at the prescribed time. Where the credit agreement is cancellable under the DM Regulations, the Borrower may send notice of cancellation at any time before the expiry of 14 days, beginning on: (i) the day after the day on which the contract is made (where all of the prescribed information has been provided prior to the contract being entered into); or (ii) the day after the day on which

the last of the prescribed information is provided (where all of the prescribed information was not provided prior to the contract being entered into).

Compliance with the DM Regulations may be secured by way of injunction (or in Scotland, interdict), obtained by an enforcement authority, granted on such terms as the court thinks fit to ensure such compliance, and certain breaches of the DM Regulations may render the originator or intermediaries (and their respective relevant officers) liable to a fine.

If the borrower cancels the contract under the DM Regulations, then:

- (i) the borrower is liable to repay the principal, and any other sums paid by or on behalf of the originator to the borrower under or in relation to the cancelled contract, within 30 calendar days of cancellation, beginning with the day of the borrower sending notice of cancellation or, if later, the lender receiving notice of cancellation;
- (ii) the borrower is liable to pay interest, early repayment charges and other charges for services actually provided in accordance with the contract only if: (A) the amount is in proportion to the extent of the service provided (in comparison with the full coverage of the contract) and is not such that it could be construed as a penalty; (B) the borrower received certain prescribed information at the prescribed time about the amounts payable; and (C) the originator did not commence performance of the contract before the expiry of the relevant cancellation period (unless requested to do so by the borrower); and
- (iii) any security provided in relation to the contract is to be treated as never having had effect.

#### ***Unfair Terms in Consumer Contracts Regulations 1994 and 1999 and the Consumer Rights Act 2015***

In the UK, the Unfair Terms in Consumer Contracts Regulations 1999 as amended (the "**1999 Regulations**"), and (insofar as applicable) the Unfair Terms in Consumer Contracts Regulation 1994 (together with the 1999 Regulations, (the "**UTCCR**")), apply to business-to-consumer agreements made on or after 1 July 1995 and before 1 October 2015 where the terms have not been individually negotiated (and the "consumer" for these purposes falls within the definition provided in the UTCCR). The Consumer Rights Act 2015 (the "**CRA**") has revoked the UTCCR in respect of contracts made on or after 1 October 2015. In respect of contracts that (a) were entered into on or after 1 October 2015; or (b) were, since 1 October 2015, subject to a material variation such that they are treated as new contracts falling within the scope of the CRA, the CRA applies. The CRA is also applicable on or after 1 October 2015, to consumer notices, such as, notices of variation of interest rate under contracts.

The UTCCR and the CRA provide that a consumer (which would include a borrower under all or almost all of the Loans) may challenge a term in an agreement on the basis that it is "unfair" under the UTCCR or the CRA, as applicable, and therefore not binding on the consumer (although the rest of the agreement will remain enforceable if it is capable of continuing in existence without the unfair term) and provide that a regulator may take action to stop the use of terms which are considered to be unfair.

The FCA has stated that the finalised FCA guidance "Fairness of variation terms in financial services consumer contracts under the Consumer Rights Act 2015" applies equally to factors that firms should consider to achieve fairness under the UTCCR.

#### **(i) UTCCR**

The UTCCR will not generally affect terms which define the main subject matter of the contract, such as the borrower's obligation to repay the principal, provided that these terms are written in plain and intelligible language and are adequately drawn to the consumer's attention. The UTCCR may affect terms that are not considered to be terms which define the main subject matter of the contract, such as the lender's power to vary the interest rate and certain terms imposing early repayment charges and mortgage exit administration fees. For example, if a term permitting the lender to vary the interest rate (as the originator is permitted to do) were

found to be unfair, the borrower would not be liable to pay interest at the increased rate or, to the extent that the borrower has paid it, would be able, as against the lender, or any assignee such as the LLP, to claim repayment of the extra interest amounts paid or to set off the amount of the claim against the amount owing by the borrower under the loan or any other loan agreement that the borrower has taken with the lender.

(ii) CRA

The main provisions of the CRA came into force on 1 October 2015 and apply to agreements made on or after that date. The CRA significantly reforms and consolidates consumer law in the UK. The CRA involves the creation of a single regime out of the Unfair Contract Terms Act 1977 (which essentially deals with attempts to limit liability for breach of contract) and the UTCCR for contracts entered into on or after 1 October 2015. The CRA has revoked the UTCCR in respect of contracts made on or after 1 October 2015 and introduced a new regime for dealing with unfair contractual terms as follows:

- Under Part 2 of the CRA, an unfair term of a consumer contract (a contract between a trader and a consumer) is not binding on a consumer (an individual acting for purposes that are wholly or mainly outside that individual's trade, business, craft or profession). Additionally, an unfair notice is not binding on a consumer, although a consumer may rely on the term or notice if the consumer chooses to do so. A term will be unfair where, contrary to the requirement of good faith, it causes significant imbalance in the parties' rights and obligations under the contract to the detriment of the consumer. In determining whether a term is fair, it is necessary to: (i) take into account the nature of the subject matter of the contract; (ii) refer to all of the circumstances existing when the term was agreed; and (iii) refer to all of the other terms of the contract or any other contract on which it depends.
- Schedule 2 of the CRA contains an indicative and non-exhaustive "grey list" of terms of consumer contracts that may be regarded as unfair. Notably, paragraph 11 of Schedule 2 lists "a term which has the object or effect of enabling the trader to alter the terms of the contract unilaterally without a valid reason which is specified in the contract", although paragraph 22 of Schedule 2 provides that this does not include a term by which a supplier of financial services reserves the right to alter the rate of interest payable by or due to the consumer, or the amount of other charges for financial services without notice where there is a valid reason if the supplier is required to inform the consumer of the alteration at the earliest opportunity and the consumer is free to dissolve the contract immediately.

A term of a consumer contract which is not on the "grey list" may nevertheless be regarded as unfair.

Where a term of a consumer contract is "unfair", it will not bind the consumer. However, the remainder of the contract, will, so far as practicable, continue to have effect in every other respect. Where a term in a consumer contract is susceptible of multiple different meanings, the meaning most favourable to the consumer will prevail. It is the duty of the court to consider the fairness of any given term. This can be done even where neither of the parties to proceedings has explicitly raised the issue of fairness.

(iii) Regulatory Developments

Historically the OFT, FSA and FCA (as appropriate) have issued guidance on the UTCCR. This has included: (i) OFT guidance on fair terms for interest variation in mortgage contracts dated February 2000; (ii) an FSA statement of good practice on fairness of terms in consumer contracts dated May 2005; (iii) an FSA statement of good practice on mortgage exit administration fees dated January 2007; and (iv) FSA finalised guidance on unfair contract terms and improving standards in consumer contracts dated January 2012.

On 2 March 2015, the FCA updated its online unfair contract terms library by removing some of its material (including the abovementioned guidance) relating to unfair contract terms. The FCA stated that such material "no longer reflects the FCA's views on unfair contract terms" and that firms should no longer rely on the content of the documents that had been removed.



On 19 December 2018, the FCA published finalised guidance: "Fairness of variation terms in financial services consumer contracts under the Consumer Rights Act 2015" (FG 18/7), outlining factors that the FCA considers firms should have regard to when drafting and reviewing variation terms in consumer contracts. This follows developments in case law, including at the Court of Justice of the EU (the **CJEU**). The finalised guidance relates to all financial services consumer contracts entered into since 1 July 1995. The FCA stated that firms should consider both this guidance and any other rules that apply when they draft and use variation terms in their consumer contracts. The FCA stated that the finalised guidance will apply to FCA authorised persons and their appointed representative(s) in relation to any consumer contracts which contain variation terms.

The Unfair Contract Terms and Consumer Notices Regulation Guide (UNFCOG in the FCA handbook) explains the FCA's policy on how it uses its powers under the CRA and the CMA published guidance on the unfair terms provisions in the CRA on 31 July 2015 (the "CMA Guidance"). The CMA indicated in the CMA Guidance that the fairness and transparency provisions of the CRA are regarded to be "effectively the same as those of the UTCCR" (save in applying the consumer notices and negotiated terms). The document further notes that "the extent of continuity in unfair terms legislation means that existing case law generally, and that of the Court of Justice of the European Union particularly, is for the most part as relevant to the CRA as it was the UTCCRs".

In general, the interpretation of the UTCCR and/or CRA is open to some doubt, particularly in the light of sometimes conflicting reported case law between English courts and the CJEU. The broad and general wording of the UTCCR and CRA makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any Loans which have been made to Borrowers covered by the UTCCR and the CRA may contain unfair terms, which may result in the possible unenforceability of the terms of the underlying loans.

### ***Breathing Space Regulations***

The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020 (SI 2020/1311) ("**Breathing Space Regulations**") (which came into force on 4 May 2021) gives eligible individuals in England and Wales the right to legal protection from their creditors, including almost all enforcement action, during a period of "breathing space". A standard breathing space gives an individual in England and Wales with problem debt legal protection from creditor action for up to 60 days; and a mental health crisis breathing space gives an individual in England and Wales protection from creditor action for the duration of their mental health crisis treatment (which is not limited in duration) plus an additional 30 days.

However, the Breathing Space Regulations do not apply to mortgages, except for arrears which are uncapitalised at the date of the application under the Breathing Space Regulations. Interest can still be charged on the principal secured debt during the breathing space period, but not on the arrears. Any mortgage arrears incurred during any breathing space period are not protected from creditor action. The Borrower must continue to make mortgage payments in respect of any mortgage secured against its primary residence (save in respect of arrears accrued prior to the moratorium) during the breathing space period, otherwise the relevant debt adviser may cancel the breathing space period.

In February 2021, the FCA issued a policy statement (PS21/1) on the application of the Breathing Space Regulations, in which it confirms that no changes are currently being made to the rules under MCOB, in relation to how mortgage lenders should treat a "breathing space" as an indicator of payment difficulties. The FCA's view is that this is something that firms should take into account, but should not be treated more specifically than other potential indicators of payment difficulties.

In Scotland, eligible individuals are currently afforded similar legal protection under the Bankruptcy (Scotland) Act 2016 although the moratorium period of 6 months is longer than in England and Wales and does not make any accommodation for mental health crisis. The Scottish Government has however introduced The Bankruptcy and Diligence (Scotland) Act 2024, which permits regulations to be made for the introduction

of a similar form of moratorium in Scotland as currently exists under the Breathing Space Regulations. The timescale for the introduction of the regulations on the proposed moratorium is currently unknown.

### ***Consumer Protection from Unfair Trading Regulations***

The **CPUTR** came into force on 26 May 2008, and prohibits certain practices which it deems "unfair" within the terms of the CPUTR. Breach of the CPUTR does not (of itself) render an agreement void or unenforceable, but is a criminal offence punishable by a fine and/or imprisonment.

Under the CPUTR, the possible liabilities for misrepresentation or breach of contract in relation to the underlying credit agreements may result in irrecoverable losses on amounts to which such agreements apply. The CPUTR did not originally provide consumers with a private act of redress. Instead, consumers had to rely on existing private law remedies based on the law of misrepresentation and duress. The Consumer Protection (Amendment) Regulations 2014 (SI No.870/2014) was laid before Parliament on 1 April 2014 and came into force on 1 October 2014. In certain circumstances, these amendments to the CPUTR give consumers a right to redress for misleading or aggressive commercial practices (as defined in the CPUTR), including a right to unwind agreements.

### ***Repossessions***

A protocol for mortgage possession claims in England and Wales (the "**Pre-Action Protocol**") came into force on 19 November 2008. The Pre-Action Protocol sets out the steps that judges will expect any lender to take before starting a claim. A number of mortgage lenders have confirmed that they will delay the initiation of repossession action for at least three months after a borrower that is an owner-occupier is in arrears. In addition, under the protocol the lender must consider whether to postpone the start of a possession claim where the borrower has made a genuine complaint to the Ombudsman about the potential possession claim. The application of such a moratorium is subject to the wishes of the relevant borrower and may not apply in cases of fraud. The Pre-Action Protocol expressly states that it does not apply to "Buy-to-Let mortgages" (although the Pre-Action Protocol has not been updated to expressly confirm that it does not apply to consumer buy-to-let mortgages). In addition, the Mortgage Repossessions (Protection of Tenants etc) Act 2010 came into force on 1 October 2010. This act gives courts in England and Wales the same power to postpone and suspend repossession for up to two months on application by an unauthorised tenant (i.e. a tenant in possession without the lender's consent) as generally exists on application by an authorised tenant. The lender has to serve notice at the property before enforcing a possession order.

Part I of the Home Owner and Debtor Protection (Scotland) Act 2010 came into force on 30 September 2010 and imposes additional requirements on heritable creditors (the Scottish equivalent to a mortgagee) in relation to the enforcement of standard securities over residential property in Scotland. Under Part I of this Act, the heritable creditor, which may be the Seller or, in the event of it taking legal title to the Scottish Loans and their Related Security, the LLP, has to obtain a court order to exercise its power of sale (in addition to initiating the enforcement process by the service of a two month "calling up" notice), unless the borrower and any other occupiers have surrendered the property voluntarily. In applying for the court order, the heritable creditor also has to demonstrate that it has taken various preliminary steps to attempt to resolve the borrower's position, and comply with further procedural requirements, which may restrict the ability of the Seller (or LLP, as applicable) as heritable creditor in respect of the Scottish Loans and their Related Security to exercise its power of sale. The Home Owner and Debtor Protection (Scotland) Act 2010 may have adverse effects in markets experiencing above average levels of possession claims.

### ***Financial Ombudsman Service***

Under the FSMA, the Ombudsman is required to make decisions on, among other things, complaints relating to activities and transactions under its jurisdiction on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all circumstances of the case, taking into account, among other things, law and guidance, rather than strictly on the basis of compliance with law.

Complaints brought before the Ombudsman for consideration must be decided on a case-by-case basis, with reference to the particular facts of any individual case. Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman. As the Ombudsman is required to make decisions on the basis of, among other things, the principles of fairness, and may order a money award to a complaining borrower, it is difficult to predict how any future decision of the Ombudsman would affect the ability of the LLP to make payments of amounts due to Covered Bondholders.

### ***Land Registration Reform in Scotland***

The Land Registration etc. (Scotland) Act 2012 (the **2012 Act**) came into force in Scotland on 8 December 2014. One of the policy aims of the 2012 Act is to encourage the transfer of property titles recorded in the historic General Register of Sasines to the more recently established Land Register of Scotland with the aim of eventually closing the General Register of Sasines.

Previously, title to a residential property that was recorded in the General Register of Sasines would usually only require to be moved to the Land Register of Scotland (a process known as 'first registration') when that property was sold or if the owner decided voluntarily to commence first registration. However, the 2012 Act sets out, in provisions which are being brought into effect in stages, additional circumstances which will trigger first registration of properties recorded in the General Register of Sasines, including (i) the recording of a standard security (which would extend to any standard security granted by the LLP in favour of the Security Trustee over Scottish Mortgages in the Portfolio recorded in the General Register of Sasines, pursuant to the terms of the Deed of Charge, following a transfer to the LLP of legal title to the Scottish Loans and their Related Security pursuant to the Mortgage Sale Agreements (a **Scottish Sasine Sub Security**)), or (ii) the recording of an assignation of a standard security (which would extend to any assignation granted by a Seller in favour of the LLP in respect of Scottish Mortgages in the Portfolio recorded in the General Register of Sasines, pursuant to the terms of the Mortgage Sale Agreements (a **Scottish Sasine Transfer**)).

The relevant provisions of the 2012 Act relating to the recording of standard securities came into force on 1 April 2016. From this date, the General Register of Sasines is now closed to the recording of standard securities. As a result of this, if a Scottish Sasine Sub Security is granted by the LLP this may lead to higher legal costs and a longer period being required to complete registration than would previously have been the case. Notwithstanding the provisions of the 2012 Act mentioned above, for the time being other deeds such as assignations of standard securities (including Scottish Sasine Transfers) will continue to be accepted in the General Register of Sasines indefinitely (although Registers of Scotland have reserved the right to consult further on this issue in the future).

As noted above, such events will only occur following a trigger event to perfect legal title of the loans and, given that the proportion of residential properties in Scotland which remain recorded in the General Register of Sasines continues to decline (the Registers of Scotland estimate that, in January 2024 around 87 per cent. of property titles that regularly transact in Scotland were registered in the Land Register of Scotland or in the process of being registered) it is likely that, in relation to the current portfolio, only a minority of the Scottish Mortgages will be recorded in the General Register of Sasines.

### ***Mortgage Charter***

On 26 June 2023, the HM Treasury published the 'Mortgage Charter' in light of the current pressures on households following interest rate rises and the cost-of-living crisis. The Mortgage Charter states that the UK's largest mortgage lenders and the FCA have agreed with the Chancellor a set of standards that they will adopt when helping their regulated mortgage borrowers worried about high interest rates (the **Mortgage Charter**). Coventry Building Society is a signatory to the Mortgage Charter and has agreed that, among other things, a borrower will not be forced to leave their home without their consent unless in exceptional circumstances, in less than a year from their first missed payment. In addition, lenders will permit borrowers who are up to date with their payments to: (i) switch to interest-only payments for six months (the **MC Interest-only Agreement**); or (ii) extend their mortgage term to reduce their monthly payments and give borrowers the

option to revert to their original term within six months by contacting their lender (the **MC Extension Agreement**). These options can be taken by borrowers who are up to date with their payments without a new affordability check or affecting their credit score. The Mortgage Charter commitments do not apply to buy-to-let mortgages.

With effect on and from 30 June 2023, the FCA has amended the Mortgages and Home Finance: Conduct of Business Sourcebook (MCOB) to allow (rather than require) lenders to give effect to the MC Interest-only Agreement and the MC Extension Agreement. The amendments made by the FCA do not apply to second ranking mortgages or bridging loans. The FCA announced that it intends to review the impact of the rule changes within 12 months.

The charter is currently voluntary and adhering to it will be a decision for lenders to make individually.

There can be no assurance that the FCA or other UK government or regulatory bodies, will not take further steps in response to the rising cost of living in the UK which may impact the performance of the Loans, including further amending and extending the scope of the Mortgage Charter or related rules.

### ***FCA response to the cost of living crisis***

On 16 June 2022, the FCA sent a “Dear CEO” letter which stated that the FCA considers that the Mortgages Tailored Support Guidance published on 25 March 2021 which was issued to address exceptional circumstances arising out of the coronavirus pandemic, is also relevant for borrowers in financial difficulties due to other circumstances such as the rising cost of living. Therefore, if a borrower indicates that they are experiencing or reasonably expect to experience payment difficulties due to the rising cost of living, the FCA have said that lenders should offer prospective forbearance to enable them to avoid, reduce, or manage any payment shortfall that would otherwise arise. This includes borrowers who have not yet missed a payment.

The Mortgages Tailored Support Guidance emphasises the MCOB requirement that a lender must not repossess a property unless all other reasonable attempts to resolve the position have failed. It further states that mortgage lenders must also establish and implement clear, effective and appropriate policies and procedures for the fair and appropriate treatment of borrowers whom the lender understands, or reasonably suspects, to be particularly vulnerable. The Mortgages Tailored Support Guidance also confirms the FCA’s expectation that action to seek possession should be a last resort.

In addition, the FCA proposed that lenders considering or resuming possession proceedings, should support and enable borrowers to disclose circumstances that might make them particularly vulnerable to repossession action at this time - and to consider whether additional care may be required as a result.

On 10 March 2023, the FCA published finalised guidance: “Guidance for firms supporting their existing mortgage borrowers impacted by the rising cost of living” (FG23/2). The FCA stated that the purpose of the finalised guidance was to ensure that lenders are clear about the effect of the FCA rules and the range of options lenders have to support their customers including those who are facing higher interest rates alongside the rising cost of living. The FCA have said that the guidance clarifies the effect of their existing rules and principles and is not intended to set new expectations or requirements of lenders or to repeat the position set out in other documents such as the expectations around repossessions or the treatment of vulnerable customers. It explains how lenders can support borrowers in, or at risk of, payment difficulty and confirms the flexibility lenders have under FCA rules and guidance to support borrowers in different ways.

The FCA makes clear in the Mortgages Tailored Support Guidance that it expects lenders of both owner-occupied and buy-to-let mortgage loans to act in a manner consistent with the guidance.

In March 2021, the FCA stated that as the more immediate impacts of the coronavirus pandemic had begun to subside, it was considering whether it should make any permanent changes to their forbearance regimes for mortgages and credit in light of the Mortgages Tailored Support Guidance. It was proposed that this could include updating the rules and guidance in MCOB and incorporating elements of the Mortgages Tailored

Support Guidance. On 25 May 2023, the FCA launched consultation CP23/13 setting out how its plans to incorporate aspects of the Mortgages Tailored Support Guidance into MCOB and withdraw the Mortgages Tailored Support Guidance.

On 10 April 2024, the FCA published PS24/2: Strengthening protections for borrowers in financial difficulty: Consumer credit and mortgages and the related Consumer Credit and Mortgages (Tailored Support) Instrument 2024 (FCA 2024/7). It also published FG24/2: Guidance for firms supporting existing mortgage borrowers impacted by rising living costs. The FCA have stated that they want to build on the Mortgages Tailored Support Guidance and provide a stronger framework for lenders to protect customers facing payment difficulties, they are doing this by incorporating relevant aspects of the Mortgages Tailored Support Guidance into their Handbook, as well as introducing further targeted changes. For mortgages, the FCA have changed their guidance to allow lenders more scope to capitalise payment shortfalls where appropriate and to improve disclosure for all customers in payment shortfall. The new rules will come into force on 4 November 2024 and the Mortgages Tailored Support Guidance will be withdrawn at that time.

There can be no assurance that the FCA, or other UK government or regulatory bodies, will not take further steps in response to the rising cost of living in the UK which may impact the performance of the Loans, including further amending and extending the scope of the above guidance.

### ***Assured Shorthold Tenancy (AST)***

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

A tenancy or lease will be an AT if granted after 15 January 1989 and:

- (a) the tenant or, as the case may be, each of the joint tenants is an individual;
- (b) the tenant or, as the case may be, at least one of the joint tenants occupies the dwelling-house as their only or principal home; and
- (c) if granted before 1 April 1990:
  - (i) the property had a rateable value at 31 March 1990 lower than £1,500 in Greater London or £750 elsewhere; and
  - (ii) the rent payable for the time being is greater than two thirds of the rateable value at 31 March 1990;
- (d) if granted on or after 1 April 1990 the rent payable for the time being is between £251 and £100,000 inclusive (or between £1,001 and £100,000 inclusive in Greater London).

There is no maximum term for an AT and therefore any lease can constitute an AT if it satisfies the relevant criteria.

Since 28 February 1997 all ATs will automatically be ASTs (unless the landlord serves notice to the contrary) which gives landlords the right to recover the property at the end of the term of the tenancy. The HA 1988 also entitles a landlord to obtain an order for possession and terminate an AT/AST during its fixed term on proving one of the grounds for possession specified in section 7(6) of the HA 1988. The ground for possession of most concern in relation to long leaseholds is Ground 8 – namely that if the rent is payable yearly (as most ground rents are), at least three months' rent is more than three months in arrears both at the date of service of the landlord's notice and the date of the hearing.

Most leases in England and Wales give the landlord a right to forfeit the lease if rent is unpaid for a certain period of time, though the courts normally have power to grant relief, cancelling the forfeiture as long as the arrears are paid off. There are also statutory protections in place to protect long leaseholders from unjustified forfeiture action. However, an action for possession under Ground 8 is not the same as a forfeiture action and the court's power to grant relief does not apply to Ground 8. In order to obtain possession, the landlord will have to follow the notice procedure in section 8 of the HA 1988 and, if the tenant does not leave on expiry of the notice, apply for a court order. However, as ground 8 is a mandatory ground, the court will have no discretion and will be obliged to grant the order if the relevant conditions are satisfied.

Currently, however, there is a risk that where:

- (a) a long lease is also an AT/AST due to the level of the ground rent;
- (b) the tenant is in arrears of ground rent for more than three months;
- (c) the landlord chooses to use the HA 1988 route to seek possession under Ground 8; and
- (d) the tenant does not manage to reduce the arrears to below three months' ground rent by the date of the court hearing,

the long lease will come to an end and the landlord will be able to re-enter the relevant property.

### ***The Renting Homes (Wales) Act 2016***

The Renting Homes (Wales) Act 2016 (the "**Renting Homes Act**") received royal assent on 18 January 2016 and fully entered into force on 1 December 2022. The Renting Homes Act converts the majority of existing residential tenancies in Wales into an 'occupation contract' with retrospective effect, however some tenancies will not be converted with retrospective effect (including those which have protection under the Rent Act 1977 and tenancies for more than 21 years).

Subject to certain criteria being met, residential lettings and tenancies granted on or after 1 December 2022 will be 'occupation contracts'. Under the Renting Homes Act, a landlord must, within the requisite time period set out in the act, serve a written statement on the tenant of an occupation contract which sets out certain terms of the occupation contract which are specified in the Renting Homes Act. Where a tenant has breached the occupation contract the minimum notice that must be given to the tenant by the landlord of termination of the contract is one month. The notice period can be shorter where it relates to acts of anti-social behaviour or serious rent arrears. Where a 'no fault' notice is issued, the minimum notice that must be given to a tenant is six months.

The Renting Homes Act (which only has effect in Wales) does not contain an equivalent mandatory ground for possession that a lender had under the Housing Act 1988 where a property was subject to a mortgage granted before the beginning of the tenancy and the lender required possession in order to dispose of the property with vacant possession.

### ***Private Housing (Tenancies) (Scotland) Act 2016***

The Private Housing (Tenancies) (Scotland) Act 2016 (the 2016 Act) introduced, from 1 December 2017, a form of tenancy in Scotland known as a "private residential tenancy" which (except in a very limited number of exceptions) provides tenants with security of tenure by restricting a landlord's ability to regain possession of the property to a number of specific eviction grounds.

Accordingly, a lender or security-holder may not be able to obtain vacant possession if it wishes to enforce its security unless one of the specific eviction grounds under the legislation applies. It should be noted though that one of the grounds on which an eviction order can be sought is that a lender or security-holder intends to sell the property and requires the tenant to leave the property in order to dispose of it with vacant possession.

There is a risk that the 2016 Act may result in lower recoveries in relation to buy to let mortgages over properties in Scotland and may affect the ability of the Issuer to make payments on the Covered Bonds.

The effects of the 2016 Act (as amended) are restricted to any buy-to-let loans secured over Scottish Property. The 2016 Act may have adverse effects in markets experiencing above average levels of possession claims.

### ***Rent Cap***

A rent cap, which was introduced by the Scottish Parliament in response to rapid increases in inflation and the cost of living that have been affecting the UK since the beginning of the energy crisis in the first half of 2022, ended on 31 March 2024. From 1 April 2024, transitional regulations implemented by the Scottish Parliament introduced a replacement rent adjudication scheme which temporarily amends the rent adjudication process for 12 months (with the option to extend for a further 12 months). Under the modified process, tenants wishing to dispute a rent increase notice can apply to a rent officer at Rent Service Scotland or to the First Tier Tribunal for rent adjudication. Any changes in rent must be based on one of three comparators: (i) the open market rent; (ii) a landlord's proposed rental increase; and (iii) a new taper calculation that will specify a maximum 'reasonable' increase for that tenancy.

### ***Housing (Scotland) Bill***

The Housing (Scotland) Bill was introduced by the Scottish Government on 26 March 2024. The bill includes proposals for long-term rent controls for private tenancies, including provisions relating to the designation of rent control areas and related restrictions on the amount by which rents can be increased in those areas within a 12 month period (both within and between tenancies). The bill also includes proposals to provide greater protection to tenants during the eviction process, including a requirement on the First Tier Tribunal and the Sheriff Court to consider whether a delay to eviction should occur based on the individual circumstances of a case, including in relation to seasonal pressures.

Restrictions on a landlord's ability to increase rent during the period in which these temporary rent adjudication protections are in place, and any long-term rent restrictions or delays to a landlord's ability to seek possession of a property introduced under the Housing (Scotland) Bill, may result in less rental income being available to meet the Borrower's repayment obligations in respect of the Loans.

## THE PORTFOLIO

The Initial Portfolio and each New Portfolio acquired by the LLP (the "**Portfolio**") consists (or will consist) of Loans and their Related Security sold by the Sellers to the LLP from time to time in accordance with the terms of the Mortgage Sale Agreements, as more fully described under "*Summary of the Principal Documents – Mortgage Sale Agreements*".

For the purposes hereof:

"**Initial Portfolio**" means the portfolio of Loans and their Related Security, particulars of which will be delivered on the First Transfer Date pursuant to the Mortgage Sale Agreements (other than any 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 relevant Seller in and to:

- (a) all payments of principal and interest (including, for the avoidance of doubt, all Accrued Interest, Arrears of Interest, Capitalised Interest, Capitalised Expenses and Capitalised Arrears) and other sums due or to become due in respect of such Loans and Related Security including, without limitation, the right to demand, sue for, recover and give receipts for all principal monies, interest and costs and the right to sue on all covenants and any undertakings made or expressed to be made in favour of the relevant Seller under the applicable Mortgage Conditions;
- (b) subject where applicable to the subsisting rights of redemption of Borrowers, all Deeds of Consent, Deeds of Postponement, ranking agreements, MH/CP Documentation or any collateral security for the repayment of the relevant Loans;
- (c) the right to exercise all the powers of the relevant Seller in relation thereto;
- (d) all the estate and interest in the Properties vested in the relevant Seller; and
- (e) to the extent they are assignable, each Certificate of Title and Valuation Report (in each case where available) and any right of action of the relevant Seller against any solicitor, licensed or qualified conveyancer, valuer or other person in connection with any report, valuation, opinion, certificate or other statement of fact or opinion given in connection with such Loans and Related Security, or any part thereof or affecting the decision of the relevant Seller to make or offer to make any such Loan or part thereof.

"**New Portfolio**" means in each case the portfolio of New Loans and their Related Security (other than any New Loans and their Related Security which have been redeemed in full prior to the Transfer Date or which do not otherwise comply with the terms of the relevant Mortgage Sale Agreement as at the Transfer Date), particulars of which are set out in the relevant New Portfolio Notice or in a document stored upon electronic media (including, but not limited to, a CD-ROM), and all right, title, interest and benefit of the relevant Seller in and to the rights and assets set out in paragraphs (a) to (e) above in relation to such New Loans and their Related Security.

See also the following risk factors under "*Risk Factors – Risks relating to the Asset Pool – Limited description of the Portfolio – Maintenance of Portfolio – changes to the Lending Criteria of a Seller*".



## DESCRIPTION OF THE UK REGULATED COVERED BOND REGIME

*This section is only a summary of the UK covered bond regime. Prospective purchasers of Covered Bonds should consider carefully all of the information contained in this document, including the information set out below, before making any investment decision.*

*The Programme has not been admitted to the register of regulated covered bonds under RCB Regulations. On 11 April 2011 the Issuer was admitted to the register of issuers under the RCB Regulations in connection with its €7 billion Global Covered Bond Programme. As at the date of this Offering Circular the Issuer does not intend to make an application for the Programme to be admitted to the register of regulated covered bonds under the RCB Regulations and for the Issuer to be admitted to the register of issuers under the RCB Regulations in connection with the Programme. Covered Bonds issued under the Programme will therefore not constitute regulated covered bonds. If an application were to be made and the Issuer and the Programme are admitted by the FCA to the register of issuers and the register of regulated covered bonds under the RCB Regulations, the Issuer and the Programme would be regulated in accordance with the regime described below.*

The Regulated Covered Bonds Regulations 2008 (SI 2008/346), as amended from time to time (the "**RCB Regulations**") and the corresponding implementation provisions, set out in the Regulated Covered Bonds Sourcebook published under the FSMA (the "**RCB Sourcebook**"), came into force in the UK on 6 March 2008 and have been amended from time to time thereafter. In summary, the RCB Regulations implement a legislative framework for UK covered bonds.

### ***Supervision and registration***

The FCA performs certain supervision and enforcement related tasks in respect of the new regime, including admitting issuers and covered bonds to the relevant registers and monitoring compliance with ongoing requirements. To assist it with these tasks, the FCA has certain powers under the RCB Regulations. In particular, in certain circumstances the FCA may direct the winding-up of an owner, remove an issuer from the register of issuers and/or impose a financial penalty of such amount as it considers appropriate in respect of an issuer or owner and direct an issuer to publish information given to the FCA under the RCB Regulations. Moreover, as the body which regulates the financial services industry in the UK, the FCA may take certain actions in respect of issuers using its general powers under the UK regulatory regime (including restricting an issuer's ability to transfer further assets to the asset pool).

### ***Requirements under the legislative framework***

The RCB Regulations and the RCB Sourcebook include various requirements related to registered issuers, asset pool owners, pool assets and the contractual arrangements made in respect of such assets. In this regard, issuers and owners have various initial and ongoing obligations under the RCB Regulations and the RCB Sourcebook and are responsible for ensuring they comply with them. In particular, issuers are required to (among other things) enter into arrangements with the owner for the maintenance and administration of the asset pool such that certain asset record-keeping obligations and asset capability and quality-related requirements are met and notify the FCA of various matters (including any regulated covered bonds it issues, the assets in the asset pool, matters related to its compliance with certain regulations and any proposed material changes). Owners are required to (among other things) notify the FCA of various matters (including any proposed transfer of ownership of the asset pool) and, on insolvency of the issuer, make arrangements for the maintenance and administration of the asset pool (similar to the issuer obligations described above).

The UK authorities undertook reviews of the UK legislative framework in 2011 and 2012 and certain changes were made to the regime with the intention of enhancing the attractiveness of UK regulated covered bonds to investors. These changes took effect from 1 January 2013 and include the following:

- *Single asset pool designation* – issuers are required to designate their programme as being a single asset pool (consisting of either class one assets – public sector debt, class two assets – residential

mortgage loans or class three assets – commercial loans and, in each case, liquid assets) or a mixed asset pool (consisting of all eligible property for the purposes of the RCB Regulations). The Issuer will provide the necessary certifications for the Programme to be registered as a single asset pool programme, falling in class two. As a result, the asset pool will consist solely of residential mortgage loans and certain liquid assets, being UK government securities and cash deposits, all of which comply with section 2 of the RCB Regulations. In keeping with the new requirements under the RCB Regulations, the asset pool will not include any asset-backed securities;

- *Fixed minimum over-collateralisation requirement for principal and fixed minimum coverage requirement for interest* – under the new requirements, the total principal amounts outstanding on the loans constituting eligible property in the asset pool are required to be more than the total principal amounts outstanding in relation to the regulated covered bonds by at least 8 per cent. and a minimum threshold applies in respect of interest amounts such that the total amount of interest payable in the period of 12 months following any given date in respect of the eligible property in the asset pool is required to be not less than the interest which would be payable in relation to the regulated covered bonds in that period. For the purposes of calculating each of these tests, the issuer can take into account certain liquid assets up to a maximum of 8 per cent. of those covered bonds that have a maturity date of one year or more and 100 per cent. of those covered bonds that have a maturity date of less than one year;
- *Investor reporting, including loan-level data* – new investor reporting requirements apply. In particular, issuers are required to make available detailed loan-level information relating to the asset pool following an issuance of regulated covered bonds after 1 January 2013. Issuers are also required to publish certain transaction documents relating to the programme. The information to be published by the Issuer can be found at <https://live.irooms.net/CoventryBuildingSociety>. The information set out in the website and the contents thereof do not form part of this Offering Circular; and
- *Asset pool monitor role* – an asset pool monitor is required, on an annual basis, to inspect and assess the Issuer's compliance with certain principles-based requirements under the regime and to report on their findings to the FCA (with additional reporting requirements in the case of issuer non-compliance). Each issuer is required to appoint an asset pool monitor in advance of their annual confirmation of such compliance. The Issuer has appointed the Asset Monitor to undertake this role pursuant to the terms of the Asset Monitor Agreement.

See also "*Risk Factors – Risks relating to Regulation of the Covered Bonds – UK-regulated covered bond regime*" and "*Risk Factors – Legal and Regulatory Risks – Expenses of insolvency officeholders*".

## **DESCRIPTION OF LIMITED LIABILITY PARTNERSHIPS**

Since 6 April 2001, it has been possible to incorporate a limited liability partnership in England and Wales and Scotland under the Limited Liability Partnerships Act 2000 (the "**LLPA 2000**"). Limited liability partnerships are legal entities that provide limited liability to the members of a limited liability partnership combined with the benefits of the flexibility afforded to partnerships and the legal personality afforded to companies.

### **Corporate Characteristics**

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

The provisions of the Companies Act 2006 and the Insolvency Act 1986 have been modified by the Limited Liability Partnerships Regulations 2001 and the Limited Liability Partnerships (Application of Companies Act 2006) Regulations 2009 (each as amended from time to time) so as to apply most of the insolvency and winding-up procedures for companies equally to a limited liability partnership and its members. As a distinct legal entity, a limited liability partnership can grant fixed and floating security over its assets and a limited liability partnership will survive the insolvency of any of its members. An administrator or liquidator of an insolvent member would be subject to the terms of the members' agreement relating to the limited liability partnership, but a liquidator of an insolvent member may not take part in the administration of the limited liability partnership or its business.

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

### **Partnership Characteristics**

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

### **Taxation**

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

## BOOK-ENTRY CLEARANCE SYSTEMS

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

### Book-entry Systems

#### **DTC**

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of section 17A of the Exchange Act. DTC holds and provides asset servicing for securities that its participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerised book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://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 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. Beneficial Owners, however, are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in DTC Covered Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Covered Bonds, except in the event that use of the book-entry system for DTC Covered Bonds is discontinued.

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

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

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

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

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

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

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

DTC may discontinue providing its services as depository with respect to DTC Covered Bonds at any time by giving reasonable notice to the Issuer or the Principal Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, DTC Covered Bonds certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, DTC Covered Bonds certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

### ***Euroclear and Clearstream, Luxembourg***

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping,

administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

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

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

The Issuer may apply to DTC in order to have any Tranche of Covered Bonds represented by a Registered Global Covered Bond accepted in its book-entry settlement system. Upon the issue of any such Registered Global Covered Bond, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Covered Bond to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Covered Bond will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Covered Bond, the respective depositories of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Covered Bond accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Covered Bond accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Covered Bond. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Covered Bond in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Covered Bonds will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Bond Trustee, the Security Trustee, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Covered Bonds to DTC is the responsibility of the Issuer.

### **Transfers of Covered Bonds Represented by Registered Global Covered Bonds**

Transfers of any interests in Covered Bonds represented by a Registered Global Covered Bond within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Covered Bonds represented by a Registered Global Covered Bond to such persons may depend upon the ability to exchange such Covered Bonds for Covered Bonds in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Covered Bonds represented by a Registered Global Covered Bond accepted by DTC to pledge such Covered Bonds to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Covered Bonds may depend upon the ability to exchange such

Covered Bonds for Covered Bonds in definitive form. The ability of any holder of Covered Bonds represented by a Registered Global Covered Bond accepted by DTC to resell, pledge or otherwise transfer such Covered Bonds may be impaired if the proposed transferee of such Covered Bonds is not eligible to hold such Covered Bonds through a direct or indirect participant in the DTC system.

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

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

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Covered Bonds will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

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

## TAXATION

### UK Taxation

*The comments below are of a general nature and are a summary of the Issuer's understanding of current UK tax law and published HMRC practice. They relate only to the position of persons who are the absolute beneficial owners of their Covered Bonds and all payments made thereon. They do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. Any holders of Covered Bonds who are in doubt as to their tax position should consult their professional advisers. The following comments relate only to the UK withholding tax treatment of payments of interest (as that term is understood for UK tax purposes) by the Issuer in respect of the Covered Bonds and payments by the LLP under the terms of the Covered Bond Guarantee. It does not deal with any other UK taxation implications of acquiring, holding or disposing of the Covered Bonds. Prospective holders of Covered Bonds should note that the particular terms of issue of any Series of Covered Bonds as specified in the applicable Final Terms may affect the tax treatment of that and any other Series of Covered Bonds and should be treated with appropriate caution. The UK tax treatment of prospective holders of Covered Bonds depends on their individual circumstances and may be subject to change in the future. The comments below do not deal with the tax consequences of any substitution of the Issuer in accordance with Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution) of the Covered Bonds.*

*Prospective holders of Covered Bonds who may be liable to taxation in jurisdictions other than the UK or who may be unsure as to their tax position should seek their own professional advice.*

#### ***Payment of interest by the Issuer in respect of the Covered Bonds***

Interest on the Covered Bonds may be paid by the Issuer without withholding or deduction for or on account of UK income tax provided that the Covered Bonds carry a right to interest and are and continue to be listed on a "recognised stock exchange" within the meaning of Section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for this purpose and securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the FSMA) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Covered Bonds carry a right to interest and are and remain so listed on a "recognised stock exchange", interest on the Covered Bonds will be payable by the Issuer without withholding or deduction for or on account of UK income tax.

In other cases, if the Covered Bonds are capable of being listed on a "recognised stock exchange" at the time the interest on the Covered Bonds becomes payable, an amount must generally be withheld from such payments on account of UK income tax at the basic rate (currently 20 per cent.), subject to any other available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a holder of Covered Bonds, HMRC can issue a notice to the Issuer to pay interest to the holder of the Covered Bonds without withholding or deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

#### ***Payments by the LLP***

The UK withholding tax treatment of payments by the LLP under the terms of the Covered Bond Guarantee which have a UK source is uncertain. In particular, such payments by the LLP may not be eligible for the exemptions described above in relation to payments of interest by the Issuer. Accordingly, if the LLP makes any such payments, these may be subject to UK withholding tax at the basic rate. If payments by the LLP are subject to any withholding or deduction for or on account of tax, the LLP will not be required to pay any additional amounts.



## Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as "FATCA", a "foreign financial institution" (as defined by FATCA, and including an intermediary through which Covered Bonds are held) may be required to withhold at a rate of 30%, certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the UK) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Covered Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Covered Bonds, proposed regulations have been issued that provide that such withholding would not apply to foreign passthru payments prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally, Covered Bonds characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal income tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional Covered Bonds (as described under Condition 16 (*Further Issues*)) that are not distinguishable from previously issued Covered Bonds are issued after the expiry of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Covered Bonds, including the Covered Bonds offered prior to the expiry of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Covered Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Covered Bonds, no person will be required to pay additional amounts as a result of the withholding.

## **CERTAIN U.S. REGULATORY CONSIDERATIONS**

The LLP is not now, and solely after giving effect to any offering and sale of Covered Bonds pursuant to the Trust Deed will not be, a "covered fund" for purposes of regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended, commonly known as the "Volcker Rule". In reaching this conclusion, although other statutory or regulatory exemptions under the Investment Company Act of 1940, as amended (the Investment Company Act), and under the Volcker Rule and its related regulations may be available, the Issuer has relied on the determinations that the LLP may rely on the exemption from registration under the Investment Company Act provided by Section 3(c)(5) thereunder. Accordingly, the LLP may rely on the exemption from the definition of a "covered fund" under the Volcker Rule made available to entities that do not rely solely on Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act for their exemption from registration under the Investment Company Act.

## SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in a Programme Agreement (as the same may be amended and/or supplemented and/or restated from time to time, the "**Programme Agreement**") dated 14 October 2020 (as amended, supplemented and restated from time to time) agreed with the Issuer and the LLP a basis upon which such Dealers or any of them may from time to time agree to purchase Covered Bonds. Any such agreement for any particular purchase by a Dealer will extend to those matters stated under "*Form of the Covered Bonds*" and "*Terms and Conditions of the Covered Bonds*". 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 or person wishing to transfer an interest from one Registered Global Covered Bond to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (i) that either: (a) it is a QIB, purchasing (or holding) the Covered Bonds for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A; (b) it is an Institutional Accredited Investor which has delivered an IAI Investment Letter; or (c) it is outside the United States and is not a U.S. person;
- (ii) that the Covered Bonds are being offered and sold in a transaction not involving an offering in the United States within the meaning of the Securities Act, and that the Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (iii) it agrees that neither the Issuer nor the Guarantor has any obligation to register the Covered Bonds or the Covered Bond Guarantee under the Securities Act;
- (iv) that, unless it holds an interest in a Regulation S Global Covered Bond and either is a person located outside the United States or is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Covered Bonds or any beneficial interests in the Covered Bonds, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Covered Bonds, only: (a) to the Issuer or any affiliate thereof; (b) inside the United States to a person whom the Seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A; (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act; (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available); or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;
- (v) 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 (iv) above, if then applicable;

- (vi) that Covered Bonds initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Covered Bonds, that Covered Bonds offered to Institutional Accredited Investors will be in the form of Definitive IAI Registered Covered Bonds and that Covered Bonds offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Covered Bonds;
- (vii) that the Registered Global Covered Bonds, other than the Regulation S Global Covered Bonds, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS. ACCORDINGLY, BY ITS ACQUISITION HEREOF, THE HOLDER: (A) REPRESENTS THAT IT IS A "**QUALIFIED INSTITUTIONAL BUYER**" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY ("**THE AGENCY AGREEMENT**") AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN: (1) TO THE ISSUER OR ANY AFFILIATE THEREOF; (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A; (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT; (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE); OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISION OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.";

- (viii) that the Definitive IAI Registered Covered Bonds will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS. ACCORDINGLY, BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT: (1) IT IS A "**QUALIFIED INSTITUTIONAL BUYER**" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; OR (2) IT IS AN INSTITUTIONAL "**ACCREDITED INVESTOR**" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN "**INSTITUTIONAL ACCREDITED INVESTOR**"); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY ("**THE AGENCY AGREEMENT**") AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN: (1) TO THE ISSUER OR ANY AFFILIATE THEREOF; (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A; (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT; (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE); OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISION OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.";

- (ix) 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 expiry of the distribution compliance period (defined as 40 days after the completion of the distribution of the Tranche of Covered Bonds of which such Covered Bonds are a part, as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue), it will do so only: (a): (i) outside the United States in compliance with Rule 903 or 904 under the Securities Act; or (ii) to a QIB in compliance with Rule 144A; and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Global Covered Bonds will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY (THE "**AGENCY AGREEMENT**") AND PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS. UNTIL THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL OF THE COVERED BONDS OF THE TRANCHE OF WHICH THIS COVERED BOND FORMS PART, SALES MAY NOT BE MADE IN THE UNITED STATES OR TO U.S. PERSONS UNLESS MADE: (I) PURSUANT TO RULE 903 OR 904 OR REGULATION S UNDER THE SECURITIES ACT; OR (II) TO QUALIFIED INSTITUTIONAL BUYERS AS DEFINED IN, AND IN TRANSACTIONS PURSUANT TO, RULE 144A UNDER THE SECURITIES ACT."; and

- (x) 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.

Institutional Accredited Investors who purchase Registered Covered Bonds in definitive form offered and sold in the United States in reliance upon the exemption from registration provided by Section 4(a)(2) of the Securities Act are required to execute and deliver to the Registrar an IAI Investment Letter. Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Covered Bonds will be issued in definitive registered form, see "*Form of the Covered Bonds*".

The IAI Investment Letter will state, among other things, the following:

- (i) that the Institutional Accredited Investor has received a copy of the Offering Circular and such other information as it deems necessary in order to make its investment decision;
- (ii) that the Institutional Accredited Investor understands 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 have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and that any subsequent transfer of the Covered Bonds is subject to certain restrictions and conditions set forth in the Offering Circular and the Covered Bonds (including those set out above) and that it agrees to be bound by, and

not to resell, pledge or otherwise transfer the Covered Bonds except in compliance with, such restrictions and conditions and the Securities Act;

- (iii) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Covered Bonds;
- (iv) that the Institutional Accredited Investor is an institution that is an accredited investor within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Covered Bonds, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment for an indefinite period of time;
- (v) that the Institutional Accredited Investor is acquiring the Covered Bonds purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of the Covered Bonds, subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control; and
- (vi) that, in the event that the Institutional Accredited Investor purchases Covered Bonds, it will acquire Covered Bonds having a minimum purchase price of at least U.S.\$500,000 (or the approximate equivalent in another Specified Currency).

No sale of Legended Covered Bonds in the United States to any one purchaser will be for less than U.S.\$100,000 (or the approximate equivalent in another Specified Currency) principal amount or, in the case of sales to Institutional Accredited Investors, U.S.\$500,000 (or the approximate equivalent in another Specified Currency) principal amount and no Legended Covered Bond will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.\$250,000 (or the approximate equivalent in another Specified Currency) or, in the case of sales to Institutional Accredited Investors, U.S.\$500,000 (or the approximate equivalent in another Specified Currency) principal amount of Registered Covered Bonds.

Dealers may arrange for the resale of Covered Bonds to QIBs pursuant to Rule 144A and each such purchaser of Covered Bonds is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Covered Bonds which may be purchased by a QIB pursuant to Rule 144A is U.S.\$250,000 (or the approximate equivalent in another Specified Currency).

## **Selling Restrictions**

### ***United States***

Regulation S, Category 2, TEFRA D applies, unless TEFRA C is specified as applicable in the applicable Final Terms or unless TEFRA is not applicable. Sales to QIBs in reliance upon Rule 144A under the United States Securities Act of 1933, as amended (the "**Securities Act**") or sales to Institutional Accredited Investors who agree to purchase for their own account and not with a view to distribution will be permitted, if so specified in the applicable Final Terms.

The Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act or the securities laws or "blue sky" laws of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or in transactions not subject to, the registration requirements of the Securities Act and any applicable local, state or federal securities laws. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The 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. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and U.S. Treasury regulations promulgated thereunder.

In connection with any Covered Bonds which are offered, sold or delivered outside the United States in reliance on Regulation S ("**Regulation S Covered Bonds**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Regulation S Covered Bonds (i) as part of its distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Tranche of Covered Bonds of which such Covered Bonds are a part, as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue, and except in either case in accordance with Regulation S under the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Covered Bonds during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Covered Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of a Tranche of Covered Bonds, an offer or sale of such Covered Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of Covered Bonds to QIBs pursuant to Rule 144A and each such purchaser of Covered Bonds is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Covered Bonds which may be purchased by a QIB pursuant to Rule 144A is U.S.\$100,000 (or the approximate equivalent in another Specified Currency). To permit compliance with Rule 144A in connection with any resales or other transfers of Covered Bonds that are "restricted securities" within the meaning of the Securities Act, each of the Issuer and the LLP has undertaken in the Trust Deed to furnish, upon the request of a holder of such Covered Bonds or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Covered Bonds remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act and each of the Issuer and the LLP is neither a reporting company under Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

## **UK**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Covered Bonds that have a maturity of less than one year: (i) it is a person whose ordinary activities involve it acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered, sold or delivered and will not offer, sell or deliver any Covered Bonds other than to persons whose ordinary activities involve them acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of such Covered Bonds would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in



circumstances in which Section 21(1) of the FSMA does not apply to the LLP or, in the case of the Issuer would not, if it was not an authorised person, apply to the Issuer; and

- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the UK.

#### ***Prohibition of Sales to UK Retail Investors***

Unless the Final Terms in respect of any Covered Bonds specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Offering Circular as completed by the Final Terms in relation thereto to any retail investor in the UK. For the purposes of this provision:

- (a) the expression "**retail investor**" means a person who is one (or more) of the following:
  - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or
  - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or
  - (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and
- (b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds.

#### ***Republic of Italy***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available, and will not offer, sell or otherwise make available, any Covered Bonds to any investor in Italy.

#### ***Prohibition of Sales to EEA Retail Investors***

Unless the Final Terms in respect of any Covered Bonds specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Offering Circular as completed by the Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression **retail investor** means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
  - (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

- (iii) not a qualified investor as defined in the EU Prospectus Regulation; and
- (b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds.

If the Final Terms in respect of any Covered Bonds specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the EEA (each a "**Relevant State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by this Offering Circular as completed by the Final Terms in relation thereto to the public in that Relevant State except that it may make an offer of such Covered Bonds to the public in that Relevant State:

- (a) at any time to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation,

provided that no such offer of Covered Bonds referred to in paragraphs (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For the purposes of this provision:

- (a) the expression an "**offer of Covered Bonds to the public**" in relation to any Covered Bonds in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for Covered Bonds; and
- (b) the expression "**EU Prospectus Regulation**" means Regulation (EU) 2017/1129.

### ***General***

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or possesses or distributes this Offering Circular 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 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, offering circular, 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 Offering Circular as then amended or supplemented or, unless delivery of the Offering Circular 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 Offering Circular in connection with the offer and sale of Covered Bonds to which the Offering Circular relates.

This Offering Circular may be used by the Dealers for offers and sales related to market-making transactions in the Covered Bonds. Any or each of the Dealers may act as principal or agent in these transactions. These sales will be made at prices relating to prevailing market prices at the time of sale. None of the Dealers has any obligation to make a market in the Covered Bonds, and any market-making may be discontinued at any time without notice. The Dealers are participating in the initial distribution of the Covered Bonds.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and a Dealer or any affiliate of that Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the relevant Dealer or such affiliate on behalf of the Issuer in such jurisdiction.

## GENERAL INFORMATION

### Authorisation

The establishment of the Programme and the issue of Covered Bonds have been duly authorised by resolutions of the board of directors of the Issuer dated 25 March 2020. The giving of the Covered Bond Guarantee has been duly authorised by a resolution of a committee appointed by the board of directors of the Society in the Society's capacity as a Member of the LLP dated 7 October 2020.

The update of the Programme and further issues of Covered Bonds, has been duly authorised by a resolution of a committee appointed by the board of directors of the Issuer dated 21 February 2023 and a resolution of the Management Committee of the LLP dated 20 March 2024.

### Listing of Covered Bonds

The admission of Covered Bonds to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Covered Bonds which is to be admitted to the Official List and to trading on the main market of the London Stock Exchange will be admitted separately as and when issued, subject only to the issue of a Temporary Global Covered Bond, a Permanent Global Covered Bond, a Regulation S Global Covered Bond, a Rule 144A Global Covered Bond or a Definitive IAI Registered Covered Bond, as the case may be, initially representing the Covered Bonds of such Tranche. The listing of the Programme in respect of Covered Bonds is expected to be granted on or about 20 September 2024.

### Documents Available

So long as Covered Bonds are capable of being issued under this Offering Circular, copies of the following documents will, when published, be available to the Covered Bondholders during usual business hours and upon reasonable notice on any weekday (Saturdays, Sundays and public holidays excepted) from the principal office of the Issuer and from the specified office of the Paying Agent for the time being in London or can be viewed online at <https://www.coventrybuildingsociety.co.uk/member/investor-relations/funding-programmes/covered-bonds-terms/reports.html>:

- (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 as at and ended 31 December 2023 and 31 December 2022. The Issuer currently prepares audited financial statements on an annual basis;
- (iii) the most recently published audited financial statements of the Issuer and the most recently published unaudited condensed consolidated interim financial statements (if any) of the Issuer. The Issuer currently prepares unaudited consolidated and unconsolidated interim financial statements on a semi-annual basis. The LLP currently prepares audited financial statements on an annual basis;
- (iv) the forms of the Global Covered Bonds, the Definitive Covered Bonds, the Coupons and the Talons;
- (v) a copy of this Offering Circular;
- (vi) any future offering circulars, prospectuses, information memoranda and supplements including Final Terms to this Offering Circular and any other documents incorporated herein or therein by reference; and
- (vii) each Transaction Document other than the Programme Agreement (noting that each Scottish Declaration of Trust will be redacted to remove scheduled data).

In addition, copies of this Offering Circular, any documents incorporated by reference and each Final Terms relating to the Covered Bonds issued pursuant to this Offering Circular will also be available for inspection on the website of the Regulatory News Service operated by the London Stock Exchange at [www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html).

### **Clearing Systems**

The Bearer Covered Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Bearer Covered Bonds allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Issuer may make an application for any Registered Covered Bonds to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Covered Bonds, together with the relevant ISIN and Common Code, will be specified in the applicable Final Terms. If the Covered Bonds are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Final Terms.

### **Significant or Material Change**

There has been no significant change in the financial performance or the financial position of the Issuer or the Coventry Group since 30 June 2024, being the date to which the Coventry Group's last published unaudited financial information (as set out in the Issuer's Interim Financial Report 2024) was prepared.

There has been no material adverse change in the prospects of the Issuer since 31 December 2023, being the date to which the Issuer's last published audited financial information (as set out in the Issuer's 2023 Annual Report) was prepared.

There has been no significant change in the financial performance or the financial position, nor has there been any material adverse change in the prospects of the LLP since 31 December 2023 (being the date of the LLP's last audited financial statements).

### **Litigation**

There have not been and there are no governmental, legal or arbitration proceedings which may have or have had in the 12 months prior to the date hereof, a significant effect on the financial position or profitability of the Coventry Group or the Issuer or the LLP nor, so far as the Issuer or the LLP is aware, are any such proceedings pending or threatened.

### **Independent Auditors**

The independent auditor of (i) the Issuer as of and for each of the financial years ended on 31 December 2023 and 31 December 2022 and (ii) the LLP as of and for each of the financial years ended on 31 December 2023 and 31 December 2022 was PricewaterhouseCoopers LLP, registered to carry out audit work by the Institute of Chartered Accountants in England and Wales, who have audited the Issuer's and the LLP's financial statements, without qualification, in accordance with International Standards on Auditing (UK).

### **Legal Entity Identifier**

The Legal Entity Identifier (LEI) of the Issuer is 2138004G59FXEAZ6IO10.

### **Reports**

The Trust Deed provides that the Bond Trustee may rely on reports or other information from professional advisers or other experts in accordance with the provisions of the Trust Deed, whether or not any such report or other information, or engagement letter or other document entered into by the Bond Trustee and the relevant person in connection therewith, contains any monetary or other limit on the liability of the relevant person.

In addition, the Issuer is required, pursuant to the terms of the RCB Regulations, to provide loan level information relating to the Loans in the Asset Pool and to display the Transaction Documents related to the Programme. The loan level information and the Transaction Documents shall be posted on [www.coventrybuildingsociety.co.uk/member/investor-relations/funding-programmes/covered-bonds-terms/reports.html](http://www.coventrybuildingsociety.co.uk/member/investor-relations/funding-programmes/covered-bonds-terms/reports.html). Websites and URLs referred to herein do not form part of this Offering Circular.

### **Contracts**

There are no material contracts which have been entered into outside the ordinary course of the Issuer's business, and which could result in any member of the Coventry Group being under an obligation or entitlement that is material to our ability to meet our obligation to covered bondholders in respect of the Covered Bonds being issued.

### **Post-issuance information**

The Issuer provides monthly Investor Reports which are available to the Covered Bondholders at the offices of the Principal Paying Agent (located at 8 Canada Square, London E14 5HQ), detailing, *inter alia*, compliance with the Asset Coverage Test.

## GLOSSARY

"30/360", "360/360", or "Bond Basis"	The meaning given in Condition 4(b)(iv)(E) ( <i>Determination of Rate of Interest and calculation of Interest Amounts</i> ) on page 106;
"30E/360" or "Eurobond Basis"	The meaning given in Condition 4(b)(iv)(F) ( <i>Determination of Rate of Interest and calculation of Interest Amounts</i> ) on page 107;
"1999 Regulations"	The Unfair Terms in Consumer Contracts Regulations 1999 (SI 1999/2083), as amended;
"2012 Act"	The Land Registration etc. (Scotland) Act 2012;
"2016 Act"	Private Housing (Tenancies) (Scotland) Act 2016;
"2022 Act"	The Cost of Living (Tenant Protection) (Scotland) Act 2022;
"€", "EUR" or "euro"	The lawful currency for the time being of the Member States of the EU that have adopted or may adopt the single currency in accordance with the treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the treaty on the EU;
"£" and "Sterling"	The lawful currency for the time being of the UK of Great Britain and Northern Ireland;
"\$" and "U.S. dollars"	The lawful currency for the time being of the United States of America;
"Account Banks"	To the extent it holds the Account Bank Ratings, each of Barclays Bank PLC, the Society and any other account bank appointed pursuant to a Bank Account Agreement;
"Account Bank Ratings"	The short term unsecured, unsubordinated and unguaranteed ratings by the Rating Agencies which shall be F1 by Fitch or a long-term issuer default rating of at least A by Fitch;
"Accrual Period"	The relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date;
"Accrued Interest"	In respect of a Loan as at any date the aggregate of all interest accrued but not yet due and payable on the Loan from (and including) the Monthly Payment Date immediately preceding the relevant date to (but excluding) the relevant date;
"Accumulation Series of Covered Bonds"	The meaning given on page 17;
"Act"	The Building Societies Act 1986;
"Actual/Actual (ICMA)"	The meaning given in Condition 4(a) ( <i>Interest on Fixed Rate Covered Bonds</i> ) on page 98;
"Actual/Actual" or "Actual/Actual (ISDA)"	The meaning given in Condition 4(b)(iv)(A) ( <i>Determination of Rate of Interest and calculation of Interest Amounts</i> ) on page 106;

<b>"Actual/360"</b>	The meaning given in Condition 4(b)(iv)(D) ( <i>Determination of Rate of Interest and calculation of Interest Amounts</i> ) on page 106;
<b>"Actual/365 (Fixed)"</b>	The meaning given in Condition 4(b)(iv)(B) ( <i>Determination of Rate of Interest and calculation of Interest Amounts</i> ) on page 106;
<b>"Actual/365 (Sterling)"</b>	The meaning given in Condition 4(b)(iv)(C) on page 106;
<b>"Additional Loan Advance"</b>	A further drawing (including, but not limited to, Further Advances) in respect of Loans sold by the Sellers to the LLP;
<b>"Adjusted Aggregate Loan Amount"</b>	The meaning given in " <i>Summary of the Principal Documents</i> " on page 170;
<b>"Adjusted Required Redemption Amount"</b>	The Sterling Equivalent of the Required Redemption Amount, plus or minus the Sterling Equivalent of any swap termination amounts payable under any Covered Bond Swap Agreement to or by the LLP in respect of the relevant Series of Covered Bonds less (where applicable) amounts standing to the credit of the LLP Accounts and the Sterling Equivalent of the principal balance of any Authorised Investments (excluding all amounts to be applied on the next following LLP Payment Date to repay higher ranking amounts in the Guarantee Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds) plus or minus any swap termination amounts payable to or by the LLP under any Interest Rate Swap Agreement (or the Interest Rate Swap Guarantee, as applicable);
<b>"Agency Agreement"</b>	The agency agreement (as amended, restated, supplemented or novated from time to time) dated the Programme Date and made between the Issuer, the LLP, the Bond Trustee, the Principal Paying Agent and the other Paying Agents, the Exchange Agent, the Registrar and the Transfer Agents;
<b>"Agent"</b>	Each of the Paying Agents, the Registrar, the Exchange Agent and the Transfer Agent;
<b>"Amortisation Test"</b>	The test as to whether the Amortisation Test Aggregate Loan Amount is at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date;
<b>"Amortisation Test Aggregate Loan Amount"</b>	The meaning given in " <i>Summary of the Principal Documents</i> " on page 173;
<b>"Amortisation Test True Balance"</b>	The meaning given in " <i>Summary of the Principal Documents</i> " on page 173;
<b>"Amortised Face Amount"</b>	The meaning given in " <i>Terms and Conditions of the Covered Bonds</i> " on page 116;
<b>"Arranger"</b>	Barclays Bank PLC, acting through its investment bank;
<b>"Arrears Adjusted True Balance"</b>	The meaning given in " <i>Summary of the Principal Documents</i> " on page 171;



<b>"Arrears of Interest"</b>	As at any date in respect of any Loan, interest (other than Capitalised Interest or Accrued Interest) on that Loan which is currently due and payable and unpaid on that date;
<b>"Asset Coverage Test"</b>	The test as to whether the Adjusted Aggregate Loan Amount is at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date;
<b>"Asset Coverage Test Breach Notice"</b>	The notice required to be served by the Bond Trustee if the Asset Coverage Test has not been met on two consecutive Calculation Dates (subject to the Bond Trustee having actual knowledge or express notice of same);
<b>"Asset Monitor"</b>	A reputable institution appointed as such under the Asset Monitor Agreement;
<b>"Asset Monitor Agreement"</b>	The asset monitor agreement entered into on the Programme Date (as amended and/or supplemented and/or restated from time to time) between the Asset Monitor, the LLP, the Cash Manager, the Issuer, the Bond Trustee and the Security Trustee;
<b>"Asset Monitor Report"</b>	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;
<b>"Asset Percentage"</b>	The meaning given in " <i>Summary of the Principal Documents</i> " on page 173;
<b>"Asset Percentage Notification Form"</b>	A document substantially in the form of Schedule 5 to the LLP Deed pursuant to which the LLP notifies the Security Trustee of the Asset Percentage in accordance with Clause 11.3 (Asset Coverage Test) of the LLP Deed;
<b>"Asset Pool"</b>	All assets of the LLP from time to time including but not limited to the Portfolio, any Substitution Assets, any Authorised Investments, the rights of the LLP in the Transaction Documents, the LLP Accounts and all amounts standing to the credit thereto and any other assets referred to in Regulation 3(1) ( <i>Asset Pool</i> ) of the RCB Regulations (to the extent they apply), provided that all such assets are recorded as comprising the asset pool under the RCB Regulations;
<b>"Authorised Investments"</b>	(a) Sterling gilt-edged securities and other UK government and public securities; and (b) Sterling demand or time deposits provided that in all cases such investments have a remaining maturity date of 30 days or less and mature on or before the next following LLP Payment Date and the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) are rated at least F1 by Fitch or its equivalent by three other internationally recognised rating agencies, provided that such Authorised Investments comply with the requirements of Regulation 2(1A) of the RCB Regulations (to the extent they apply);
<b>"Authorised Underpayment"</b>	A Borrower making either no Monthly Payment under a Loan or a payment in an amount less than the Monthly Payment then due on the Loan, in each

case, where the relevant Seller has authorised such underpayment or non-payment;

**"Available Principal Receipts"**

On a relevant Calculation Date, an amount equal to the aggregate of (without double counting):

- (a) the amount of Principal Receipts received during the immediately preceding Calculation Period and credited to the Principal Ledger on the LLP Accounts (but, for the avoidance of doubt, excluding any Principal Receipts received in the Calculation Period beginning in the month in which the relevant Calculation Date falls) less any Principal Receipts applied during such Calculation Period to acquire New Loans, Additional Loan Advances and Flexible Loans; and
- (b) any other amount standing to the credit of the Principal Ledger including (i) the proceeds of any Term Advance (where such proceeds have not been applied to acquire New Portfolios or invest in Substitution Assets), (ii) any Cash Capital Contributions received from a Member (other than any Cash Capital Contribution (a) to the extent representing any Required Coupon Amount or any Required Coupon Amount Shortfall or (b) to fund the Reserve Fund up to the Reserve Fund Required Amount), and (iii) the proceeds from any sale of Selected Loans pursuant to the terms of the LLP Deed or the Mortgage Sale Agreements but excluding any amount of principal received under the Covered Bond Swap Agreements;

**"Available Revenue Receipts"**

On a relevant Calculation Date, an amount equal to the aggregate of:

- (a) the amount of Revenue Receipts received during the previous Calculation Period and credited to the Revenue Ledger on the LLP Accounts;
- (b) other net income of the LLP including all amounts of interest received on the LLP Accounts, the Substitution Assets and Authorised Investments in the previous Calculation Period but excluding amounts received by the LLP under any Interest Rate Swap Agreement (or the Interest Rate Swap Guarantee, as the case may be, other than any premium not used to make a termination payment) and in respect of interest received by the LLP under each Covered Bond Swap Agreement;
- (c) prior to the service of a Notice to Pay amounts standing to the credit of the Reserve Fund in excess of the Reserve Fund Required Amount;
- (d) any other Revenue Receipts not referred to in paragraphs (a) to (c) (inclusive) above received during the previous Calculation Period and standing to the credit of the Revenue Ledger on the LLP Accounts;
- (e) amounts standing to the credit of the Coupon Payment Ledger in excess of the Required Coupon Amount for: (i) each Interest

Payment Date for those Series of Covered Bonds that do not have a Covered Bond Swap in place and are not an Accumulation Series of Covered Bonds; or (ii) the payment date specified in the Covered Bond Swap which relates to such Series of Covered Bonds, in respect of those Series of Covered Bonds that have a Covered Bond Swap in place; and/or (iii) each LLP Payment Date for an Accumulation Series of Covered Bonds, immediately succeeding such Calculation Date, less, in the case of an Accumulation Series of Covered Bonds, any amount to be paid into the Interest Accumulation Ledger to ensure that the amount credited thereto is equal to the aggregate of all LLP Monthly Interest Amounts that should have been credited for the relevant Interest Period; and

- (f) following the service on the LLP of a Notice to Pay, amounts standing to the credit of the Reserve Fund;

*less*

- (g) Third Party Amounts, which shall be paid on receipt in cleared funds to the relevant Seller;
- (h) any amount standing to the credit of the Coupon Payment Ledger representing the Required Coupon Amount as at the next following LLP Payment Date; and
- (i) any amount standing to the credit of the Interest Accumulation Ledger;

**"Bank Account Agreements"**

The Barclays Bank Account Agreement, the CBS Bank Account Agreement and such other bank account agreement as may be entered into in relation to a Transaction Account;

**"Barclays Bank Account Agreement"**

The bank account agreement entered into on the Programme Date between the LLP, Barclays Bank PLC, the Cash Manager and the Security Trustee;

**"Barclays Transaction Account"**

The account designated as such in the name of the LLP to be opened with Barclays Bank PLC and maintained subject to the terms of the Barclays Bank Account Agreement and the Deed of Charge;

**"Bearer Covered Bonds"**

Covered Bonds in bearer form;

**"Bearer Definitive Covered Bonds"**

A Bearer Covered Bond in definitive form issued or, as the case may require, to be issued by the Issuer in accordance with the provisions of the Programme Agreement or any other agreement between the Issuer and the relevant Dealer(s), the Agency Agreement and the Trust Deed in exchange for either a Temporary Global Covered Bond or part thereof or a Permanent Global Covered Bond or part thereof (all as indicated in the applicable Final Terms), such Bearer Covered Bond in definitive form being in the form or substantially in the form set out in Part 3 of Schedule 2 to the Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer or Lead Manager (in the case of syndicated Issues) and having the Conditions endorsed thereon or, if permitted by the relevant Stock Exchange, incorporating the Conditions by reference as indicated in the applicable Final Terms and having the relevant information supplementing, replacing

or modifying the Conditions appearing in the applicable Final Terms endorsed thereon or attached thereto and (except in the case of a Zero Coupon Covered Bonds in bearer form) having Coupons and, where appropriate, Talons attached thereto on issue;

<b>"Bearer Global Covered Bond"</b>	The meaning given on page 76;
<b>"Beneficial Owner"</b>	Each actual purchaser of each DTC Covered Bond;
<b>"Bond Trustee"</b>	HSBC Corporate Trustee Company (UK) Limited, in its capacity as bond trustee under the Trust Deed together with any successor bond trustee appointed from time to time;
<b>"Borrower"</b>	In relation to a Loan, the individual or individuals specified as such in the relevant Mortgage together with the individual or individuals (if any) from time to time assuming an obligation to repay such Loan or any part of it;
<b>"Building Societies Act"</b>	Building Societies Act 1986, as amended;
<b>"Business Day"</b>	The meaning given in <i>"Terms and Conditions of the Covered Bonds"</i> on page 100
<b>"Calculation Agent"</b>	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;
<b>"Calculation Date"</b>	The 19th day of each month (or, if that day is not a Business Day, then the immediately preceding Business Day). The first Calculation Date was on the 19th day of November 2020;
<b>"Calculation Period"</b>	The period from, and including, the first day of each month to, and including, the last day of each month, except that for the first Series of Covered Bonds the first Calculation Period means the period from and including the Programme Date to and including the last day of October 2020;
<b>"Capital Account Ledger"</b>	The ledger maintained by the Cash Manager on behalf of the LLP in respect of each Member to record the balance of each Member's Capital Contributions from time to time;
<b>"Capital Balance"</b>	For a Loan at any date, the principal balance of that Loan to which the Servicer applies the relevant interest rate at which interest on that Loan accrues;
<b>"Capital Contribution"</b>	In relation to each Member, the aggregate of the capital contributed by that Member to the LLP from time to time by way of Cash Capital Contributions and Capital Contributions in Kind as determined on each Calculation Date in accordance with the formula set out in the LLP Deed;
<b>"Capital Contribution Balance"</b>	The balance of each Member's Capital Contributions as recorded from time to time in the relevant Member's Capital Account Ledger;

<b>"Capital Contributions in Kind"</b>	A contribution of Loans and their Related Security to the LLP in an amount equal to: (a) the aggregate of the True Balance of those Loans as at the relevant Transfer Date; minus (b) any cash payment paid by the LLP for such Loans and their Related Security on that Transfer Date;
<b>"Capital Distribution"</b>	Any return on a Member's Capital Contribution in accordance with the terms of the LLP Deed (and excluding, for the avoidance of doubt, any Deferred Consideration);
<b>"Capitalised Arrears"</b>	For any Loan at any date, interest or other amounts which are overdue in respect of that Loan and which as at that date have been added to the Capital Balance of the Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower;
<b>"Capitalised Expenses"</b>	In relation to a Loan, the amount of any expense, charge, fee, premium or payment (excluding, however, any Arrears of Interest) capitalised and added to the Capital Balance of that Loan in accordance with the relevant Mortgage Conditions;
<b>"Capitalised Interest"</b>	For any Loan at any date, interest which is overdue in respect of that Loan and which as at that date has been added to the Capital Balance of that Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower (excluding for the avoidance of doubt any Arrears of Interest which have not been so capitalised on that date);
<b>"Capped Rate Loans"</b>	Those Loans to the extent that and for such time that the interest rate payable by the Borrower on all or part of the Outstanding Principal Balance is variable will not increase above a fixed rate for a certain period of time by a Seller;
<b>"Cash Capital Contributions"</b>	A Capital Contribution made in cash;
<b>"Cash Management Agreement"</b>	The cash management agreement entered into on the Programme Date (as may be amended, supplemented and/or restated from time to time) between the LLP, the Society in its capacity as the Cash Manager and the Security Trustee;
<b>"Cash Manager"</b>	The Society, in its capacity as cash manager under the Cash Management Agreement together with any successor cash manager appointed from time to time;
<b>"Cash Manager Relevant Event"</b>	If the Cash Manager and the Issuer are the same entity and the Cash Manager's long-term unsecured, unguaranteed and unsubordinated debt obligations cease to be rated at least BBB by Fitch;
<b>"CB Collection Account"</b>	A separate account opened with HSBC Bank PLC in the name of the Society into which all amounts received in relation to the Loans and Related Security comprised in the Portfolio may be transferred in certain circumstances in accordance with Clause 5.1 of the Servicing Agreement;
<b>"CBS Bank Account Agreement"</b>	The bank account agreement entered into on the Programme Date between the LLP, the Society, the Cash Manager and the Security Trustee;

<b>"CBS Deferred Consideration"</b>	All remaining Available Revenue Receipts after payment of items (a) to (k) of the Pre-Acceleration Revenue Priority of Payments, less the aggregate of Godiva Deferred Consideration and the profit payable to the Members under item (n) of the Pre-Acceleration Revenue Priority of Payments and an amount equal to the fee payable to the Liquidation Member in accordance with item (m) of the Pre-Acceleration Revenue Priority of Payments);
<b>"CBS Loan"</b>	Any mortgage loan which is sold and assigned (or held in trust) by the Society to the LLP from time to time under the terms of the CBS Mortgage Sale Agreement (including, without limitation, all Flexible Loans, Product Switches and Additional Loan Advances which are, or are to be, sold, assigned and transferred (or held in trust) by the Society to the LLP under the terms of the CBS Mortgage Sale Agreement) and referenced by its mortgage loan identifier number and comprising the aggregate of all principal sums, interest, costs, charges, expenses and other monies due or owing with respect to that mortgage loan under the relevant Mortgage Conditions by a Borrower on the security of a Mortgage over a Property located in England or Wales or Scotland from time to time outstanding, or, as the context may require, the Borrower's obligations in respect of the same but excluding any mortgage loan which is repurchased by the Society or otherwise sold by the LLP and no longer beneficially owned by it;
<b>"CBS Mortgage Sale Agreement"</b>	The mortgage sale agreement entered into on the Programme Date between the Society, the LLP and the Security Trustee (as the same may be amended, supplemented or restated from time to time);
<b>"CBS Subordinated Loan"</b>	The meaning given on page 167 of this Offering Circular;
<b>"CBS Transaction Account"</b>	The account designated as such in the name of the LLP held with the Society and maintained subject to the terms of the CBS Bank Account Agreement and the Deed of Charge;
<b>"CCA"</b>	Consumer Credit Act 1974, as amended;
<b>"Certificate of Title"</b>	A solicitor's or licensed conveyancer's or (in Scotland) qualified conveyancer's report or certificate of title obtained by or on behalf of the relevant Seller in respect of each Property substantially in the form of the pro-forma set out in the Standard Documentation;
<b>"CGCB"</b>	A temporary Global Covered Bond or a Permanent Global Covered Bond, in either case in respect of which the applicable Final Terms specify that it is not a new global covered bond;
<b>"Charged Property"</b>	The property charged by the LLP pursuant to the Deed of Charge;
<b>"Clearing Systems"</b>	DTC, Euroclear and/or Clearstream, Luxembourg and shall be deemed to include references to any additional or alternative clearing system as is approved by the Issuer, the Principal Paying Agent and the Bond Trustee or as may otherwise be specified in the applicable Final Terms;
<b>"Clearstream, Luxembourg"</b>	Clearstream Banking, société anonyme;

<b>"CML"</b>	Council of Mortgage Lenders;
<b>"Common Depositary"</b>	The common depositary for Euroclear and Clearstream, Luxembourg;
<b>"Conditions"</b>	Terms and conditions of the Covered Bonds (as set out in Schedule 1 to the Trust Deed);
<b>"Corporate Services Agreement"</b>	The corporate services agreement entered into by each of the Liquidation Member and Holdings, with the Corporate Services Provider and the LLP dated the Programme Date (as may be amended, supplemented and/or restated from time to time);
<b>"Corporate Services Provider"</b>	Maples Fiduciary Services (UK) Limited, a company incorporated in England and Wales in its capacity as corporate services provider to the LLP, Holdings and the Liquidation Member under a Corporate Services Agreement, together with any successor corporate services provider appointed from time to time;
<b>"Couponholders"</b>	The holders of the Coupons (which expression shall, unless the context otherwise requires, include the holders of the Talons);
<b>"Coupons"</b>	The meaning given in <i>"Terms and Conditions of the Covered Bonds"</i> on page 91;
<b>"Coupon Payment Ledger"</b>	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;
<b>"Coventry Group"</b>	The Society and its Subsidiaries collectively;
<b>"Covered Bond"</b>	Each covered bond issued or to be issued pursuant to the Programme Agreement and/or under the Conditions and which is or is to be constituted under the Trust Deed, which covered bond may be represented by a Global Covered Bond or any Definitive Covered Bond and includes any replacements or a Covered Bond issued pursuant to Condition 10 ( <i>Replacement of Covered Bonds, Coupons and Talons</i> );
<b>"Covered Bond Guarantee"</b>	An unconditional and irrevocable guarantee by the LLP in the Trust Deed for the payment of Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for Payment;
<b>"Covered Bond Swap"</b>	Swap transactions governed by the Covered Bond Swap Agreements;
<b>"Covered Bond Swap Agreement"</b>	Each agreement between the LLP and a Covered Bond Swap Provider governing Covered Bond Swaps entered into with such Covered Bond Swap Provider in the form of an ISDA Master Agreement, including a schedule and confirmations in relation to each such Covered Bond Swap;
<b>"Covered Bond Swap Early Termination Event"</b>	The meaning given in <i>"Summary of the Principal Documents"</i> on page 182;
<b>"Covered Bond Swap Guarantee"</b>	In relation to a Covered Bond Swap, the deed of guarantee to be entered into between the Society and the LLP, if the Covered Bond Swap Provider in relation to that relevant Covered Bond Swap is Godiva;

"Covered Bond Swap Observation Period"	An Observation Period as defined in the relevant Covered Bond Swap Agreement;
"Covered Bond Swap Provider"	Each provider of a Covered Bond Swap under a Covered Bond Swap Agreement;
"Covered Bond Swap Rate"	In relation to a Covered Bond or Series of Covered Bonds, the exchange rate specified in the Covered Bond Swap Agreement relating to such Covered Bond or Series of Covered Bonds or, if the Covered Bond Swap Agreement has terminated, the applicable spot rate;
"Covered Bondholders"	The meaning given in " <i>Terms and Conditions of the Covered Bonds</i> " on page 92;
"CRA "	The Consumer Rights Act 2015;
"Custodian"	Any custodian with whom the relevant Registered Global Covered Bonds have been deposited;
"Day Count Fraction"	In the case of a Fixed Rate Covered Bond, the meaning given in Condition 4(a)( <i>Interest on Fixed Rate Covered Bonds</i> ) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 98 and in the case of a Floating Rate Covered Bond, the meaning given in Condition 4(b) ( <i>Interest on Floating Rate Covered Bonds</i> ) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 99;
"Dealer"	Each of Barclays Bank PLC (acting through its investment bank division) and any other New Dealer which the Issuer and the LLP may appoint as a Dealer in accordance with Clause 12 ( <i>Appointment of New Dealers</i> ) of the Programme Agreement, but excluding any entity whose appointment has been terminated in accordance with Clause 11 ( <i>Termination of Appointment of Dealers</i> ) of the Programme Agreement and notice of such termination has been given to the Principal Paying Agent and the Bond Trustee by the Issuer in accordance with the provisions of the Programme Agreement and references to a " <b>relevant Dealer</b> " or the " <b>relevant Dealer(s)</b> " mean, in relation to any Tranche or Series of Covered Bonds, the Dealer or Dealers with whom the Issuer has agreed the issue of the Covered Bonds of such Tranche or Series and " <b>Dealer</b> " means any one of them;
"Deed of Charge"	The deed of charge (as amended, restated, supplemented or novated from time to time) dated the Programme Date and made between the LLP, the Bond Trustee, the Security Trustee and certain other Secured Creditors;
"Defaulted Loan"	Any Loan in the Portfolio which is more than six months in arrears;
"Defaulted Loans Notice"	A notice from the Cash Manager to a Seller identifying any Defaulted Loan;
"Deferred Consideration"	The CBS Deferred Consideration or the Godiva Deferred Consideration, as the case may be;
"Definitive Covered Bond"	A Bearer Definitive Covered Bond and/or, as the context may require, a Registered Definitive Covered Bond;



<b>"Definitive IAI Registered Covered Bonds"</b>	The meaning given in " <i>Form of the Covered Bonds</i> " on page 78;
<b>"Definitive Regulation S Covered Bond"</b>	A Registered Covered Bond in definitive form sold to non-U.S. persons outside the United States in reliance on Regulation S;
<b>"Definitive Rule 144A Covered Bond"</b>	A Registered Covered Bond in definitive form sold to QIBs pursuant to Rule 144A;
<b>"Dematerialised Loan"</b>	A Loan completed on or after 1 January 2004 over a Property located in England or Wales or after 8 December 2014 over a Property located in Scotland in respect of which the relevant Seller does not retain the Title Deeds;
<b>"Designated Account"</b>	The meaning given in Condition 5(d) in ( <i>Payments in respect of Registered Covered Bonds</i> ) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 109;
<b>"Designated Bank"</b>	The meaning given in Condition 5(d) in ( <i>Payments in respect of Registered Covered Bonds</i> ) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 109;
<b>"Designated Maturity"</b>	The meaning given in the ISDA Definitions;
<b>"Designated Member"</b>	Each Member appointed and registered as such from time to time having those duties and obligations set out in sections 8 and 9 of the LLPA 2000 being, as at the Programme Date, the Society and the Liquidation Member;
<b>"Determination Date"</b>	The meaning given in the applicable Final Terms;
<b>"Determination Period"</b>	The meaning given in Condition 4(a) ( <i>Interest on Fixed Rate Covered Bonds</i> ) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 98;
<b>"Direct Participants"</b>	Participants which deposit securities directly with DTC;
<b>"Directors"</b>	The Board of Directors for the time being of the Issuer;
<b>"Distribution Compliance Period"</b>	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);
<b>"DTC"</b>	The Depository Trust Company or its successors;
<b>"DTCC"</b>	The meaning given on page 223;
<b>"DTC Covered Bonds"</b>	Covered Bonds accepted into DTC's book-entry settlement system;
<b>"Due for Payment"</b>	<p>The requirement by the LLP to pay any Guaranteed Amounts following the delivery of a Notice to Pay on the LLP,</p> <p>(a) prior to the occurrence of an LLP Event of Default, on:</p> <p>(i) the date on which the Scheduled Payment Date in respect of such Guaranteed Amounts is reached, or, if later, the day</p>

which is two Business Days following service of a Notice to Pay on the LLP in respect of such Guaranteed Amounts or the Interest Payment Date that would have applied if the Final Maturity Date of such Series of Covered Bonds had been the Extended Due for Payment Date (the "**Original Due for Payment Date**"); and

- (ii) in relation to any Guaranteed Amounts in respect of the Final Redemption Amount payable on the Final Maturity Date for a Series of Covered Bonds only, the Extended Due for Payment Date, but only to the extent that the LLP having received a Notice to Pay no later than the date falling one Business Day prior to the Extension Determination Date does not pay Guaranteed Amounts equal to the Final Redemption Amount in respect of such Series of Covered Bonds by the Extension Determination Date because the LLP has insufficient monies available under the Guarantee Priority of Payments to pay such Guaranteed Amounts in full on the earlier of: (a) the date which falls two Business Days after service of such Notice to Pay on the LLP or, if later, the Final Maturity Date (or, in each case, after the expiry of the grace period set out in Condition 9(b)(i) (*LLP Events of Default*)) under the terms of the Covered Bond Guarantee; or (b) the Extension Determination Date,

or, if, in either case, such day is not a Business Day, the next following Business Day. For the avoidance of doubt, Due for Payment does not refer to any earlier date upon which payment of any Guaranteed Amounts may become due under the guaranteed obligations, by reason of prepayment, acceleration of maturity, mandatory or optional redemption or otherwise save as provided in paragraph (b) below; or

- (b) following the occurrence of an LLP Event of Default, the date on which an LLP Acceleration Notice is served on the Issuer and the LLP;

<b>"Earliest Maturing Covered Bonds"</b>	At any time, the Series of the Covered Bonds (other than any Series which is fully collateralised by amounts standing to the credit of the LLP Accounts) that has or have the earliest Final Maturity Date as specified in the applicable Final Terms (ignoring any acceleration of amounts due under the Covered Bonds prior to the occurrence of an LLP Event of Default);
<b>"Early Redemption Amount"</b>	The meaning given in the relevant Final Terms;
<b>"Early Repayment Charge"</b>	Any charge or fee which the Mortgage Conditions applicable to a Loan require the relevant Borrower to pay in the event that all or part of that Loan is repaid before a certain date, including without limitation repayment of any Cashback;
<b>"Early Repayment Charge Receipts"</b>	An amount equal to sums received by the LLP from time to time in respect of Early Repayment Charges;

<b>"Eligibility Criteria"</b>	The meaning given in " <i>Summary of the Principal Documents</i> " on page 154;
<b>"EU"</b>	European Union;
<b>"EU CRR"</b>	Capital Requirements Regulation (575/2013);
<b>"EU EMIR"</b>	Regulation (EU) 648/2012;
<b>"EU Prospectus Regulation"</b>	The meaning given on page 1;
<b>"EURIBOR"</b>	Eurozone inter-bank offered rate;
<b>"Euroclear"</b>	Euroclear Bank S.A/N.V.;
<b>"Excess Proceeds"</b>	Monies received (following the occurrence of an Issuer Event of Default and delivery of an Issuer Acceleration Notice) by the Bond Trustee from the Issuer or any administrator, administrative receiver, receiver, liquidator, trustee in sequestration or other similar official appointed in relation to the Issuer;
<b>"Exchange Act"</b>	U.S. Securities Exchange Act of 1934, as amended;
<b>"Exchange Agent"</b>	HSBC Bank plc in its capacity as exchange agent (which expression shall include any successor exchange agent);
<b>"Exchange Date"</b>	On or after the date which is 40 days after a Temporary Global Covered Bond is issued;
<b>"Exchange Event"</b>	In the case of Bearer Covered Bonds, the meaning given in " <i>Form of the Covered Bonds</i> " on page 77 and in the case of Registered Covered Bonds, the meaning given in " <i>Form of the Covered Bonds</i> " on page 77;
<b>"Excluded Swap Termination Amount"</b>	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;
<b>"Existing Covered Bonds"</b>	The Covered Bonds of all Series then outstanding;
<b>"Extended Due for Payment Date"</b>	In relation to any Series of Covered Bonds, the date, if any, specified as such in the applicable Final Terms to which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Final Maturity Date will be deferred in the event that the Final Redemption Amount is not paid in full on the Final Maturity Date or the Extension Determination Date;
<b>"Extension Determination Date"</b>	In respect of a Series of Covered Bonds, the date falling two Business Days after the expiry of seven days from (and including) the Final Maturity Date of such Series of Covered Bonds;
<b>"Extraordinary Resolution"</b>	A resolution of the Covered Bondholders passed as such under the terms of the Trust Deed;

<b>"FCA"</b>	Financial Conduct Authority, known before 1 April 2013 as the Financial Services Authority;
<b>"Final Maturity Date"</b>	The Interest Payment Date on which each Series of Covered Bonds will be redeemed at their Principal Amount Outstanding in accordance with the Conditions;
<b>"Final Redemption Amount"</b>	In relation to any Series of Covered Bonds, the amount due on the Final Maturity Date of such Covered Bonds as set out in the relevant Final Terms;
<b>"Final Terms"</b>	Final terms which, with respect to Covered Bonds to be admitted to the Official List and admitted to trading by the London Stock Exchange, will be delivered to the FCA and the London Stock Exchange on or before the date of issue of the applicable Tranche of Covered Bonds;
<b>"First Transfer Date"</b>	The date on which the Initial Portfolio is transferred to the LLP pursuant to the Mortgage Sale Agreements;
<b>"Fitch"</b>	Fitch Ratings Ltd.;
<b>"Fixed Interest Period"</b>	The meaning given in Condition 4(a) ( <i>Interest on Fixed Rate Covered Bonds</i> ) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 98;
<b>"Fixed Rate Covered Bonds"</b>	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);
<b>"Fixed Rate Loans"</b>	Those Loans to the extent that and for such time that the interest rate payable by the Borrower on all or part of the Outstanding Principal Balance does not vary and is fixed for a certain period of time by a Seller;
<b>"Flexible Draw Capacity"</b>	The amount equal to the excess of: (1) the maximum amount that borrowers may draw under Flexible Loans included in the Portfolio (whether or not drawn); over (2) the aggregate outstanding Principal Amount in respect of Flexible Loans in the Portfolio on the relevant Calculation Date;
<b>"Flexible Loan"</b>	A type of Loan product that typically incorporates features that give the Borrower options (which may be subject to certain conditions) to, among other things, make further drawings on the Loan Account and/or to overpay or underpay interest and principal in a given month and/or take a payment holiday;
<b>"Floating Rate"</b>	The meaning given in the ISDA Definitions;
<b>"Floating Rate Convention"</b>	The meaning given in " <i>Terms and Conditions of the Covered Bonds</i> " on page 100;
<b>"Floating Rate Covered Bonds"</b>	Covered Bonds which bear interest at a rate determined: <ul style="list-style-type: none"> <li>(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</li> </ul>

- (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;

<b>"Floating Rate Option"</b>	The meaning given in the ISDA Definitions;
<b>"Following Business Day Convention"</b>	The meaning given in <i>"Terms and Conditions of the Covered Bonds"</i> on page 100;
<b>"Form of Transfer"</b>	The form of transfer endorsed on Registered Definitive Covered Bond in the form or substantially in the form set out in the Trust Deed;
<b>"FSA"</b>	Financial Services Authority and any successor thereto, including (as applicable) the FCA and the PRA;
<b>"FSMA"</b>	Financial Services and Markets Act 2000, as amended;
<b>"Funding and Mutual Societies Transfers Act"</b>	Building Societies (Funding) and Mutual Societies (Transfers) Act 2007;
<b>"Further Advance"</b>	In relation to a Loan, any advance of further money to the relevant Borrower following the making of the Initial Advance, which is secured by the same Mortgage as the Initial Advance, excluding the amount of any retention in respect of the Initial Advance;
<b>"Global Covered Bond"</b>	A Bearer Global Covered Bond and/or Registered Global Covered Bond, as the context may require;
<b>"Godiva"</b>	Godiva Mortgages Limited;
<b>"Godiva Deferred Consideration"</b>	<p><math>(A - D) \times B / C</math></p> <p>Where:</p> <p>A = the amount of Available Revenue Receipts available to be applied in respect of item (l) of the Pre-Acceleration Revenue Priority of Payments (taking into account amounts receivable from any Interest Rate Swap and the Covered Bond Swaps and the amounts credited to the Coupon Payment Ledger (in each case to be applied to on the relevant Interest Payment Date (as set out in item (e) of the Pre-Enforcement Revenue Priority of Payments)));</p> <p>B = the True Balance of all Godiva Loans in the Portfolio as at the start of the immediately preceding Calculation Period;</p> <p>C = the True Balance of all Loans in the Portfolio as at the start of the immediately preceding Calculation Period; and</p> <p>D = the aggregate of the profit payable to the Members under item (n) of the Pre-Acceleration Revenue Priority of Payments and the fee payable to the Liquidation Member</p>

under item (m) of the Pre-Acceleration Revenue Priority of Payments,

or such other amount not greater than (A – D) which may be agreed between the Sellers to take into account the weighted average interest rate on the Loans sold by such Seller to the LLP;

**"Godiva Loan"**

Any mortgage loan which is sold and assigned (or held in trust) by Godiva to the LLP from time to time under the terms of the Godiva Mortgage Sale Agreement (including, without limitation, all Flexible Loans, Product Switches and Additional Loan Advances which are, or are to be, sold, assigned and transferred (or held in trust) by Godiva to the LLP under the terms of the Godiva Mortgage Sale Agreement) and referenced by its mortgage loan identifier number and comprising the aggregate of all principal sums, interest, costs, charges, expenses and other monies due or owing with respect to that mortgage loan under the relevant Mortgage Conditions by a Borrower on the security of a Mortgage over a Property located in England or Wales or Scotland from time to time outstanding, or, as the context may require, the Borrower's obligations in respect of the same but excluding any mortgage loan which is repurchased by Godiva or otherwise sold by the LLP and no longer beneficially owned by it;

**"Godiva Mortgage Sale Agreement"**

The mortgage sale agreement entered into on the Programme Date between Godiva, the LLP and the Security Trustee (as the same may be amended, supplemented or restated from time to time);

**"Godiva Subordinated Loan"**

The meaning given on page 167 of this Offering Circular;

**"Guaranteed Amounts"**

Prior to the service of an LLP Acceleration Notice, with respect to any Original Due for Payment Date or, if applicable, any Extended Due for Payment Date, the sum of Scheduled Interest and Scheduled Principal, in each case, payable on that Original Due for Payment Date or, if applicable, any Extended Due for Payment Date, or after service of an LLP Acceleration Notice, an amount equal to the relevant Early Redemption Amount as specified in the Conditions plus all accrued and unpaid interest and at other amounts due and payable in respect of the Covered Bonds, including all Excluded Scheduled Interest Amounts, all Excluded Scheduled Principal Amounts (whenever the same arose) and all amounts payable by the LLP under the Trust Deed;

**"Guarantee Priority of Payments"**

The meaning given to it in Clause 17.4 (*Allocation And Distribution Of Monies Following The Service Of A Notice To Pay*) of the LLP Deed;

**"Guarantor"**

The LLP;

**"HMRC"**

HM Revenue & Customs;

**"Holdings"**

Coventry Godiva Covered Bonds Finance (Holdings) Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 12618063);

**"IAI Investment Letter"**

The letter in the form or substantially in the form set out in Schedule 5 to the Agency Agreement;

<b>"ICSD"</b>	The International Central Securities Depository;
<b>"Indexed Valuation"</b>	<p>At any date in relation to any Loan secured over any Property:</p> <p>(a) where the Latest Valuation obtained by the Issuer of that Property is equal to or greater than the Nationwide Price Indexed Valuation as at that date, the Nationwide Price Indexed Valuation or</p> <p>(b) where the Latest Valuation obtained by the Issuer of that Property is less than the Nationwide Price Indexed Valuation as at that date, the Latest Valuation plus 85 per cent. of the difference between the Latest Valuation and the Nationwide Price Indexed Valuation;</p>
<b>"Indirect Participants"</b>	Securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly;
<b>"Initial Advance"</b>	In respect of any Loan, the original principal amount advanced by the relevant Seller to the relevant Borrower;
<b>"Initial Portfolio"</b>	The meaning given in " <i>The Portfolio</i> " on page 219;
<b>"Insolvency Event"</b>	<p>In respect of a Seller, the Servicer or the Cash Manager:</p> <p>(a) an order is made or an effective resolution passed for the winding-up of the relevant entity; or</p> <p>(b) the relevant entity stops or threatens to stop payment to its creditors generally or the relevant entity ceases or threatens to cease to carry on its business or substantially the whole of its business; or</p> <p>(c) an encumbrancer takes possession or a receiver, administrator, administrative receiver or other similar officer is appointed to the whole or any material part of the undertaking, property and assets of the relevant entity or a distress, diligence or execution is levied or enforced upon or sued out against the whole or any material part of the chattels or property of the relevant entity and, in the case of any of the foregoing events, is not discharged within 30 days; or</p> <p>(d) the relevant entity is unable to pay its debts as they fall due,</p> <p>other than where the relevant Seller, the Servicer or the Cash Manager is the Society and any of the events set out in paragraphs (a) to (c) above occurs in connection with a Substitution;</p>
<b>"Institutional Accredited Investor"</b>	An institution that is an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act);
<b>"Intercompany Loan Agreement"</b>	The term loan agreement dated the Programme Date between the Issuer, the LLP and the Security Trustee;
<b>"Intercompany Loan Ledger"</b>	The ledger of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record all payments of interest and repayments of principal on each of the Term Advances;

<b>"Interest Accrual Period"</b>	The period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;
<b>"Interest Accumulation Ledger"</b>	The ledger maintained which shall record the LLP Monthly Interest Amounts accumulated on each LLP Payment Date in respect of a relevant Accumulation Series of Covered Bonds in accordance with the relevant Priority of Payments, such amounts to be applied, together with Available Revenue Receipts, in accordance with the Priorities of Payments: (i) prior to the service of a Notice to Pay, on the immediately following Loan Interest Payment Date or where the Loan Interest Payment Date is also an LLP Payment Date, on such LLP Payment Date in making interest payments, in accordance with the terms of the Intercompany Loan Agreement and the Cash Management Agreement; or (ii) following the service of a Notice to Pay, on the immediately following Interest Payment Date, or where the Interest Payment Date is also an LLP Payment Date on that Interest Payment Date (together with any applicable Available Revenue Receipts) in making payments in respect of interest due on the Covered Bonds or alternatively in certain circumstances to be transferred to the Coupon Payment Ledger as contemplated in the LLP Deed;
<b>"Interest Amount"</b>	The amount of interest payable on the Floating Rate Covered Bonds in respect of each Specified Denomination for the relevant Interest Period;
<b>"Interest Commencement Date"</b>	In the case of interest-bearing Covered Bonds, the date specified in the applicable Final Terms from (and including) which the relevant Covered Bonds start accruing interest;
<b>"Interest Payment Date"</b>	In relation to any Series of Covered Bonds, the Specified Interest Payment Date or the meaning given in the applicable Final Terms (as the case may be);
<b>"Interest Period"</b>	The period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date;
<b>"Interest Rate Swap"</b>	Any interest rate swap transaction governed by an Interest Rate Swap Agreement;
<b>"Interest Rate Swap Agreement"</b>	Each agreement between the LLP and an Interest Rate Swap Provider (as may be amended, restated, supplemented or novated from time to time) governing an Interest Rate Swap entered into with such Interest Rate Swap Provider in the form of an ISDA Master Agreement, including a schedule and confirmations thereto;
<b>"Interest Rate Swap Early Termination Event"</b>	The meaning given in " <i>Summary of the Principal Documents</i> " on page 180;
<b>"Interest Rate Swap Guarantee"</b>	Each interest rate swap guarantee entered into between the LLP and the Society (in its capacity as Interest Rate Swap Guarantor) if in relation to an Interest Rate Swap the relevant Interest Rate Swap Provider is Godiva (as may be amended, restated, supplemented or novated from time to time);



<b>"Interest Rate Swap Guarantor"</b>	In relation to an Interest Rate Swap where the relevant Interest Rate Swap Provider is Godiva, the Society in its capacity as interest rate swap guarantor together with any successor interest rate swap guarantor;
<b>"Interest Rate Swap Provider"</b>	Each interest rate swap provider under an Interest Rate Swap Agreement, together with any successor interest rate swap provider;
<b>"Investor Report"</b>	The monthly report made available to the Covered Bondholders, the Security Trustee, the Bond Trustee and the Rating Agencies detailing <i>inter alia</i> compliance with the Asset Coverage Test. Investor Reports shall be posted on the Society's website at <a href="https://live.irooms.net/CoventryBuildingSociety">https://live.irooms.net/CoventryBuildingSociety</a> ;
<b>"ISDA"</b>	International Swaps and Derivatives Association, Inc.;
<b>"ISDA Definitions"</b>	2000 ISDA Definitions, as published by ISDA;
<b>"ISDA Master Agreement"</b>	The 1992 ISDA Master Agreement (Multicurrency Cross Border), as published by ISDA;
<b>"ISDA Rate"</b>	The meaning given in " <i>Terms and Conditions of the Covered Bonds</i> " on page 101;
<b>"Issue Date"</b>	Each date on which the Issuer issues Covered Bonds to the Covered Bondholders;
<b>"Issuer"</b>	Coventry Building Society, a building society incorporated in England and Wales under the Building Societies Act 1986, whose principal office is Coventry House, Binley Business Park, Harry Weston Road, Coventry, CV3 2TQ;
<b>"Issuer Acceleration Notice"</b>	The meaning given in Condition 9(a) ( <i>Issuer Events of Default</i> ) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 118;
<b>"Issuer Event of Default"</b>	The meaning given in Condition 9(a) ( <i>Issuer Events of Default</i> ) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 119;
<b>"Latest Valuation"</b>	In relation to any Property, the value given to that Property by the most recent valuation addressed to the relevant Seller;
<b>"Lead Manager"</b>	In relation to any Tranche of Covered Bonds, the person named as the Lead Manager in the applicable Subscription Agreement or, when only one Dealer signs such Subscription Agreement, such Dealer;
<b>"Ledger"</b>	Each of the Revenue Ledger, the Principal Ledger, the Reserve Ledger, the Coupon Payment Ledger, the Capital Account Ledger and the Intercompany Loan Ledger;
<b>"Legended Covered Bonds"</b>	The Registered Covered Bonds in definitive form that are issued to Institutional Accredited Investors and Registered Covered Bonds (whether in definitive form or represented by a Registered Global Covered Bonds) sold in private transactions to QIBs in accordance with the requirements of Rule 144A;

<b>"Lending Criteria"</b>	The lending criteria of each Seller from time to time, or such other criteria as would be acceptable to a Reasonable, Prudent Mortgage Lender;
<b>"Liquidation Member"</b>	Coventry Godiva Covered Bonds Finance Limited, a special purpose vehicle incorporated in England and Wales as a private limited company (registered no. 12641797);
<b>"LLP"</b>	Coventry Godiva Covered Bonds LLP, a limited liability partnership incorporated in England and Wales (partnership no. OC432879), whose first members are the Society, Godiva and the Liquidation Member;
<b>"LLPA 2000"</b>	Limited Liability Partnership Act 2000 and any regulations made pursuant to that Act;
<b>"LLP Acceleration Notice"</b>	A notice in writing given by the Bond Trustee to the Issuer and the LLP, that each Covered Bond of each Series is, and each Covered Bond of each Series shall as against the Issuer (if not already due and repayable against it following an Issuer Event of Default) and as against the LLP, thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in and in accordance with the Trust Deed and thereafter the Security shall become enforceable if any of the LLP Events of Default shall occur and be continuing;
<b>"LLP Accounts"</b>	The Transaction Accounts and any additional or replacement accounts opened in the name of the LLP;
<b>"LLP Deed"</b>	The limited liability partnership deed entered into on the Programme Date between the LLP, Godiva, the Society, the Liquidation Member, the Bond Trustee and the Security Trustee (as the same may be amended, supplemented or restated from time to time);
<b>"LLP Event of Default"</b>	The meaning given in Condition 9(b) ( <i>LLP Events of Default</i> ) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 121;
<b>"LLP Management Committee"</b>	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;
<b>"LLP Monthly Interest Amount"</b>	<p>On any relevant LLP Payment Date in respect of each Accumulation Series of Covered Bonds:</p> <p>(a) which are linked to SONIA, an amount equal to the interest actually accrued on the relevant Accumulation Series of Covered Bonds up to (but excluding) such LLP Payment Date and not yet paid to the relevant Interest Accumulation Ledger since the previous Interest Payment Date; or</p> <p>(b) which are not linked to SONIA, an amount equal to:</p> <p style="padding-left: 40px;"><math>(A/B) + C</math></p> <p>Where:</p>

- A is the interest due on the relevant Accumulation Series of Covered Bonds on the immediately following Interest Payment Date, or where an Interest Payment Date falls on the LLP Payment Date on that Interest Payment Date;
- B is the number of calendar months that fall between Interest Payment Dates in respect of the relevant Accumulation Series of Covered Bonds; and
- C is an amount equal to the aggregate of all LLP Monthly Interest Amounts not paid to the relevant Interest Accumulation Ledger in respect of an Accumulation Series of Covered Bonds since the previous Interest Payment Date;

<b>"LLP Payment Date"</b>	The 26th day of each month, or if not a Business Day the next following Business Day and with respect to the first Series of Covered Bonds commencing on the 26th day of November 2020;
<b>"LLP Payment Period"</b>	The period from (and including) an LLP Payment Date to (but excluding) the next following LLP Payment Date and in respect of the LLP Payment Date for the first Series of Covered Bonds means the period from and including the Programme Date to but excluding the LLP Payment Date falling on the 26th day of November 2020;
<b>"LLP Payments"</b>	In respect of each payment date for the LLP under the relevant Covered Bond Swap, the Party A Floating Amount (as defined in the relevant Covered Bond Swap Confirmation) for the relevant payment date as set out in the relevant Covered Bond Swap Confirmation;
<b>"LLP Standard Variable Rate"</b>	The LLP standard variable rate applicable to the Loans in the Portfolio, as set, other than in limited circumstances, by the Servicer in accordance with the Servicing Agreement;
<b>"Loan"</b>	Any mortgage loan which is sold and assigned or held in trust by a Seller to the LLP from time to time under the terms of the Mortgage Sale Agreements (including, without limitation, all Flexible Loans, Product Switches and Additional Loan Advances which are, or are to be, sold, assigned and transferred or held in trust by a Seller to the LLP under the terms of the Mortgage Sale Agreements) and referenced by its mortgage loan identifier number and comprising the aggregate of all principal sums, interest, costs, charges, expenses and other monies due or owing with respect to that mortgage loan under the relevant Mortgage Conditions by a Borrower on the security of a Mortgage over a Property located in England or Wales or Scotland from time to time outstanding, or, as the context may require, the Borrower's obligations in respect of the same but excluding any mortgage loan which is repurchased by a Seller or otherwise sold by the LLP and no longer beneficially owned by it;
<b>"Loan Agreement"</b>	In relation to a Loan, the loan agreement entered into between the relevant Borrower and the relevant Seller, as amended, restated, supplemented or novated from time to time;

<b>"Loan Files"</b>	The file or files relating to each Loan (including files kept in microfiche format or similar electronic data retrieval system or the substance of which is transcribed and held on an electronic data retrieval system) containing <i>inter alia</i> correspondence between the Borrower and the relevant Seller and including the mortgage documentation applicable to the Loan, each letter of offer for that Loan, the Valuation Report (if applicable) and, to the extent available, the solicitor's or licensed or qualified conveyancer's Certificate of Title;
<b>"Loan Interest Payment Date"</b>	In respect of any Term Advance, each Interest Payment Date in respect of the corresponding Series or Tranche of Covered Bonds that funded such Term Advance;
<b>"Loan Without Independent Valuation"</b>	A Loan where an updated Valuation Report was not obtained in relation to an Additional Loan Advance;
<b>"London Business Day" or "LBD"</b>	Any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;
<b>"London Business Day"</b>	A day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for general business in London;
<b>"London Stock Exchange"</b>	London Stock Exchange plc;
<b>"Long Maturity Covered Bond"</b>	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;
<b>"Master Definitions and Construction Agreement"</b>	The master definitions and construction agreement made between the parties to the Transaction Documents on or about the Programme Date (as further amended, restated, varied or supplemented from time to time);
<b>"MCOB"</b>	Mortgages and Home Finance: Conduct of Business Sourcebook, implemented by the FSA on 31 October 2004 as amended, revised or supplemented from time to time;
<b>"Member"</b>	Each member of the LLP;
<b>"MH/CP Documentation"</b>	An affidavit, consent or renunciation granted in terms of the Matrimonial Homes (Family Protection) (Scotland) Act 1981 or (as applicable) the Civil Partnership Act 2004 in connection with a Scottish Mortgage or the Property secured thereby;
<b>"Modified Following Business Day Convention"</b>	The meaning given in Condition 4 ( <i>Interest</i> ) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 100;
<b>"Monthly Payment"</b>	The amount which the relevant Mortgage Conditions require a Borrower to pay on each Monthly Payment Date in respect of that Borrower's Loan;

<b>"Monthly Payment Date"</b>	In relation to a Loan, the date in each month on which the relevant Borrower is required to make a payment of interest and, if applicable, principal for that Loan, as required by the applicable Mortgage Conditions;
<b>"Moody's"</b>	Moody's Investors Service Limited;
<b>"Mortgage"</b>	In respect of any Loan, each first charge by way of legal mortgage or each first ranking standard security sold by a Seller to the LLP pursuant to the Mortgage Sale Agreements, in either case which secures the repayment of the relevant Loan including the Mortgage Conditions applicable to it;
<b>"Mortgage Conditions"</b>	All of the terms and conditions applicable to a Loan, including without limitation those set out in the relevant Seller's relevant mortgage conditions booklet and the relevant Seller's relevant general conditions each as varied from time to time by the relevant Loan Agreement and the relevant Mortgage Deed;
<b>"Mortgage Deed"</b>	In respect of any Mortgage, the deed or document creating that Mortgage;
<b>"Mortgage Sale Agreement"</b>	The CBS Mortgage Sale Agreement and/or the Godiva Mortgage Sale Agreement, as the context may require;
<b>"Nationwide Index"</b>	The index of increases or decreases in house prices issued by Nationwide Building Society in relation to residential properties in the UK;
<b>"Nationwide Price Indexed Valuation"</b>	In relation to any Property at any date means the Latest Valuation of that property increased or decreased as appropriate by the increase or decrease in the Nationwide Index since the date of that Latest Valuation;
<b>"Negative Carry Factor"</b>	The meaning given on page 173;
<b>"New Dealer"</b>	Any entity appointed as an additional Dealer in accordance with the Programme Agreement;
<b>"New Loan"</b>	Loans, other than the Loans comprised in the Initial Portfolio, which a Seller may assign or transfer to the LLP after the First Transfer Date pursuant to the relevant Mortgage Sale Agreement;
<b>"New Loan Type"</b>	A new type of mortgage loan originated or acquired by a Seller, which that Seller intends to transfer to (or hold on trust for) the LLP, the terms and conditions of which are materially different (in the opinion of a Seller, acting reasonably) from the Loans comprised in the Initial Portfolio. For the avoidance of doubt, a mortgage loan will not constitute a New Loan Type if it differs from the Loans comprised in the Initial 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;
<b>"New Member"</b>	Any new member admitted to the LLP after the Programme Date;
<b>"New Portfolio"</b>	The meaning given in " <i>The Portfolio</i> " on page 219;

<b>"New Portfolio Notice"</b>	A notice in the form set out in Schedule 7 to each Mortgage Sale Agreement served in accordance with the terms of the relevant Mortgage Sale Agreement;
<b>"New Seller"</b>	Any member of the Coventry Group (other than the Society) that is a "connected person" as defined in Regulation 5 of the RCB Regulations and that accedes to the relevant Transaction Documents and sells Loans and their Related Security to the LLP in the future;
<b>"NGCB"</b>	A Temporary Global Covered Bond or a Permanent Global Covered Bond, in either case in respect of which the applicable Final Terms specify that it is a new global covered bond;
<b>"Notice to Pay"</b>	The meaning given in Condition 9(a) ( <i>Issuer Events of Default</i> ) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 120;
<b>"Official List"</b>	Official list of the FCA;
<b>"OFT"</b>	Office of Fair Trading;
<b>"Ombudsman"</b>	Financial Ombudsman Service under the FSMA;
<b>"Order"</b>	The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544), as amended;
<b>"Original Due for Payment Date"</b>	Has the meaning given in paragraph (a)(i) of the definition of "Due for Payment";
<b>"Originator"</b>	The Society or Godiva, as the context may require;
<b>"Overpayment"</b>	A payment by a Borrower in an amount greater than the amount due on a Monthly Payment Date which: (a) is permitted by the terms of such Loan or by agreement with the Borrower; and (b) reduces the True Balance of such Loan;
<b>"Partial Portfolio"</b>	Part of any portfolio of Selected Loans;
<b>"Paying Agents"</b>	The meaning given in " <i>Terms and Conditions of the Covered Bonds</i> " on page 91;
<b>"Payment Day"</b>	The meaning given in Condition 5 ( <i>Payments</i> ) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 111;
<b>"Permanent Global Covered Bond"</b>	The meaning given in " <i>Form of the Covered Bonds</i> " on page 76;
<b>"Permitted Transfer"</b>	Each of: <ul style="list-style-type: none"> <li>(a) an amalgamation of the Issuer and one or more other building societies under section 93 of the Building Societies Act 1986;</li> <li>(b) a transfer by the Issuer of all or substantially all (being 90 per cent. or more of the Issuer's engagements including its obligations under the Covered Bonds, the Trust Deed and the Agency Agreement) or (on terms which have previously been approved by the Bond</li> </ul>

	Trustee in writing or by an Extraordinary Resolution of the Covered Bondholders) any smaller part of its engagements under section 94 of the Building Societies Act 1986;
	(c) a transfer by the Issuer of its business to a company under sections 97 to 102 of the Buildings Societies Act 1986;
	(d) a transfer of the whole of its business to a subsidiary of a mutual society pursuant to any order made in the future by HM Treasury under section 3 of the Funding and Mutual Societies Transfers Act;
	(e) an alteration in the status of the Issuer by virtue of any statute or statutory provision which alters, or permits the alteration of, the status of building societies generally or building societies which meet specified criteria to that of an authorised person under the FSMA or to a body which is regulated on a similar basis to an authorised person under the FSMA; or
	(f) any other reconstruction or amalgamation, the terms of which have previously been approved by the Bond Trustee in writing or by an Extraordinary Resolution of the Covered Bondholders;
<b>"Portfolio"</b>	The Initial Portfolio and each New Portfolio acquired by the LLP;
<b>"Post-Enforcement Priority of Payments"</b>	The meaning given in <i>"Cashflows"</i> on page 201;
<b>"Potential Issuer Event of Default"</b>	The meaning given in Condition 14 ( <i>Meetings of Covered Bondholders, Modification, Waiver and Substitution</i> ) in <i>"Terms and Conditions of the Covered Bonds"</i> on page 134;
<b>"Potential LLP Event of Default"</b>	The meaning given in Condition 14 ( <i>Meetings of Covered Bondholders, Modification, Waiver and Substitution</i> ) in <i>"Terms and Conditions of the Covered Bonds"</i> on page 134;
<b>"PRA"</b>	Prudential Regulatory Authority;
<b>"Pre-Acceleration Principal Priority of Payments"</b>	The meaning given in <i>"Cashflows"</i> on page 195;
<b>"Pre-Acceleration Revenue Priority of Payments"</b>	The meaning given in <i>"Cashflows"</i> on page 191;
<b>"Pre-action Protocol"</b>	The meaning given in <i>"Repossessions"</i> on page 212;
<b>"Preceding Business Day Convention"</b>	The meaning given in Condition 4(b) ( <i>Interest on Floating Rate Covered Bonds</i> ) in <i>"Terms and Conditions of the Covered Bonds"</i> on page 100;
<b>"Principal Amount Outstanding"</b>	In respect of a Covered Bond, the principal amount of that Covered Bond on the relevant Issue Date thereof less principal amounts received by the relevant Covered Bondholder in respect thereof;
<b>"Principal Ledger"</b>	The ledger on the LLP Accounts of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record the credits

and debits of Principal Receipts in accordance with the terms of the LLP Deed;

**"Principal Paying Agent"**

HSBC Bank plc at its office at 8 Canada Square, London E14 5HQ or, if applicable, any Successor principal paying agent in relation to all or any Series of the Covered Bonds;

**"Principal Receipts"**

- (a) principal repayments under the Loans (including payments of arrears, Capitalised Interest, Capitalised Expenses and Capitalised Arrears);
- (b) recoveries of principal from defaulting Borrowers under Loans being enforced (including the proceeds of sale of the relevant Property);
- (c) any payment pursuant to any insurance policy in respect of a Property in connection with a Loan in the Portfolio; and
- (d) the proceeds, if any, of the repurchase of any Loan by a Seller from the LLP pursuant to the relevant Mortgage Sale Agreement (including, for the avoidance of doubt, amounts attributable to Accrued Interest and Arrears of Interest thereon as at the relevant repurchase date);

**"Principal Subsidiary"**

A Subsidiary of the Issuer whose total assets (attributable to the Issuer) represent 10 per cent. or more of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole (all as more particularly described in the Trust Deed). A certificate signed by two Authorised Signatories (as defined in the Master Definitions and Construction Agreement) of the Issuer that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary may be relied upon by the Bond Trustee without further enquiry or evidence and, if so relied upon shall, in the absence of manifest or proven error, be conclusive and binding on all parties;

**"Priorities of Payments"**

The orders of priority for the allocation and distribution of amounts standing to the credit of the LLP Accounts in different circumstances;

**"Product Switch"**

A variation to the financial terms or conditions included in the Mortgage Conditions applicable to a Loan other than:

- (a) any variation agreed with a Borrower to control or manage arrears on a Loan;
- (b) any variation in the maturity date of a Loan;
- (c) any variation imposed by statute or any variation in the frequency with which the interest payable in respect of the Loan is charged;
- (d) any variation to the interest rate as a result of the Borrowers switching to a different rate by operation of the Loan;
- (e) any change to a Borrower under the Loan or the addition of a new Borrower under a Loan;



	(f) any change in the repayment method of the Loan;
"Programme"	The Covered Bond programme established by, or otherwise contemplated in, the Programme Agreement and the Trust Deed;
"Programme Agreement"	The agreement dated the Programme Date between the Issuer, the LLP and the Dealers named therein (or deemed named therein) concerning the purchase of Covered Bonds to be issued pursuant to the Programme together with any accession letters and/or agreements supplemental thereto;
"Programme Date"	14 October 2020;
"Programme Resolution"	Any Extraordinary Resolution to direct the Bond Trustee to accelerate the Covered Bonds pursuant to Condition 9 ( <i>Events of Default and Enforcement</i> ) or to direct the Bond Trustee or the Security Trustee to take any enforcement action;
"Property"	A freehold, leasehold or commonhold property or in Scotland, a heritable property or a property held under a long lease, which is subject to a Mortgage;
"Purchaser"	Any third party or a Seller to whom the LLP offers to sell Selected Loans;
"QIB"	A "qualified institutional buyer" within the meaning of Rule 144A;
"Random Basis"	Any process which selects Loans and their Related Security on a basis that is not designed to favour the selection of any identifiable class or type or quality of Loans and their Related Security over all of the Loans and their Related Security in the Portfolio;
"RAO"	Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) (as amended)
"Rating Agencies"	Fitch and any other rating agency appointed from time to time in connection with the Programme, and each a " <b>Rating Agency</b> ";
"Rating Agency Confirmation"	A confirmation in writing by Fitch that the then current ratings of the Covered Bonds will not be adversely affected by or withdrawn as a result of the relevant event or matter provided that if: (a) a confirmation of rating or other response by a Rating Agency is a condition to any action or step under any Transaction Document; and (b) a written request for such confirmation or response is delivered to that Rating Agency by any of the LLP, the Issuer, the Bond Trustee and/or the Security Trustee, as applicable (each a " <b>Requesting Party</b> ") and the Rating Agency indicates that it does not consider such confirmation or response necessary in the circumstances, the Requesting Party shall be entitled to assume that the then current ratings of the Covered Bonds on issue will not be downgraded or withdrawn by such Rating Agency as a result of such action or step. However, nothing herein shall in any way affect the right of a Rating Agency to downgrade or withdraw its then Current Ratings of the Covered Bonds in such a manner as it sees fit;
"RCB Regulations"	The Regulated Covered Bonds Regulations 2008 (SI 2008/346) as amended by the Regulated Covered Bonds (Amendment) Regulations 2008 (SI

2008/1714), the Regulated Covered Bonds (Amendment) Regulations 2011 (SI 2011/2859) and the Regulated Covered Bonds (Amendment) Regulations 2012 (SI 2012/2977) and as further amended from time to time;

<b>"RCB Sourcebook"</b>	The FCA Regulated Covered Bond Specialist Sourcebook 2008;
<b>"Reasonable, Prudent Mortgage Lender"</b>	Each Seller and/or the Servicer, as applicable, acting in accordance with the standards of a reasonably prudent residential mortgage lender lending to borrowers in England and Wales and Scotland who generally satisfy the lending criteria of traditional sources of residential mortgage capital;
<b>"Receiptholders"</b>	The holders of the Receipts;
<b>"Receipts"</b>	A receipt attached on issue to a Bearer Definitive Covered Bond redeemable in instalments for the payment of an instalment of principal, such receipt being in the form or substantially in the form set out in Part 4 of Schedule 2 to the Trust Deed or in such other form as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s) and includes any replacements for Receipts issued pursuant to Condition 10 ( <i>Replacement of Covered Bonds, Coupons and Talons</i> ) of the Conditions;
<b>"Receiver"</b>	Any person or persons appointed (and any additional person or persons appointed or substituted) as an administrative receiver, receiver, manager, or receiver and manager of the Charged Property by the Security Trustee pursuant to the Deed of Charge;
<b>"Record Date"</b>	The meaning given in Condition 5 ( <i>Payments</i> ) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 110;
<b>"Redeemed Covered Bonds"</b>	The meaning given in Condition 6 ( <i>Redemption and Purchase</i> ) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 114;
<b>"Register"</b>	The register of holders of the Registered Covered Bonds maintained by the Registrar;
<b>"Registered Covered Bonds"</b>	Covered Bonds in registered form;
<b>"Registered Definitive Covered Bond"</b>	A Registered Covered Bond in definitive form issued or, as the case may require, to be issued by the Issuer in accordance with the provisions of the Programme Agreement or any other agreement between the Issuer and the relevant Dealer(s), the Agency Agreement and the Trust Deed either on issue or in exchange for a Registered Global Covered Bond or part thereof (all as indicated in the applicable Final Terms), such Registered Covered Bond in definitive form being in the form or substantially in the form set out in Part 8 of Schedule 2 to the Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s) and having the Conditions endorsed thereon or, if permitted by the relevant Stock Exchange, incorporating the Conditions by reference (where applicable to the Trust Deed) as indicated in the applicable Final Terms and having the relevant information supplementing, replacing or modifying the Conditions

	appearing in the applicable Final Terms endorsed thereon or attached thereto and having a Form of Transfer endorsed thereon;
<b>"Registered Global Covered Bonds"</b>	The Rule 144A Global Covered Bonds and the Regulation S Global Covered Bonds;
<b>"Registers of Scotland"</b>	The Land Register of Scotland and/or the General Register of Sasines;
<b>"Registrar"</b>	HSBC Bank plc in its capacity as registrar (and any additional or successor registrar);
<b>"Regulated Mortgage Contract"</b>	The meaning given in <i>"Further Information Relating to the Regulation of Mortgages in the UK"</i> ;
<b>"Regulation S"</b>	Regulation S under the Securities Act;
<b>"Regulation S Covered Bonds"</b>	Either a Regulation S Global Covered Bond or Definitive Regulation S Covered Bond. The plural includes either or both;
<b>"Regulation S Global Covered Bond"</b>	A Global Covered Bond in registered form representing a Registered Covered Bond of a Tranche sold to non-U.S. persons outside the United States in reliance on Regulation S and in the form or substantially in the form set out in Part 7 of Schedule 2 ( <i>Form of Registered Global Covered Bond</i> ) of the Trust Deed;
<b>"Related Security"</b>	<p>In relation to a Loan, the security for the repayment of that Loan including the relevant Mortgage and all other matters applicable thereto acquired as part of the Portfolio sold to the LLP pursuant to Clause 4 of the relevant Mortgage Sale Agreement including (without limitation);</p> <ul style="list-style-type: none"> <li>(a) the benefit of all affidavits, consents, renunciations, guarantees, indemnities, waivers and postponements (including, without limitation, Deeds of Consent, all MH/CP Documentation, all ranking agreements and Deeds of Postponement) from occupiers and other persons having an interest in or rights in connection with the relevant Property or third parties;</li> <li>(b) each right of action of the relevant Seller against any person (including, without limitation, any valuer, licensed or qualified conveyancer, solicitor and any registrar or registry) in connection with any report, valuation, opinion, certificate or other statement of fact or opinion (including, without limitation, each Certificate of Title and Valuation Report) given or received in connection with all or part of any Loan and its Related Security or affecting the decision of the relevant Seller to make or offer to make all or part of the relevant Loan; and</li> <li>(c) the benefit of (including, without limitation, the rights as the insured person under and as notations of interest on, returns of premium and proceeds of claims under) insurance and assurance policies deposited, charged, obtained, or held in connection with the relevant Loan, Mortgage and/or Property and Loan Files;</li> </ul>
<b>"Relevant Date"</b>	The meaning given in Condition 7 ( <i>Taxation</i> ) in <i>"Terms and Conditions of the Covered Bonds"</i> on page 118;

<b>"Relevant LLP Payment Period"</b>	The meaning given in the section of this Offering Circular entitled <i>"Summary of the Principal Documents – Servicing Agreement"</i> on page 161;
<b>"Representations and Warranties"</b>	The representations and warranties set out in Schedule 1 to each Mortgage Sale Agreement, which are made by the relevant Seller;
<b>"Repurchase Notice"</b>	A notice from the Cash Manager to a Seller identifying a Loan or its Related Security in the Portfolio which does not, as at the relevant Transfer Date or relevant Calculation Date (in the case of an Additional Loan Advance), materially comply with the Representations and Warranties set out in the Mortgage Sale Agreements;
<b>"Required Coupon Amount"</b>	The meaning given in the section of this Offering Circular entitled <i>"Summary of the Principal Documents – LLP Deed"</i> on page 169;
<b>"Required Coupon Amount Shortfall"</b>	The meaning given in the section of this Offering Circular entitled <i>"Summary of the Principal Documents – LLP Deed"</i> on page 169;
<b>"Required Redemption Amount"</b>	<p>In respect of any relevant Series of Covered Bonds, the amount calculated as follows:</p> $\text{the Principal Amount Outstanding of the relevant Series of Covered Bonds} \times (1 + \text{Negative Carry Factor} \times (\text{days to maturity of the relevant Series of Covered Bonds} / 365))$
<b>"Required True Balance Amount"</b>	The meaning given in <i>"Summary of the Principal Documents"</i> on page 174;
<b>"Reserve Fund"</b>	The reserve fund that the LLP will be required to establish which will be credited with part of a Term Advance (in the LLP's discretion), the proceeds of Available Revenue Receipts and/or any Cash Capital Contributions (if any) up to an amount equal to the Reserve Fund Required Amount;
<b>"Reserve Fund Required Amount"</b>	<p>(a) If the Issuer's short-term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least F1+ by Fitch, nil or such other amount as the Society shall direct the LLP from time to time; or</p> <p>(b) if the Issuer's short term, unsecured, unsubordinated and unguaranteed debt obligations are rated lower than F1+ by Fitch, an amount equal (where a Covered Bond Swap is not in place for the relevant Series of Covered Bonds) to the Sterling Equivalent of the interest due on each Series of Covered Bonds on the immediately following three LLP Payment Dates or (where a Covered Bond Swap is in place for the relevant Series of Covered Bonds) an amount equal to the LLP Payments expected to fall due under the Covered Bond Swaps in respect of such Series on the immediately following three LLP Payment Dates, in each case together with an amount equal to three-twelfths of the anticipated aggregate annual amount payable in respect of the items specified in paragraphs (a) to (d) of the Pre-Acceleration Revenue Priority of Payments plus £600,000, or such higher amount as the Issuer shall direct the LLP from time to time;</p>

<b>"Reserve Ledger"</b>	The ledger of such name maintained by the Cash Manager pursuant to the Cash Management Agreement, to record the crediting of Revenue Receipts to the Reserve Fund and the debiting of such Reserve Fund in accordance with the terms of the LLP Deed;
<b>"Reset Date"</b>	The meaning given in the ISDA Definitions;
<b>"Revenue Ledger"</b>	The ledger on the LLP Accounts of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record credits and debits of Revenue Receipts in accordance with the terms of the LLP Deed;
<b>"Revenue Receipts"</b>	<ul style="list-style-type: none"> <li>(a) payments of interest (excluding Accrued Interest and Arrears of Interest as at the relevant Transfer Date of a Loan) and other fees due from time to time under the Loans and other amounts received by the LLP in respect of the Loans other than the Principal Receipts;</li> <li>(b) recoveries of interest from defaulting Borrowers under Loans being enforced; and</li> <li>(c) recoveries of interest and/or principal from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed;</li> </ul>
<b>"Rule 144A"</b>	Rule 144A under the Securities Act;
<b>"Rule 144A Global Covered Bond"</b>	A Global Covered Bond in registered form representing the Registered Covered Bonds of a Tranche sold to QIBs pursuant to Rule 144A;
<b>"Rules"</b>	The rules, regulations and procedures creating and affecting DTC and its operations;
<b>"Sale Proceeds"</b>	The cash proceeds realised from the sale of Selected Loans and their Related Security;
<b>"Scheduled Interest"</b>	An amount equal to the amount in respect of interest which would have been due and payable under the Covered Bonds on each Interest Payment Date as specified in Condition 4 ( <i>Interest</i> ) (but excluding any additional amounts relating to premiums, default interest or interest upon interest (" <b>Excluded Scheduled Interest Amounts</b> ") payable by the Issuer following an Issuer Event of Default but including such amounts (whenever the same arose) following service of an LLP Acceleration Notice) as if the Covered Bonds had not become due and repayable prior to their Final Maturity Date and as if the maturity date of the Covered Bonds had been the Extended Due for Payment Date (but taking into account any principal repaid in respect of such Covered Bonds or any Guaranteed Amounts paid in respect of such principal prior to the Extended Due for Payment Date), less any additional amounts the Issuer would be obliged to pay as a result of any gross-up in respect of any withholding or deduction made under the circumstances set out in Condition 7 ( <i>Taxation</i> );

"Scheduled Payment Date"	In relation to payments under the Covered Bond Guarantee, each Interest Payment Date or the Final Maturity Date as if the Covered Bonds had not become due and repayable prior to their Final Maturity Date;
"Scheduled Principal"	An amount equal to the amount in respect of principal which would have been due and repayable under the Covered Bonds on each Interest Payment Date or the Final Maturity Date (as the case may be) as specified in Condition 6(a) ( <i>Final redemption</i> ) and Condition 6(d) ( <i>Redemption at the option of the Covered Bondholders (Investor Put)</i> )(but excluding any additional amounts relating to prepayments, early redemption, broken funding indemnities, penalties, premiums or default interest (" <b>Excluded Scheduled Principal Amounts</b> ") payable by the Issuer following an Issuer Event of Default but including such amounts (whenever the same arose) following service of an LLP Acceleration Notice) as if the Covered Bonds had not become due and repayable prior to their Final Maturity Date and 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 the sale of Scottish Loans and their Related Security by a Seller in favour of the LLP granted pursuant to a Mortgage Sale Agreement and substantially in the form scheduled thereto;
"Scottish Loan"	A Loan secured by a Scottish Mortgage;
"Scottish Sub Security"	The meaning given in " <i>Land Registration Reform in Scotland</i> " on page 214;
"Scottish Supplemental Charge"	Each Scottish assignment in security granted by the LLP in favour of the Security Trustee pursuant to the Deed of Charge and substantially in the form scheduled thereto;
"SEC"	U.S. Securities and Exchange Commission;
"Secured Creditors"	The Security Trustee (in its own capacity and on behalf of the other Secured Creditors), the Bond Trustee (in its own capacity and on behalf of the Covered Bondholders), the Covered Bondholders, the Couponholders, the Issuer, the Sellers, the Servicer, the Account Banks, the Cash Manager, the Swap Providers, the Corporate Services Provider, the Paying Agents and any other person which becomes a Secured Creditor pursuant to the Deed of Charge;
"Secured Obligations"	Any and all monies, obligations and liabilities and all other amounts due, owing, payable or owed by the LLP which the LLP covenants and undertakes pursuant to the Deed of Charge to pay and discharge and all claims, demands or damages for breach of any such covenant, and references to Secured Obligations includes references to any of them;
"Securities Act"	U.S. Securities Act of 1933, as amended;
"Security"	The meaning given in " <i>Summary of the Principal Documents</i> " on page 185;
"Security Interest"	Any mortgage, sub mortgage, standard security, sub-standard security, charge, sub charge, assignment in security, pledge, lien (other than a lien arising in the ordinary course of business or by operation of law) or other encumbrance or security interest howsoever created or arising;

"Security Trustee"	HSBC Corporate Trustee Company (UK) Limited, in its capacity as security trustee under the Trust Deed and the Deed of Charge together with any successor security trustee appointed from time to time;
"Selected Loan Offer Notice"	A notice substantially in the form set out in Schedule 9 ( <i>Selected Loans Offer Notice</i> ), and served in accordance with the terms, of each Mortgage Sale Agreement;
"Selected Loan Repurchase Notice"	A notice substantially in the form set out in Schedule 10 ( <i>Selected Loans Repurchase Notice</i> ), and served in accordance with the terms, of each Mortgage Sale Agreement;
"Selected Loans"	Loans and their Related Security to be sold by the LLP pursuant to the terms of the LLP Deed having in aggregate the Required True Balance Amount;
"Selection Date"	The meaning given in Condition 6(c) ( <i>Redemption at the option of the Issuer (Issuer Call)</i> ) in " <i>Terms and Conditions of the Covered Bonds</i> " on page 114;
"Seller"	Coventry Building Society, Godiva Mortgages Limited and/or any New Seller (as the context may require);
"Seller's Policy"	The originating, underwriting, administration, arrears and enforcement policy applied by the Seller from time to time to loans and the security for their repayment which are beneficially owned solely by a Seller or, at any time when the Servicer is not also the Seller, the policies and procedures from time to time which would be adopted by a Reasonable, Prudent Mortgage Lender and as are set out in the Mortgage Sale Agreements;
"Series"	A Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds which are: (a) expressed to be consolidated and form a single series; and (b) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices, and the expressions " <b>Covered Bonds of the relevant Series</b> ", and related expressions shall be construed accordingly;
"Series Reserved Matter"	<p>In relation to Covered Bonds of a Series:</p> <ul style="list-style-type: none"> <li>(a) except pursuant to a Base Rate Modification made under Condition 14(viii), any 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;</li> <li>(b) alteration of the currency in which payments under the Covered Bonds, Receipts and Coupons are to be made;</li> <li>(c) alteration of the majority required to pass an Extraordinary Resolution;</li> <li>(d) any amendment to the Covered Bond Guarantee or the Deed of Charge (except in a manner determined by the Bond Trustee not to</li> </ul>

be materially prejudicial to the interests of the holders of Covered Bonds of any Series);

- (e) except in accordance with Condition 6(h) (*Cancellation*) or Condition 14 (*Meetings of Covered Bondholders, Modification, Waiver and Substitution*), the sanctioning of any such scheme or proposal for the exchange or sale of the Covered Bonds for or the conversion of the Covered Bonds into, or the cancellation of the Covered Bonds in consideration of, shares, stock, covered bonds, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, bonds, covered bonds, debentures, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash and for the appointment of some person with power on behalf of the holders of Covered Bonds to execute an instrument of transfer of the Registered Covered Bonds held by them in favour of the persons with or to whom the Covered Bonds are to be exchanged or sold respectively; and
- (f) alteration of the proviso to paragraph 5 or paragraph 6 of Schedule 4 to the Trust Deed;

"Servicer"	The Society in its capacity as servicer under the Servicing Agreement together with any successor servicer appointed from time to time;
"Servicer Event of Default"	The meaning given in Clause 21.1 ( <i>Termination</i> ) of the Servicing Agreement;
"Servicer Termination Event"	The meaning given in Clause 21.1 ( <i>Termination</i> ) of the Servicing Agreement;
"Servicing Agreement"	The servicing agreement entered into on the Programme Date between the LLP, the Servicer and the Security Trustee, as the same may be supplemented, amended or restated from time to time;
"Share Trustee"	Maples Fiduciary Services (UK) Limited having its registered office at 6th Floor, Duo Building, 280 Bishopsgate, London, EC2M 4RB;
"Society"	Coventry Building Society;
"SONIA"	Sterling Overnight Index Average;
"SONIA Screen Page"	The Reuters Screen SONIA Page (or, if such page is no longer available, any replacement or successor page showing the relevant information);
"SONIA Spot Rate"	With respect to publication on any London Business Day, the daily Sterling Overnight Index Average (SONIA) published on such London Business Day (and relating to the immediately preceding London Business Day) as provided by the administrator of SONIA to authorised distributors and as then published on the SONIA Screen Page (or, if the SONIA Screen Page is unavailable, as otherwise published by such authorised distributors);



<b>"Specified Currency"</b>	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;
<b>"Specified Denomination"</b>	In respect of a Series of Covered Bonds, the denomination or denominations of such Covered Bonds specified in the applicable Final Terms;
<b>"Specified Interest Payment Date"</b>	The meaning given in the applicable Final Terms;
<b>"Specified Period"</b>	The meaning given in the applicable Final Terms;
<b>"Standard Documentation"</b>	The standard documentation, annexed to the relevant exhibit of each Mortgage Sale Agreement or any update or replacement therefor as a Seller may from time to time introduce acting in accordance with the standards of a Reasonable, Prudent Mortgage Lender;
<b>"Standard Variable Rate"</b>	The Society's standard variable rate and/or Godiva's Standard Variable rate, as the context may require;
<b>"Sterling Equivalent"</b>	<p>(a) In relation to a Term Advance which is denominated in: (i) a currency other than Sterling, the Sterling equivalent of such amount ascertained using the relevant Covered Bond Swap Rate relating to such Term Advance; and (ii) Sterling, the applicable amount in Sterling; and</p> <p>(b) in relation to a Covered Bond which is denominated in: (i) a currency other than Sterling, the Sterling equivalent of such amount ascertained using the relevant Covered Bond Swap Rate relating to such Covered Bond; and (ii) Sterling, the applicable amount in Sterling;</p>
<b>"Stock Exchange"</b>	The London Stock Exchange or any other or further stock exchange(s) on which any Covered Bonds may from time to time be listed or admitted to trading and references to the <b>"relevant Stock Exchange"</b> shall, in relation to any Covered Bonds, be references to the Stock Exchange on which such Covered Bonds are, from time to time, or are intended to be, listed or admitted to trading;
<b>"Subordinated Loan"</b>	The CBS Subordinated Loan or the Godiva Subordinated Loan, as applicable;
<b>"Subsidiary"</b>	Any company which is for the time being a subsidiary (within the meaning of Section 1159 of the Companies Act 2006 of Great Britain);
<b>"Substitution"</b>	The meaning given on page 133;
<b>"Substitution Assets"</b>	Each of: <p>(a) Sterling gilt-edged securities and other UK government securities;</p>

- (b) Sterling demand or time deposits provided that in all cases such investments have a remaining period to maturity of one year or less and the short-term unsecured, unguaranteed and unsubordinated debt obligations or, as applicable, the long-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) are rated P and F1+ by Fitch or its equivalent by three other internationally recognised rating agencies; and
- (c) Sterling denominated government and public securities, as defined from time to time in accordance with the RCB Regulations, provided that such investments have a remaining period to maturity of one year or less and which are rated at least F1+ by Fitch or its equivalent by three other internationally recognised rating agencies,

provided that such Substitution Assets comply with the requirements of Regulation 2(1A) of the RCB Regulations;

**"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, €0.01;

**"Successor"**

In relation to the Principal Paying Agent, the other Paying Agents and the Calculation Agent, any successor to any one or more of them in relation to the Covered Bonds which shall become such pursuant to the provisions of the trust presents and/or the Agency Agreement (as the case may be) and/or such other or further principal paying agent, paying agents and calculation agent (as the case may be) in relation to the Covered Bonds as may (with the prior approval of, and on terms previously approved by, the Bond Trustee in writing (such approval not to be unreasonably withheld or delayed)) from time to time be appointed as such, and/or, if applicable, such other or further specified offices (in the case of the Principal Paying Agent being within the same city as those for which they are substituted) as may from time to time be nominated, in each case by the Issuer and the LLP, and (except in the case of the initial appointments and specified offices made under and specified in the Conditions and/or the Agency Agreement, as the case may be) notice of whose appointment or, as the case may be, nomination has been given to the Covered Bondholders;

**"Successor in Business"**

The meaning given in Condition 14 (*Meetings of Covered Bondholders, Modification, Waiver and Substitution*) of the "Terms and Conditions of the Covered Bonds" on page 134;

**"Swap Agreements"**

The Covered Bond Swap Agreements together with any Interest Rate Swap Agreement, and each a "Swap Agreement";

**"Swap Collateral"**

At any time, any asset (including, without limitation, cash and/or securities) which is paid or transferred by a Swap Provider to the LLP as collateral to secure the performance by such Swap Provider of its obligations under the relevant Swap Agreement together with any income or distributions received in respect of such asset and any equivalent of such asset into which such asset is transformed;

<b>"Swap Collateral Available Amounts"</b>	At any time, the amount of Swap Collateral which under the terms of the relevant Swap Agreement may be applied at that time in satisfaction of the relevant Swap Provider's obligations to the LLP to the extent that such obligations relate to payments to be made in connection with the Pre-Acceleration Revenue Priority of Payments or the Guarantee Priority of Payments;
<b>"Swap Collateral Excluded Amounts"</b>	At any time, the amount of Swap Collateral which may not be applied under the terms of the relevant Swap Agreement at that time in satisfaction of the relevant Swap Provider's obligations to the LLP, including Swap Collateral which is to be returned to the relevant Swap Provider from time to time in accordance with the terms of the Swap Agreements and ultimately upon termination of the relevant Swap Agreement;
<b>"Swap Provider Default"</b>	The occurrence of an Event of Default or Termination Event (each as defined in each of the Swap Agreements) where the relevant Swap Provider is the Defaulting Party or the sole Affected Party (each as defined in the relevant Swap Agreement), as applicable, other than a Swap Provider Downgrade Event;
<b>"Swap Provider Downgrade Event"</b>	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;
<b>"Swap Providers"</b>	Covered Bond Swap Provider and any Interest Rate Swap Provider, and each a Swap Provider;
<b>"Swaps"</b>	The Covered Bond Swaps together with any Interest Rate Swap;
<b>"T2"</b>	The Trans-European Automated Real-Time Gross Settlement Express Transfer or any successor or replacement for that system thereto.
<b>"Talons"</b>	The talons (if any) appertaining to, and exchangeable in accordance with the provisions therein contained for further Coupons appertaining to, the Definitive Covered Bonds (other than Zero Coupon Covered Bonds), such talons being in the form or substantially in the form set out in Part 6 of Schedule 2 to the Trust Deed or in such other form as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s) and includes any replacements for Talons issued pursuant to Condition 10 ( <i>Replacement of Covered Bonds, Coupons and Talons</i> );
<b>"TEFRA "</b>	The United States Tax Equity and Fiscal Responsibility Act of 1982;
<b>"TEFRA C"</b>	U.S. Treasury Regulations §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended);
<b>"TEFRA D"</b>	U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended);

**"Temporary Global Covered Bond"**

A temporary global covered bond in the form or substantially in the form set out in Part 1 of Schedule 2 to the Trust Deed together with the copy of the applicable Final Terms annexed thereto with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s), comprising some or all of the Covered Bonds of the same Series, issued by the Issuer pursuant to the Programme Agreement or any other agreement between the Issuer and the relevant Dealer(s) relating to the Programme, the Agency Agreement and the trust presents;

**"Term Advance"**

Each term advance made by the Issuer to the LLP from the proceeds of Covered Bonds pursuant to the Intercompany Loan Agreement;

**"Third Party Amounts"**

Each of:

- (a) amounts under an unpaid direct debit which are repaid by the relevant Seller to the bank making such payment if such bank is unable to recoup that amount itself from its customer's account;
- (b) payments by the Borrower of any fees and other charges (including Early Repayment Charges) which are due to the relevant Seller;
- (c) 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);
- (d) (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)
- (e) any amounts owed to a Seller pursuant to Clause 6 (*Trust of Monies*) of the relevant Mortgage Sale Agreement; and
- (f) 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 relevant Seller or the LLP,

which amounts may be paid daily from monies on deposit in the LLP Accounts;

**"Title Deeds"**

In relation to each Loan and its Related Security and the Property relating thereto, all conveyancing deeds and documents which make up the title to the Property and the security for the Loan and all searches and enquiries undertaken in connection with the grant by the Borrower of the related Mortgage;

**"Tracker Rate Loans"**

Those Loans to the extent that and for such period that their Mortgage Conditions provide that they are subject to an interest rate which is linked to a variable interest rate other than the Variable Mortgage Rate;

<b>"Transaction Accounts"</b>	The Barclays Transaction Account (to the extent it has been opened), the CBS Transaction Account or such other account as may for the time being be in place with the prior consent of the Security Trustee and designated as such;
<b>"Transaction Documents"</b>	<ul style="list-style-type: none"> <li>(a) Agency Agreement;</li> <li>(b) Asset Monitor Agreement;</li> <li>(c) each Bank Account Agreement;</li> <li>(d) Cash Management Agreement;</li> <li>(e) Corporate Services Agreement;</li> <li>(f) each Covered Bond Swap Agreement;</li> <li>(g) each Covered Bond Swap Guarantee, if any;</li> <li>(h) Deed of Charge (and any documents entered into pursuant to the Deed of Charge), including each Scottish Supplemental Charge;</li> <li>(i) Intercompany Loan Agreement;</li> <li>(j) each Interest Rate Swap Agreement, if any;</li> <li>(k) each Interest Rate Swap Guarantee, if any;</li> <li>(l) LLP Deed;</li> <li>(m) Master Definitions and Construction Agreement;</li> <li>(n) each Mortgage Sale Agreement (and any documents entered into pursuant to each Mortgage Sale Agreement);</li> <li>(o) each Scottish Declaration of Trust;</li> <li>(p) Programme Agreement;</li> <li>(q) Servicing Agreement;</li> <li>(r) Trust Deed;</li> <li>(s) each set of Final Terms (as applicable in the case of each issue of listed Covered Bonds subscribed pursuant to a subscription agreement);</li> <li>(t) each Subscription Agreement (as applicable in the case of each issue of listed Covered Bonds subscribed pursuant to a subscription agreement);</li> <li>(u) each document, agreement or indenture ancillary or supplemental to any of the documents specified in paragraphs (a) to (t) (inclusive) above; and</li> </ul>

- (v) any other agreement or document from time to time designated as such by the Issuer, the LLP and the Bond Trustee and/or the Security Trustee;

<b>"Transaction Party"</b>	Any person who is a party to a Transaction Document and <b>"Transaction Parties"</b> means some or all of them;
<b>"Transfer Agent"</b>	In relation to all or any Series of the Covered Bonds, HSBC Bank plc at its office at 8 Canada Square, London E14 5HQ or, if applicable, any Successor transfer agent in relation to all or any Series of the Covered Bonds;
<b>"Transfer Certificate"</b>	The transfer certificate in the form or substantially in the form set out in Schedule 4 ( <i>Form of Certificate for Exchange or Transfer of Registered Covered Bonds or Beneficial Interest in Registered Covered Bonds</i> ) to the Agency Agreement;
<b>"Transfer Date"</b>	Each of the First Transfer Date and the date of transfer of any New Portfolio to the LLP in accordance with the Mortgage Sale Agreements;
<b>"True Balance"</b>	<p>For any Loan as at any given date, the aggregate (but avoiding double counting) of:</p> <ul style="list-style-type: none"><li>(a) the original principal amount advanced to the relevant Borrower and any further amount advanced on or before the given date to the relevant Borrower secured or intended to be secured by the related Mortgage;</li><li>(b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been properly capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent and added to the amounts secured or intended to be secured by that Mortgage; and</li><li>(c) any other amount (including, for the avoidance of doubt, Accrued Interest and Arrears of Interest) which is due or accrued (whether or not due) and which has not been paid by the relevant Borrower and has not been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent but which is secured or intended to be secured by that Mortgage, as at the end of the Business Day immediately preceding that given date less any repayment or payment of any of the foregoing made on or before the end of the Business Day immediately preceding that given date and excluding any retentions made but not released and any Additional Loan Advances committed to be made but not made by the end of the Business Day immediately preceding that given date;</li></ul>
<b>"Trust Deed"</b>	The Trust Deed dated 14 October 2020 (as further amended, restated, varied or supplemented from time to time) between the Issuer, the LLP, the Security Trustee and the Bond Trustee under which Covered Bonds will, on issue, be constituted and which sets out the terms and conditions on which the Bond Trustee has agreed to act as bond trustee and includes any trust deed or other document executed by the Issuer, the LLP, the Security

	Trustee and the Bond Trustee in accordance with the provisions of the Trust Deed and expressed to be supplemental to the Trust Deed;
<b>"UCITS Directive"</b>	EU Directive 2009/65/EC on undertakings for collective investment in transferable securities, as amended;
<b>"UK"</b>	The United Kingdom of Great Britain and Northern Ireland;
<b>"UK EMIR"</b>	Regulation (EU) 648/2012 as it forms part of domestic law by virtue of the EUWA;
<b>"UK Prospectus Regulation"</b>	The meaning given on page 1;
<b>"UTCCR"</b>	Unfair Terms in Consumer Contracts Regulations 1999 (SI 1999/2083), as amended and the Unfair Terms in Consumer Contracts Regulations 1994 (SI 1994/3159);
<b>"Valuation Report"</b>	The valuation report or reports for mortgage purposes, in the form of one of the pro-forma contained in the Standard Documentation, obtained by a Seller from a Valuer in respect of each Property or a valuation report in respect of a valuation made using a methodology which would be acceptable to a Reasonable, Prudent Mortgage Lender and which has been approved by the relevant officers of that Seller;
<b>"Valuer"</b>	An Associate or Fellow of the Royal Institute of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers who was at the relevant time either a member of a firm which was on the list of Valuers approved by or on behalf of a Seller from time to time or an Associate or Fellow of the Royal Institute of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers employed in-house by that Seller acting for that Seller in respect of the valuation of a Property;
<b>"Variable Mortgage Rate"</b>	The rate of interest which determines the amount of interest payable each month on a Variable Rate Loan;
<b>"Variable Rate Loans"</b>	Those Loans to the extent that and for such period that their Mortgage Conditions provide that they are subject to a rate of interest which may at any time be varied in accordance with the relevant Mortgage Conditions (and shall, for the avoidance of doubt, exclude Loans during the period that they are Fixed Rate Loans, Capped Rate Loans or Tracker Rate Loans);
<b>"VAT"</b>	Value added tax as imposed by: (a) the UK under the Value Added Tax Act 1994 and legislation (whether delegated or otherwise) replacing the same or supplemental thereto; or (b) any primary or subordinate legislation promulgated by the European Union or any official body or agency thereof, and (in both cases) any similar turnover tax replacing or introduced in addition to any of the same;
<b>"Yield Shortfall Test"</b>	The test as to whether the aggregate amount of interest on the Loans and amounts under any Interest Rate Swap Agreement (or the Interest Rate Swap Guarantee, as the case may be) to be received by the LLP during the Relevant LLP Payment Period would give a yield on the Loans of at least 0.20 per cent. plus the SONIA Spot Rate published on the final London Business Day in the previous Calculation Period; and

**"Zero Coupon Covered  
Bonds"**

Covered Bonds which will be offered and sold at a discount to their nominal amount and which will not bear interest.



**ISSUER**

**Coventry Building Society**  
Coventry House  
Binley Business Park, Harry Weston Road  
Coventry CV3 2TQ

**THE LLP**

**Coventry Godiva Covered Bonds LLP**  
Oakfield House  
Binley Business Park, Harry Weston Road  
Coventry, CV3 2TQ

**SECURITY TRUSTEE AND BOND TRUSTEE**

**HSBC Corporate Trustee Company (UK) Limited**  
8 Canada Square  
London E14 5HQ

**PRINCIPAL PAYING AGENT, REGISTRAR AND EXCHANGE AGENT**

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ

**LEGAL ADVISERS**

*To the Issuer, the LLP and the Sellers as to English law*    *To the Issuer, the LLP and the Sellers as to Scots law*    *To the Arranger and the Dealers as to English law*

**Allen Overy Shearman Sterling LLP**  
One Bishops Square  
London E1 6AD

**Shepherd and Wedderburn LLP**  
9 Haymarket Square  
Edinburgh EH3 8FY

**Linklaters LLP**  
One Silk Street  
London EC2Y 8HQ

*To the Security Trustee and the Bond Trustee as to English law*

**Linklaters LLP**  
One Silk Street  
London EC2Y 8HQ

**INDEPENDENT AUDITOR**

*To the LLP and the Issuer*  
**PricewaterhouseCoopers LLP**  
One Chamberlain Square  
Birmingham, B3 3AX

**THE ARRANGER AND DEALER**

**Barclays Bank PLC**  
1 Churchill Place  
London E14 5HP