

## BASE PROSPECTUS DATED 19 JUNE 2024



**HSBC UK BANK PLC**

*(a company incorporated with limited liability in England with registered number 09928412)  
as Issuer*

**€25 billion**

### **GLOBAL COVERED BOND PROGRAMME**

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

**HSBC UK COVERED BONDS LLP**

*(a limited liability partnership incorporated in England and Wales with registered number OC432297)*

Under the €25 billion global covered bond programme (the **Programme**) described in this base prospectus (the **Base Prospectus**), HSBC UK Bank plc (the **Issuer**), subject to compliance with all relevant laws, regulations and directives, 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(s) at the time of issue in accordance with prevailing market conditions.

HSBC UK 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 Cover Pool (as defined below) and its other assets. Recourse against the LLP under its guarantee is limited to the Cover Pool and such assets.

Covered Bonds may be issued in bearer or registered form. The aggregate principal amount of Covered Bonds outstanding under the Programme will not at any time exceed €25 billion (or the equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to any increase as described herein.

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

This Base Prospectus has been approved by the Financial Conduct Authority (the **FCA**), as competent authority under Regulation (EU) 2017/1129 as it forms part of domestic law in the United Kingdom (**UK**) by virtue of the European Union (Withdrawal) Act 2018, as amended (the **EUWA**) (the **UK Prospectus Regulation**). The FCA only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such an approval should not be considered as an endorsement of the Issuer or the LLP nor as an endorsement of the quality of any Covered Bonds that are the subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in such Covered Bonds. This Base Prospectus is valid for a period of twelve months from the date of approval. In relation to any Covered Bonds, this Base Prospectus must be read as a whole and together also with the relevant Final Terms.

#### **AN INVESTMENT IN THE COVERED BONDS INVOLVES CERTAIN RISKS. SEE PAGE 30 FOR RISK FACTORS.**

Applications have been made to admit Covered Bonds issued under the Programme to listing on the Official List of the FCA (in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000) and to trading on the main market (the **Main Market**) of the London Stock Exchange plc (the **London Stock Exchange**) which is a "regulated market". The Main Market is a UK regulated market for the purposes of Article 2(1)(13A) of Regulation (EU) No 600/2014 as it forms part of domestic law in the UK by virtue of the EUWA (the **UK MiFIR**). Any tranche of Covered Bonds intended to be admitted to listing on the Official List of the FCA and admitted to trading on the Main Market, will be so admitted to listing and trading upon submission to the FCA and the London Stock Exchange of the relevant Final Terms and any other information required by the FCA and the London Stock Exchange, subject in each case to the issue of the relevant Covered Bonds.

Covered Bonds issued under the Programme may be rated. The rating assigned to an issue of Covered Bonds may not be the same as the Issuer's credit rating generally. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. The rating, if any, of a certain series of Covered Bonds to be issued under the Programme may be specified in the relevant Final Terms.

This Base Prospectus includes details of the long-term and short-term credit ratings assigned to the Issuer by S&P Global Ratings Europe Limited (**S&P**), Moody's Investors Service Limited (**Moody's**) and Fitch Ratings Limited (**Fitch**). Each of S&P, Moody's and Fitch is established in the UK and are registered as credit rating agencies under Regulation (EC) No. 1060/2009, as amended and as it forms part of domestic law in the UK by virtue of the EUWA (the **UK CRA Regulation**). As such, each of S&P, Moody's and 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 credit ratings issued by S&P, Fitch and Moody's have been endorsed by S&P Global Ratings Europe Limited, Fitch Ratings Ireland Limited and Moody's Deutschland GmbH respectively in accordance with Regulation (EC) 1060/2009 (as amended) (the **EU CRA Regulation**). Each of S&P Global Ratings Europe Limited, Moody's Deutschland GmbH and Fitch Ratings Ireland Limited is established in the European Union and registered under the EU CRA Regulation. As such, each of S&P Global Ratings Europe Limited, Moody's Deutschland GmbH and 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 under the EU CRA Regulation from using a rating for regulatory purposes, unless such rating is issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant non-EEA rating agency is certified in accordance with the EU CRA Regulation (and such endorsement or certification, as the case may be, has not been withdrawn or suspended). Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended.

Interest and/or other amounts payable under the Covered Bonds may be calculated by reference to certain reference rates, which may constitute a benchmark under Regulation (EU) 2016/1011, as amended and as it forms part of domestic law in the UK by virtue of the EUWA (the **UK Benchmarks Regulation**). If any such reference rate does constitute such a benchmark, the relevant 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 Benchmark 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 the administrator.

The Covered Bonds are not deposit liabilities of the Issuer and are not covered by the United Kingdom Financial Services Compensation Scheme or any other governmental agency of the United Kingdom or any other jurisdiction.

Covered Bonds will be issued under the Programme in denominations of at least €100,000 or the equivalent in any other specified currency as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

The Covered Bonds and the Covered Bond Guarantee (as defined below) have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**), or any state securities laws and may not be offered or sold within the United States or to, or for the account or the benefit of, U.S. persons, as defined in Regulation S, except pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The Covered Bonds may be in bearer form and be subject to U.S. tax law requirements.

On 25 March 2021, the Issuer was admitted to the register of issuers and the Programme was admitted to the register of regulated covered bonds, under the Regulated Covered Bonds Regulations 2008 (SI 2008/346), as amended by the Regulated Covered Bonds (Amendment) Regulations 2008 (SI 2008/1714), the Regulated Covered Bonds (Amendment) Regulations 2011 (SI 2011/2859) and the Regulated Covered Bonds (Amendment) Regulations 2012 (SI 2012/2977) and as further amended from time to time (the **RCB Regulations**).

NEITHER THE PROGRAMME NOR THE COVERED BONDS HAVE BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE **SEC**), ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. FEDERAL OR STATE REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF ANY OFFERING OF COVERED BONDS OR THE ACCURACY OR ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

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.

**Arranger and Dealer for the Programme**  
**HSBC**

## IMPORTANT NOTICE

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

In this Base Prospectus and in relation to any Covered Bonds, references to the **relevant Dealers** are to whichever of the Dealers (as defined under below) enters into an agreement for the issue of such Covered Bonds as described in "*Subscription and Sale and Transfer and Selling Restrictions*" below and references to the "relevant Final Terms" are to the Final Terms relating to such Covered Bonds.

The Dealers and CSC Trustees Limited (the **Bond Trustee** and the **Security Trustee**, which expressions shall include any successor to CSC Trustees Limited as bond trustee under the trust deed dated 26 March 2021 as amended and/or supplemented and/or restated from time to time and as security trustee under the deed of charge dated 26 March 2021 (the **Programme Establishment Date**) and between, amongst others the Issuer, the LLP, the Bond Trustee and the Security Trustee (in each case, as modified and/or supplemented and/or restated from time to time, the **Trust Deed** and the **Deed of Charge**, as the case may be)) have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Dealers, the Bond Trustee or the Security Trustee as to the accuracy or completeness of this Base Prospectus or any document incorporated by reference herein or any further information supplied in connection with any Covered Bonds. The Dealers, the Bond Trustee and the Security Trustee accept no liability in relation to this Base Prospectus or its distribution or with regard to any other information supplied by or on behalf of the Issuer or the LLP.

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

This Base Prospectus should not be considered as a recommendation by the Issuer, the LLP, the Seller, the Arranger, the Bond Trustee, the Security Trustee or any of the Dealers that any recipient of this Base Prospectus should purchase any Covered Bonds. Each investor contemplating purchasing Covered Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer or the LLP. No part of this Base Prospectus constitutes an offer or invitation by or on behalf of the Issuer, the LLP, the Seller, the Arranger, the Bond Trustee, the Security Trustee or the Dealers or any of them to any person to subscribe for or to purchase any Covered Bonds.

Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Covered Bonds shall, in any circumstances, create any implication that there has been no change in the affairs of the Issuer or the LLP since the date hereof, or that the information contained in this Base Prospectus is correct at any time subsequent to the date hereof or that any other written information delivered in connection herewith or therewith is correct at any time subsequent to the date indicated in such document. The Dealers, the Bond Trustee and the Security Trustee expressly do not undertake to review the financial condition or affairs of the Issuer, the LLP or their subsidiary undertakings during the life of the Programme.

The distribution of this Base Prospectus and the offer or sale of Covered Bonds may be restricted by law in certain jurisdictions. Persons into whose possession this Base Prospectus or any Covered Bonds come must inform themselves about, and observe, any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Covered Bonds and on the distribution of this Base Prospectus, see "*Subscription and Sale and Transfer and Selling Restrictions*" below.

The Covered Bonds may not be a suitable investment for all investors. The Covered Bonds may be purchased by investors as a way to reduce risk or enhance yield with an understood, measured, appropriate

addition of risk to their overall portfolios. 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 relevant Covered Bonds, the merits and risk of investing in the relevant Covered Bonds and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Covered Bonds and the impact such investment 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 relevant Covered Bonds or where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;
- (d) understand thoroughly the terms of the relevant 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 advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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 advisors 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; and (3) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

Neither the Arranger nor any of the Dealers accept any responsibility for any environmental assessment of any Covered Bonds issued as Green Bonds or makes any representation or warranty or assurance whether such Covered Bonds will meet any investor expectations or requirements regarding such "green" or similar labels (including in relation to Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the **EU Taxonomy Regulation**) and any related technical screening criteria, Regulation (EU) 2023/2631 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds (the **EU Green Bond Regulation**), Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (**SFDR**) and any implementing legislation and guidelines, or any similar legislation in the United Kingdom) or any requirements of such labels as they may evolve from time to time.

None of the Arranger or the Dealers is responsible for the use of proceeds for any Covered Bonds issued as Green Bonds, nor the impact or monitoring of such use of proceeds. In addition, neither the Arranger nor the Dealers have conducted or will conduct any due diligence on the Issuer's Green Bond Framework (as defined in "Use of Proceeds" below). No representation or assurance is given by the Arranger or the Dealers as to the suitability or reliability of any opinion or certification of any third party made available in connection with an issue of the Covered Bonds issued as Green Bonds, nor is any such opinion or certification a recommendation by the Arranger or any Dealer to buy, sell or hold any such Covered Bonds. The criteria and/or considerations that formed the basis of such opinion or certification may change at any time and such criteria and/or considerations may be amended, updated, supplemented, replaced and/or withdrawn. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein. The Issuer's Green Bond Framework may also be subject to review and change and may be amended, updated, supplemented, replaced and/or withdrawn from time to time and any subsequent version(s) may differ from any description given in this Base Prospectus. The Issuer's Green Bond Framework and any such opinion or certification do not form part of, nor are they incorporated by reference in, this Base Prospectus.

In the event any such Covered Bonds are, or are intended to be, listed, or admitted to trading on a dedicated "green" or other equivalently-labelled segment of a stock exchange or securities market, no representation or assurance is given by the Arranger or the Dealers that such listing or admission will be obtained or maintained for the lifetime of the Covered Bonds.

**IMPORTANT – 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", 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, **EU MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the **EU Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. 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** – Unless the Final Terms in respect of any Covered Bonds specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", 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 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 in the UK by virtue of 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 domestic law in the UK by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law in the UK 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.

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

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

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

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

**IMPORTANT NOTICE TO PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF THE HONG KONG SFC CODE OF CONDUCT** - Prospective investors should be aware that certain

intermediaries in the context of certain offerings of Covered Bonds pursuant to this Programme, each such offering, a **CMI Offering**, including certain Dealers, may be capital market intermediaries (**CMIs**) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered, with the Securities and Futures Commission (the **SFC Code**). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as overall coordinators (**Overall Coordinators** or **OCs**) for a CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an association (**Association**) with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the relevant Covered Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to the relevant CMI Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the Issuer to all private banks for orders they place (other than in relation to Covered Bonds subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant CMI Offering based on the principal amount of the Covered Bonds distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. Details of any such rebate will be set out in the applicable Final Terms or otherwise notified to prospective investors. If a prospective investor is an asset management arm affiliated with any relevant Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer or its group company has more than 50 per cent. interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any relevant Dealer, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Dealers and/or any other third parties as may be required by the SFC Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. Failure to provide such information may result in that order being rejected.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Covered Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Covered Bonds may be

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

This Base Prospectus has been prepared on the basis that any offer of Covered Bonds in the UK will be made pursuant to an exemption under the UK Prospectus Regulation from the requirement to publish a prospectus for offers of Covered Bonds. Accordingly, any person making or intending to make an offer in the UK of Covered Bonds which are the subject of an offering contemplated in this Base Prospectus as completed by the Final Terms in relation to the offer of those Covered Bonds may only do so in circumstances in which no obligation arises for the Issuer or the relevant Dealer to publish a prospectus pursuant to Section 86 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation, in each case, in relation to such offer. None of the Issuer, the LLP, the Arranger, the Dealer(s), the Bond Trustee or the Security Trustee has authorised, nor do they authorise, the making of any offer of Covered Bonds in circumstances in which an obligation arises for the Issuer to publish or supplement a prospectus for such offer.

All references in this Base Prospectus to **£, pounds, Pounds Sterling and Sterling** are to the lawful currency of the United Kingdom, all references to **US\$, USD and U.S. Dollars** are to the lawful currency of the United States of America, all references to **€, euro and EUR** are to the lawful currency of the member states of the European Union that have adopted or adopt the single currency in accordance with the Treaty establishing the European Community, as amended. refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended and all references to **¥, Yen and JPY** are to the lawful currency of Japan.

Any references in this Base Prospectus to "Group" are to the Issuer and its subsidiary undertakings.

In connection with the issue of any Tranche of Covered Bonds, the Dealer or Dealers (if any) which the Dealers have agreed is/are the Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) may, to the extent permitted by laws or regulations, 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 terms of the offer of the relevant Tranche of Covered Bonds is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Covered Bonds and 60 days after the date of the allotment of the relevant Tranche of Covered Bonds. Any stabilisation action or over allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with the applicable laws and rules.

### **The RCB Regulations**

Pursuant to the RCB Regulations, the FCA admitted the Issuer to the register of issuers on 25 March 2021 and Covered Bonds issued or to be issued by the Issuer under the Programme have been or will be (as the case may be) admitted by the FCA to the register of regulated covered bonds.

### **Forward-Looking Statements**

This Base Prospectus contains various forward-looking statements regarding events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of HSBC UK

Bank plc and its subsidiary undertakings (collectively, the **Group**) to differ materially from the information presented herein. When used in this Base Prospectus, the words "estimate", "project", "intend", "anticipate", "believe", "expect", "should" and similar expressions, as they relate to the Group and its management, are intended to identify such forward-looking statements. The 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.

The Issuer cautions readers not to place undue reliance on these forward-looking statements, which speak only on the date hereof. No forward-looking statement is a guarantee of future performance and actual results or other financial condition or performance measures could differ materially from those contained in the forward-looking statements. Such statements and any other statements other than statements of historical fact constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Forward-looking statements sometimes use words such as "may", "will", "seek", "continue", "aim", "anticipate", "target", "projected", "expect", "estimate", "intend", "plan", "goal", "believe", "achieve" or other words of similar meaning. Examples of forward-looking statements include, among others, statements or guidance regarding or relating to the Group's future financial position, income growth, assets, impairment charges, provisions, business strategy, capital, leverage and other regulatory ratios, capital distributions (including dividend pay-out ratios and expected payment strategies), projected levels of growth in the banking and financial markets, projected costs or savings, any commitments and targets, (including, without limitation, environmental, social and governance (ESG) commitments and targets) estimates of capital expenditures, plans and objectives for future operations, projected employee numbers, IFRS impacts and other statements that are not historical fact.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. The forward-looking statements speak only as at the date on which they are made. Forward-looking statements may be affected by a number of factors, including, without limitation: changes in legislation, the development of standards and interpretations under the IFRS, including evolving practices with regard to the interpretation and application of accounting and regulatory standards, emerging and developing ESG reporting standards, the outcome of current and future legal proceedings and regulatory investigations, future levels of conduct provisions, the policies and actions of governmental and regulatory authorities, the Group's ability along with government and other stakeholders to measure, manage and mitigate the impacts of climate change effectively, environmental, social and geopolitical risks (including, but not limited to, the Russia-Ukraine war and the Israel-Hamas war, as well as the potential for further escalation of these wars, including in the latter case, within the Middle East) and the impact of competition. In addition, factors including (but not limited to) the following may have an effect: capital, leverage and other regulatory rules applicable to past, current and future periods; macroeconomic and business conditions in the UK and any systemically important economy which impacts the UK (including, but not limited to, increases in the cost of living as a result of, among other things, energy costs and inflation); the effects of any volatility in credit markets; market related risks such as changes in interest rates and foreign exchange rates; effects of changes in valuation of credit market exposures; changes in valuation of issued securities; volatility in capital markets; changes in credit ratings of any entity within the Group or any securities issued by such entities; instability as a result of the UK's exit from the EU, the effects of the EU-UK Trade and Cooperation Agreement and the disruption that may subsequently result in the UK; the risk of cyberattacks, information or security breaches or technology failures on the Group's reputation, business or operations, and the success of future acquisitions, disposals and other strategic transactions. A number of these influences and factors are beyond the Group's control. As a result, the Group's actual financial position, future results, capital distributions, capital, leverage or other regulatory ratios or other financial and non-financial metrics or performance measures or ability to meet commitments and targets may differ materially from the statements or guidance set forth in the Group's forward-looking statements.

Subject to the Group's obligations under the applicable laws and regulations of any relevant jurisdiction (including, without the limitation, the UK) in relation to disclosure and ongoing information, the Issuer does not undertake any obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise. None of the Arranger, the Dealer(s), the Issuer, the LLP, the Security Trustee, the Bond Trustee or any other party to the Transaction Documents has any obligation to update or otherwise revise any projections, including any revisions to reflect changes in economic conditions or other circumstances arising after the date hereof or to reflect the occurrence of unanticipated events, even if the underlying assumptions do not come to fruition.

Subject to the Issuer's obligations under the applicable laws and regulations in relation to disclosure and ongoing information, the Issuer does not undertake any obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

#### **Defined terms**

Capitalised terms used in this document, unless otherwise indicated, have the meanings set out in this document. A glossary of defined terms appears at the back of this document (see "*Glossary*").

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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 Base Prospectus and, in relation to the terms and conditions of any particular Series of Covered Bonds, the applicable Final Terms. The Issuer, the LLP and any relevant Dealer may agree that Covered Bonds shall be issued in a form other than that contemplated in the Terms and Conditions, in which event a new Base Prospectus, or a supplement to the Base Prospectus, will be published.*

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>	HSBC UK Bank plc
<b>Issuer Legal Entity Identifier (LEI):</b>	21380081EP12LC86CB82
<b>Guarantor:</b>	HSBC UK Covered Bonds LLP
<b>Regulated Covered Bonds:</b>	On 25 March 2021, the Issuer was admitted to the register of issuers and the Programme was admitted to the register of regulated covered bonds pursuant to Regulation 14 of the RCB Regulations.
<b>Nature of eligible property:</b>	Residential mortgage loans and their Related Security, Substitution Assets up to their prescribed limits and Authorised Investments.
<b>Substitution Assets:</b>	<p>Asset backed securities are not eligible property and cannot form part of the Cover Pool.</p> <p>As set out on page 262, Substitution Assets include (a) Sterling gilt-edged securities, (b) Sterling demand or time deposits (subject to certain requirements) and (c) other Sterling denominated government and public securities, (subject to certain requirements), provided that such Substitution Assets comply with the requirements of Regulation 2(1A) of the RCB Regulations.</p>
<b>Location of eligible residential property underlying Mortgages:</b>	England and Wales
<b>Maximum True Balance to Partially Indexed Valuation ratio given credit under the Asset Coverage Test:</b>	75 per cent.
<b>Maximum Asset Percentage:</b>	92.5 per cent.
<b>Statutory minimum over collateralisation:</b>	The eligible property in the asset pool must be more than 108 per cent. of the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds.
<b>Asset Coverage Test:</b>	As set out on page 160
<b>Amortisation Test:</b>	As set out on page 164
<b>Reserve Fund:</b>	Yes, see further "Credit Structure – Reserve Fund"
<b>Statutory Interest Coverage Test:</b>	The interest received on the eligible property must be equal to or greater than interest due on the Covered Bonds over a twelve month period.

<b>Extendable Maturities:</b>	Available
<b>Hard Bullet Maturities:</b>	Available
<b>Asset Monitor:</b>	Deloitte LLP
<b>Asset Segregation:</b>	Yes
<b><i>Namenschuldverschreibungen</i> option:</b>	No
<b>Single/multi-asset pool designation:</b>	Single asset pool, consisting of residential mortgage loans and liquid assets.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

1. the Registration Document of the Issuer dated 19 June 2024 submitted to and filed with the FCA (the **Registration Document**);
2. the Issuer's Annual Report and Accounts 2023 submitted to and filed with the FCA (the **2023 Annual Report and Accounts**);
3. the Issuer's Annual Report and Accounts 2022 submitted to and filed with the FCA (the **2022 Annual Report and Accounts**);
4. the LLP's members' report and audited financial statements 2023 submitted to and filed with the FCA (the **2023 LLP Members' Report and Financial Statements**);
5. the LLP's members' report and audited financial statements 2022 submitted to and filed with the FCA (the **2022 LLP Members' Report and Financial Statements**);
6. the terms and conditions set out on pages 83 to 132 of the Base Prospectus dated 19 June 2023 relating to the Programme under the heading "*Terms and Conditions of the Covered Bonds*" (the **2023 Conditions**); and
7. the terms and conditions set out on pages 89 to 140 of the Base Prospectus dated 30 June 2022 relating to the Programme under the heading "*Terms and Conditions of the Covered Bonds*" (the **2022 Conditions**).

Such documents shall not form part of this Base Prospectus upon their publication for the purposes of the UK Prospectus Regulation and the Issuer shall, to the extent required pursuant Section 87G of the FSMA, prepare and publish a supplement to this Base Prospectus in relation to the information contained therein in accordance with the UK Prospectus Regulation.

The Issuer will, at its registered office and at the specified office of the Principal Paying Agent (as defined herein), make available for inspection during normal business hours and free of charge, upon oral or written request, a copy of this Base Prospectus and any documents incorporated by reference in this Base Prospectus. Written or oral requests for inspection of such documents should be directed to the specified office of the Principal Paying Agent. Additionally, this Base Prospectus and all the documents incorporated by reference herein will be available for viewing at [www.hsbc.com](http://www.hsbc.com) (please follow links to 'Investors', 'Fixed income investors', 'Covered Bonds' and 'Investors', 'Results and announcements', 'All reporting' and 'Subsidiaries' or alternate links provided in the section entitled "*General Information*"). For the avoidance of doubt, unless specifically incorporated by reference into this Base Prospectus, any websites referred to in this Base Prospectus or any information appearing on such websites and pages do not form part of this Base Prospectus.

Any information incorporated by reference in the above documents does not form part of this Base Prospectus and to the extent that only certain parts of the above documents are specified to be incorporated by reference herein, the non-incorporated parts of such documents are either not relevant for investors or covered elsewhere in this Base Prospectus.

### Supplement to Base Prospectus

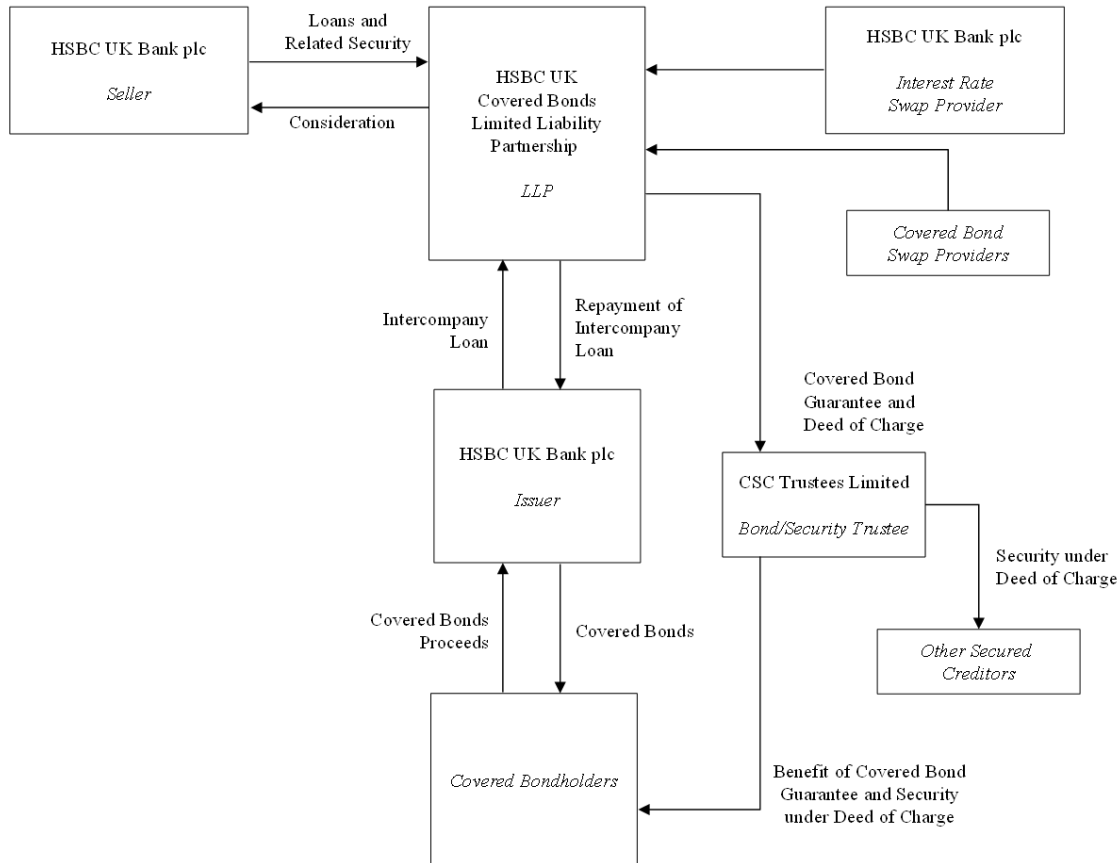
If at any time the Issuer shall be required to prepare a supplement to the Base Prospectus pursuant to Article 23 of the UK Prospectus Regulation in the event of any significant new factor, material mistake or material inaccuracy relating to the information included in this Base Prospectus which may affect the assessment of any Covered Bonds and which arises or is noted between the time when this Base Prospectus is approved and the closing of the offer period or the time when trading on the Main Market of the London Stock Exchange begins, whichever occurs later, the Issuer will prepare and make available an appropriate amendment or supplement to this Base Prospectus or a further base prospectus which, in respect of any subsequent issue of Covered Bonds to be listed on the Official List and admitted to trading on the Main Market of the London Stock Exchange, shall constitute a supplemental base prospectus as required by the FCA and Article 23 of the UK Prospectus Regulation.

## STRUCTURE OVERVIEW

*The information in this section is an overview of the structure relating to the Programme and does not purport to be complete. This section must be read as an introduction to this Base Prospectus and any decision to invest in any Covered Bonds should be based on a consideration of this Base Prospectus as a whole, including the documents incorporated herein by reference.*

*Words and expressions defined elsewhere in this Base Prospectus 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 Base Prospectus on page 224.*

### 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, unsubordinated 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, irrevocable and (following the service of a Notice to Pay on the LLP

or, if earlier, the service on the Issuer and the LLP of an LLP Acceleration Notice) unconditional obligations of the LLP, secured as provided in the Deed of Charge. The Bond Trustee will be required to serve a Notice to Pay on the LLP following the occurrence of a Notice to Pay Event. 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 and the Security will become enforceable. Payments made by the LLP under the Covered Bond Guarantee will be made subject to, and in accordance with, the Guarantee Priority of Payments or 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:* Other than where the relevant Final Terms specifies that a Series of Covered Bonds are "Green Bonds", the LLP must use the gross proceeds of any Term Advance (if not denominated in Sterling, upon exchange into Sterling under the applicable Non-Forward Starting Covered Bond Swap) as consideration for the acquisition of Mortgages from the Seller pursuant to the terms of the Mortgage Sale Agreement and/or Substitution Assets (in an amount up to but not exceeding the prescribed limit) so far as necessary for the purpose of complying with arrangements made pursuant to Regulations 23 and 24(1) of the RCB Regulations and the Asset Coverage Test, and thereafter the proceeds of any Term Advance may be used by the LLP:
  - (a) (if not denominated in Sterling, upon exchange into Sterling under the applicable Non-Forward Starting Covered Bond Swap) as consideration for the acquisition of Mortgages and their Related Security from the Seller pursuant to the terms of the Mortgage Sale Agreement; and/or
  - (b) (if not denominated in Sterling, upon exchange into Sterling under the applicable Non-Forward Starting Covered Bond Swap) to invest in Substitution Assets (in an amount up to but not exceeding the prescribed limit); and/or
  - (c) (if not denominated in Sterling, upon exchange into Sterling under the applicable Non-Forward Starting Covered Bond Swap) subject to written confirmation from the LLP (or the Servicer on its behalf) that on the relevant Issue Date an Asset Coverage Test Breach Notice has not been served which remains outstanding, to make a Capital Distribution to the Seller (in its capacity as Member) by way of distribution of that Member's equity in the LLP in an amount equal to the Term Advance or, where the Term Advance is not denominated in Sterling, the Sterling Equivalent of the Term Advance or any part thereof, which shall be paid to the Member on the relevant Issue Date by telegraphic transfer or as otherwise directed by the 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 Covered Bonds to which the Term Advance relates, to repay the Term Advance(s) corresponding to the Covered Bonds being so refinanced (after exchange into the currency of the Term Advance(s) being repaid, if necessary); and/or
  - (e) (if not denominated in Sterling, upon exchange into Sterling under the applicable Non-Forward Starting Covered Bond Swap) to make a deposit in the Covered Bond Account (including, without limitation, to fund the Reserve Fund in an amount not exceeding the Reserve Fund Required Amount).

If the relevant Final Terms specifies that a Series of Covered Bonds are "Green Bonds", then, unless otherwise specified in the relevant Final Terms, the gross proceeds from such issue of Covered Bonds will be used by the Issuer in accordance with the terms set out in the section entitled "*Use of Proceeds*" below.

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

- *Consideration:* Under the terms of the Mortgage Sale Agreement, the consideration payable to the Seller for the sale of Mortgages and their Related Security to the LLP on any Transfer Date will be a combination of:
  - (a) a cash payment (if any) in Sterling paid by the LLP to the Seller on the relevant Transfer Date; and/or
  - (b) the Seller being treated as having made a Capital Contribution in Kind to the LLP (in an amount equal to the difference between the aggregate of the True Balance of the New Mortgages sold by the Seller on the relevant Transfer Date and the cash payment (if any) paid by the LLP); and
  - (c) 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, 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 which remains outstanding, 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:
  - (a) apply LLP Available Revenue to pay interest due on the Term Advances (the proceeds of which the Issuer may apply to pay interest due on the Covered Bonds), to pay certain expenses and amounts due to the Covered Bond Swap Provider and to pay Deferred Consideration to the Seller in respect of the Mortgages sold by the Seller to the LLP. However, these payments will only be made after payment of certain items ranking higher in the Pre-Acceleration Revenue Priority of Payments (including, but not limited to, certain expenses and amounts due to any Interest Rate Swap Providers and any Covered Bond Swap Providers); and
  - (b) apply LLP Available Principal (i) to fund the Pre-Maturity Liquidity Account in respect of any liquidity that may be required in respect of Hard Bullet Covered Bonds following a breach of the Pre-Maturity Test and (ii) 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, funding the Pre-Maturity Liquidity Account and acquiring New Mortgages and their Related Security offered by the Seller to the LLP or repaying amounts due to the Issuer under the Intercompany Loan Agreement).

For further details of the Pre-Acceleration Priorities of Payments, see "*Cashflows*".

Following service of an Asset Coverage Test Breach Notice (which remains outstanding) but prior to service of a Notice to Pay or an LLP Acceleration Notice and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP, the LLP will continue to apply LLP Available Funds as described above, except that, while any Covered Bonds remain outstanding:

- (a) in respect of LLP Available Revenue, no further amounts will be paid to the Issuer under the Intercompany Loan Agreement, towards any indemnity amount due to the Members pursuant to the LLP Deed, 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 LLP Available Principal, no payments will be made other than into the Covered Bond Account subject to exchange into Sterling (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 Seller, will only be entitled to receive any remaining income of the LLP after all amounts due under the Covered Bond Guarantee in respect of the Covered Bonds have been paid in full or have otherwise been provided for.

Following the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice on the LLP and/or the realisation of the Security and/or the commencement of winding-up proceedings against the LLP, the Covered Bonds will become immediately due and payable as against the Issuer (if not already due and payable following the occurrence of an Issuer Event of Default) and the LLP's obligations under the Covered Bond Guarantee will become immediately due and repayable 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 (excluding Swap Collateral) 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 Account:* The Servicer shall open and the Cash Manager shall maintain in the name of the LLP an Interest Accumulation Account, to which the LLP Monthly Interest Amount will be credited on each LLP Payment Date in relation to each Series of Covered Bonds that does not (a) have a Covered Bond Swap in place and (b) have monthly Interest Payment Dates (each such Series, an **Accumulation Series of Covered Bonds**). Amounts standing to the credit of the Interest Accumulation Account in respect of each such Accumulation Series of Covered Bonds will be applied on the relevant Term Advance Interest Payment Date or Interest Payment Date, as the case may be, together with LLP Available Revenue (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 HSBC UK Bank plc (in its capacity as a Member of the LLP) shall procure that on each Calculation Date prior to the service of a Notice to Pay or an LLP Acceleration Notice, the Aggregate Adjusted Cover Amount shall be in an amount at least equal to 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 Servicer on each Calculation Date. In the event that there is a breach of the Asset Coverage Test on a Calculation Date which is not remedied on the immediately succeeding Calculation Date, the LLP (or the Servicer on its behalf) shall notify the Members, the Bond Trustee and the Security Trustee in writing of such breach. Following receipt of such notification (upon which the Bond Trustee may rely conclusively without liability and without further investigation), the Bond Trustee shall serve an Asset Coverage Test Breach Notice on the LLP. 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 subsequently satisfied, the LLP (or the Servicer on its behalf) shall notify the Members, the Bond Trustee and the Security Trustee in writing. Following receipt of such notification (upon which the Bond Trustee may rely conclusively and without further investigation) and provided that neither a Notice to Pay nor an LLP Acceleration Notice has been served, the Bond Trustee shall confirm in writing to the LLP that such Asset Coverage Test Breach Notice is revoked.

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

- (a) the application of LLP Available Revenue and LLP Available Principal will be restricted as described above;
- (b) the LLP will be required to sell Selected Mortgages; and

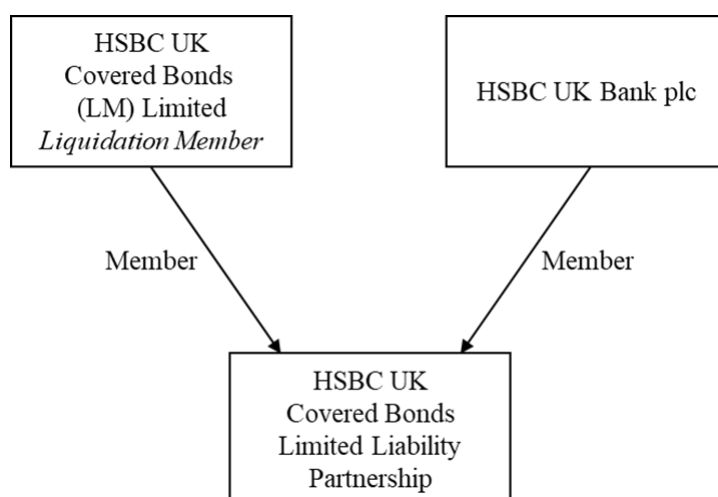
- (c) the Issuer will not be permitted to make to the LLP and the LLP will not be permitted to borrow from the Issuer any new Term Advances under the Intercompany Loan Agreement.
- If an Asset Coverage Test Breach Notice has been served and remains outstanding after the third Calculation Date following the service of the Asset Coverage Test Breach Notice, then a Notice to Pay Event (and an Issuer Event of Default) shall occur and a Notice to Pay will be served promptly by the Bond Trustee 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 where HSBC UK Bank plc is a member of the LLP, HSBC UK Bank plc) shall procure that on each Calculation Date following the service of a Notice to Pay on the LLP, the Amortisation Test Aggregate Asset 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 Servicer on each Calculation Date following a Notice to Pay Event 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 as against the Issuer (if not already due and payable following the occurrence of an Issuer Event of Default) and the LLP's obligations under the Covered Bond Guarantee will be accelerated 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 may be specified as applying in relation to a Series of Covered Bonds in the applicable Final Terms. This means that if the Issuer fails to pay the Final Redemption Amount of the relevant Series of Covered Bonds on the Final Maturity Date (subject to applicable grace periods) and if the Guaranteed Amounts equal to the Final Redemption Amount of the relevant Series of Covered Bonds are not paid in full by the Extension Determination Date (for example because, following the service of a Notice to Pay on the LLP, the LLP has insufficient monies available in accordance with the Guarantee Priority of Payments to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount of the relevant Series of Covered Bonds) then payment of the unpaid amount pursuant to the Covered Bond Guarantee shall be automatically deferred (without an LLP Event of Default occurring as a result of such non-payment) and shall be due and payable on the Extended Due for Payment Date (subject to any applicable grace period) set out in the relevant Final Terms. However, any amount representing the Final Redemption Amount due and remaining unpaid on the Extension Determination Date may be paid by the LLP in whole or in part 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 of the Final Redemption Amount during such extended period and be payable on each relevant Interest Payment Date and on the Extended Due for Payment Date in accordance with Condition 4 (*Interest*). The LLP will make payments of Guaranteed Amounts constituting Scheduled Interest on each relevant Due for Payment Date and Extended Due for Payment Date.
- *Pre-Maturity Test:* Hard Bullet Covered Bonds will be subject to the Pre-Maturity Test. This provides liquidity for Hard Bullet Covered Bonds if the Issuer's credit ratings fall below the specified levels. On each Pre-Maturity Test Date of any Series of Hard Bullet Covered Bonds and prior to the occurrence of an Issuer Event of Default or the occurrence of an LLP Event of Default, the LLP, or the Servicer on its behalf, will determine if there has been a breach of the Pre-Maturity Test and, if so, it shall immediately notify the Members, the Seller, the LLP, the Cash Manager and the Security Trustee thereof in writing. Following such breach, HSBC UK Bank plc must, following a breach of the Pre-Maturity Test in respect of a Series of Hard Bullet Covered Bonds, either make a Cash Capital Contribution to the LLP in accordance with the LLP Deed or make a Capital Contribution in Kind to the LLP of Eligible Pre-Maturity Substitution Assets with a final maturity date which is not later than the Final Maturity Date of the relevant Series of Hard Bullet Covered Bonds and in respect of which the short-term unsecured, unguaranteed and unsubordinated debt obligations or, as applicable, the long-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing entity are rated at least Aa3/P-1 by Moody's and AA-/F1+ by Fitch (**Eligible Pre-Maturity Substitution Assets**) in an amount equal to the Sterling Equivalent of the Required Redemption Amount for the relevant Series of Hard Bullet Covered

Bonds; less any amounts standing to the credit of the Pre-Maturity Liquidity Account and less the value of any Eligible Pre-Maturity Substitution Assets that have been identified for such Series of Covered Bonds that are not otherwise required to repay any other Series of Hard Bullet Covered Bonds which mature prior to or on the same date as the relevant Series of Hard Bullet Covered Bonds.

- *Servicing*: HSBC UK Bank plc as Servicer has entered into the Servicing Agreement with the LLP and the Security Trustee, pursuant to which the Servicer has agreed to provide certain services in respect of the Mortgages and their Related Security sold by it as Seller to the LLP.
- *The RCB Regulations*: On 25 March 2021, the Issuer was admitted to the register of issuers and the Programme was admitted to the register of regulated covered bonds under the RCB Regulations.
- *Further information*: For a more detailed description of the transactions summarised above relating to the Covered Bonds see, among other relevant sections of this Base Prospectus, "*Overview of the Programme*", "*Terms and Conditions of the Covered Bonds*", "*Summary of the Principal Documents*", "*Credit Structure*", "*Cashflows*" and "*The Cover Pool*".

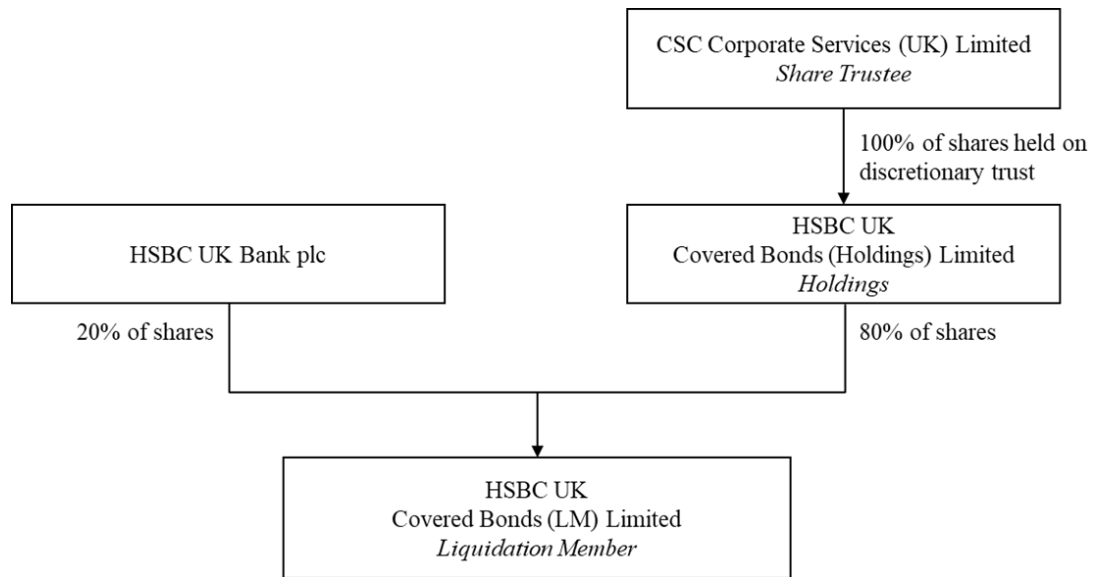
#### Ownership Structure of HSBC UK Covered Bonds LLP

- As at the date of this Base Prospectus, the Members of the LLP are HSBC UK Bank plc and the Liquidation Member.
- A New Member may be admitted to the LLP, subject to meeting certain conditions precedent including, but not limited to, the consent of the Security Trustee which consent shall be given; provided that the Rating Condition is satisfied in respect of the admission of the New Member.
- Any New Seller that wishes to sell Mortgages to the LLP (as described under "*Summary of the Principal Documents – Mortgage Sale Agreement*" below) will, amongst other things, be required to become a Member of the LLP and will accede to, *inter alia*, the LLP Deed.
- Other than in respect of those decisions reserved to the Members, the LLP Management Committee (comprising, as at the date of this Base Prospectus, directors and/or employees of HSBC UK Bank plc and the Liquidation Member) will manage and conduct the business of the LLP and will have all the rights, power and authority to act at all times for and on behalf of the LLP.



#### Ownership Structure of the Liquidation Member

- As at the date of this Base Prospectus, 80% of the issued share capital of the Liquidation Member is held by HSBC UK Covered Bonds (Holdings) Limited (**Holdings**) and 20% of the issued share capital of the Liquidation Member is held by HSBC UK Bank plc.
- The entire issued capital of Holdings is held by CSC Corporate Services (UK) Limited as share trustee on discretionary trust.



## 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 Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Covered Bonds, the applicable Final Terms. Words and expressions defined elsewhere in this Base Prospectus have the same meanings in this overview. A glossary of certain defined terms is contained at the end of this Base Prospectus on page 224.*

**Issuer:** HSBC UK Bank plc (the **Bank**, and in its capacity as issuer of the Covered Bonds, the **Issuer**), a company incorporated with limited liability in England and Wales (registered number 09928412).

Legal Entity Identifier (LEI):  
21380081EP12LC86CB82.

For a more detailed description of the Issuer, see "*The Issuer and its Subsidiaries*" in the Registration Document.

**The LLP:** HSBC UK Covered Bonds LLP, a limited liability partnership incorporated in England and Wales (partnership number OC432297). The Members of the LLP, as at the date of this Base Prospectus, are HSBC UK Bank plc and the Liquidation Member. The LLP is a special purpose vehicle whose business is to acquire, *inter alia*, Mortgages and their Related Security from the Seller pursuant to the terms of the Mortgage Sale Agreement and to guarantee certain payments in respect of the Covered Bonds. The LLP will hold the Cover Pool 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 a Notice to Pay Event and the service on the LLP of a Notice to Pay or, if earlier, an LLP Acceleration Notice. The obligations of the LLP under the Covered Bond Guarantee and the other Transaction Documents to which it is a party are secured by the assets from time to time of the LLP and recourse against the LLP is limited to such assets.

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

**Seller:** HSBC UK Bank plc, which is in the business, *inter alia*, of originating residential mortgage loans and conducting other banking related activities. For a more detailed description of the Seller, see "*The Issuer and its Subsidiaries*" in the Registration Document.

**Servicer:** HSBC UK Bank plc has been appointed to service, on behalf of the LLP, the Mortgages and Related Security sold to the LLP by the Seller and to monitor compliance by the LLP with the Asset Coverage Test and the Amortisation Test pursuant to the terms of the Servicing Agreement. For a more detailed description of the Servicer, see "*The Issuer and its Subsidiaries*" in the Registration Document.

<b>Cash Manager:</b>	HSBC Bank plc, whose principal place of business is at 8 Canada Square, London E14 5HQ, has been appointed, <i>inter alia</i> , to provide cash management services to the LLP.
<b>Principal Paying Agent:</b>	HSBC Bank plc has also been appointed pursuant to the Agency Agreement as Principal Paying Agent.
<b>Registrar:</b>	HSBC Bank plc has also been appointed pursuant to the Agency Agreement as Registrar.
<b>Transfer Agent:</b>	HSBC Bank plc has also been appointed pursuant to the Agency Agreement as Transfer Agent.
<b>Bond Trustee:</b>	CSC Trustees Limited, whose principal place of business is at 10 <sup>th</sup> Floor, 5 Churchill Place, London E14 5HU, 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 covenant to pay and the Covered Bond Guarantee on behalf of the Covered Bondholders pursuant to the Trust Deed.
<b>Security Trustee:</b>	CSC Trustees Limited whose principal place of business is at 10 <sup>th</sup> Floor, 5 Churchill Place, London E14 5HU has been appointed to act as Security Trustee to hold the benefit of the Security granted by the LLP to the Security Trustee (for itself, the Covered Bondholders and the other Secured Creditors) pursuant to the Deed of Charge.
<b>Asset Monitor:</b>	Deloitte LLP, acting through its offices at 2 New Street Square, London EC4A 3BZ, has been appointed pursuant to the Asset Monitor Agreement as an independent monitor to perform tests in respect of the Asset Coverage Test and Amortisation Test when required.
<b>Asset Pool Monitor:</b>	Deloitte LLP has also been appointed as the "Asset Pool Monitor" (as defined in the RCB Regulations) for the purposes of the RCB Regulations (see " <i>Description of the UK Regulated Covered Bond Regime</i> " below).
<b>Covered Bond Swap Providers:</b>	<p>Each swap provider which agrees to act as Covered Bond Swap Provider to the LLP to hedge certain interest rate, currency and/or other risks in respect of amounts received by the LLP under the Mortgages and the Interest Rate Swaps and:</p> <ul style="list-style-type: none"> <li>(a) in the case of a Non-Forward Starting Covered Bond Swap, amounts due and payable by the LLP under the Intercompany Loan Agreement (prior to the service of a Notice to Pay) and under the Covered Bond Guarantee (after service of a Notice to Pay); or</li> <li>(b) in the case of a Forward Starting Covered Bond Swap, if a Notice to Pay or an LLP Acceleration Notice has been served, amounts due and payable by the LLP under the Covered Bond Guarantee,</li> </ul> <p>in respect of the Covered Bonds by entering into the Covered Bond Swaps with the LLP under a Covered Bond Swap Agreement. If the ratings of a Covered Bond</p>

Swap Provider fall below a specified ratings level, the relevant Covered Bond Swap Provider may be required to post collateral for its obligations, transfer its obligations to an appropriately rated entity, obtain a guarantee of its obligations from an appropriately rated guarantor and/or take such other action (which may include no action) which will result in the ratings assigned to the Covered Bonds being maintained at or restored to the level at which the Covered Bonds were rated immediately prior to the date on which the relevant downgrade occurred. Each Covered Bond Swap Provider shall satisfy the rating requirements set out in the relevant Covered Bond Swap Agreement, as to which see *"Summary of the Principal Documents – Covered Bond Swap Agreements"*.

**Interest Rate Swap Providers:**

Each swap provider which agrees to act as a swap provider to the LLP to hedge possible variances between the rates of interest payable on some or all of the Mortgages sold by the Seller to the LLP and a compounded daily SONIA rate by entering into the Interest Rate Swaps with the LLP under an Interest Rate Swap Agreement. If the ratings of an Interest Rate Swap Provider fall below a specified ratings level, such Interest Rate Swap Provider may be required to post collateral for its obligations, transfer its obligations to an appropriately rated entity, obtain a guarantee of its obligations from an appropriately rated guarantor and/or take such other action (which may include no action) which will result in the ratings assigned to the Covered Bonds being maintained at or restored to the level at which the Covered Bonds were rated immediately prior to the date on which the relevant downgrade occurred.

**Account Bank:**

HSBC UK Bank plc has been appointed as the Account Bank to the LLP pursuant to the terms of the Account Bank Agreement.

**Swap Collateral Account Bank:**

HSBC Bank plc has been appointed as the Swap Collateral Account Bank to the LLP pursuant to the terms of the Swap Collateral Account Bank Agreement.

**Liquidation Member:**

HSBC UK Covered Bonds (LM) Limited, a special purpose vehicle incorporated in England and Wales on 20 June 2020 as a private limited company (registered no. 12687265), having its registered office at 10<sup>th</sup> Floor, 5 Churchill Place, London E14 5HU. As at the date of this Base Prospectus, 80% of the issued share capital of the Liquidation Member is held by Holdings and 20% of the issued share capital of the Liquidation Member is held by HSBC UK Bank plc.

**Holdings:**

HSBC UK Covered Bonds (Holdings) Limited, a special purpose vehicle incorporated under the laws of England and Wales on 17 April 2020 as a private company with limited liability (registered no. 12561208), having its registered office at 10<sup>th</sup> Floor, 5 Churchill Place, London E14 5HU. As at the date of this Base Prospectus, all of the shares of Holdings are held by the Share Trustee on trust for general discretionary purposes.

<b>Share Trustee:</b>	CSC Corporate Services (UK) Limited of 10 <sup>th</sup> Floor, 5 Churchill Place, London E14 5HU.
<b>Corporate Services Provider:</b>	CSC Capital Markets UK Limited, having its registered office at 10 <sup>th</sup> Floor, 5 Churchill Place, London E14 5HU, has been appointed to provide certain corporate services to the LLP, Holdings and the Liquidation Member pursuant to the terms of a corporate services agreement entered into by the LLP, Holdings and the Liquidation Member on 26 March 2021.
<b>Programme Description:</b>	Global Covered Bond Programme.
<b>Arranger:</b>	HSBC Bank plc.
<b>Dealer:</b>	HSBC Bank plc and any other Dealer 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 the section of this Base Prospectus entitled " <i>Subscription and Sale and Transfer and Selling Restrictions</i> ").
<b>Programme Size:</b>	Up to €25 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 under the Programme 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 the section of this Base Prospectus entitled " <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 on a fully-paid basis, as set out in the relevant Final Terms.
<b>Form of Covered Bonds:</b>	The Covered Bonds will be issued in bearer or registered form as described in the section of this Base Prospectus entitled " <i>Form of the Covered Bonds</i> ". Registered

Covered Bonds will not be exchangeable for Bearer Covered Bonds and *vice versa*.

**Fixed Rate Covered Bonds:**

Fixed Rate Covered Bonds will bear interest at a fixed rate which will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

**Floating Rate Covered Bonds:**

Floating Rate Covered Bonds will bear interest determined separately for each Series as follows:

- (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 either the 2006 ISDA Definitions (as supplemented, amended and updated as at the Issue Date of the first Tranche of the Covered Bonds of the relevant Series (as specified in the relevant Final Terms)) published by the International Swaps and Derivatives Association, Inc. (**ISDA**) or the latest version of the ISDA 2021 Interest Rate Derivatives Definitions, including each Matrix (as defined therein) (and any successor thereto), as specified in the relevant Final Terms, each as published by ISDA (or any successor) on its website (<http://www.isda.org>), on the date of issue of the first Tranche of the Covered Bonds of such Series; or
- (ii) by reference to a reference rate appearing on the agreed screen page of a commercial quotation service,

in any such case, as adjusted for any applicable margin specified in the applicable Final Terms.

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

**Other provisions in relation to Floating Rate Covered Bonds:**

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), as set out in the relevant Final Terms.

**Zero Coupon Covered Bonds:**

Zero Coupon Covered Bonds may be offered and sold at a discount to their nominal amount and will not bear interest except in the case of late payment unless otherwise specified in the applicable Final Terms.

**Base Rate Modifications:**

If so specified in the applicable Final Terms for a Series of Covered Bonds, then the Issuer may, in certain circumstances and subject to certain conditions, make Base Rate Modifications without the need for the consent of Covered Bondholders of such Series of Covered Bonds (so long as the Issuer and the Principal Paying Agent (collectively) have not been contacted in writing by Covered Bondholders holding at least 10% of the aggregate Principal Amount Outstanding of such Series of Covered Bonds stating that such Covered Bondholders do not consent to the proposed Base Rate Modification in the manner set out in Condition 14 (*Meetings of Covered Bondholders, Modification, Waiver and Substitution*)). See Condition 14 (*Meetings of Covered Bondholders, Modification, Waiver and Substitution*) for further information.

**Redemption:**

The applicable Final Terms relating to each Tranche of Covered Bonds will indicate either that the relevant Covered Bonds of such Tranche cannot be redeemed prior to their stated maturity (other than for taxation reasons or if it becomes unlawful for any Term Advance to remain outstanding or following an Issuer Event of Default or an LLP Event of Default) or that such Covered Bonds will be redeemable at the option of the Issuer upon giving notice to the Covered Bondholders, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

The applicable Final Terms may provide that Covered Bonds may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.

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

The applicable Final Terms may also provide that the LLP's obligations under the Covered Bond Guarantee to pay the Guaranteed Amounts corresponding to the Final Redemption Amount of the applicable Series of Covered Bonds on their Final Maturity Date (subject to applicable grace periods) may be deferred until the Extended Due for Payment Date. In such case, such deferral will occur automatically if the Issuer fails to pay the Final Redemption Amount of the relevant Series of Covered Bonds on their Final Maturity Date (subject to applicable grace periods) and if the Guaranteed Amounts equal to the Final Redemption Amount in respect of such Series of Covered Bonds are not paid in full by the LLP by the Extension Determination Date (for example, because the LLP has insufficient monies to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of the relevant Series of Covered Bonds after payment of higher ranking amounts and taking into account amounts ranking *pari passu* in the Guarantee Priority of Payments). To the extent that the LLP has received a Notice to Pay in sufficient time and has sufficient monies to pay in part the Final Redemption Amount, such partial payment of the Final Redemption Amount 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 of the Final Redemption 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.

**Hard Bullet Covered Bonds:**

Hard Bullet Covered Bonds may be offered and will be subject to a Pre-Maturity Test. The intention of the Pre-Maturity Test is to provide liquidity for the Hard Bullet Covered Bonds if the Issuer's credit ratings have fallen below a certain level.

**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.

**Taxation:**

The Covered Bondholders will be entitled to receive all payments in respect of the Covered Bonds 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 whatsoever nature unless the Issuer or the LLP is required by applicable law to make any payment in respect of the Covered Bonds subject to any such withholding or deduction. If any such deduction or withholding is required to be made from payments by the Issuer, 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 make any payment in respect of such additional amounts that would have been payable by the Issuer under Condition 7 (*Taxation*). In addition if any such deduction or withholding for or on account of tax is required to be made from payments by the LLP, the LLP will not be required to pay additional amounts in respect of the amount so deducted or withheld.

**Cross default for Covered Bonds:**

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 a Notice to Pay Event occurs 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, irrevocable and unconditional obligations of the LLP secured against the Cover Pool of the LLP and recourse against the LLP is limited to such Cover Pool.

**Ratings:**

As at the date of this Base Prospectus the Issuer has been assigned the following long-term credit ratings (and, in the case of Moody's, counterparty risk assessment): (i) A+ by S&P; (ii) Aa3(cr) by Moody's; and (iii) AA- by Fitch.

The Issuer has also been assigned the following short-term credit ratings (and, in the case of Moody's, counterparty risk assessment): (i) A-1 by S&P; (ii) P-1(cr) by Moody's; and (iii) F1+ by Fitch. Each of S&P, Moody's and Fitch is established in the United Kingdom and is registered under the UK CRA Regulation.

Where a Series of Covered Bonds is rated, such rating will be disclosed in the Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Listing and admission to trading:**

Application has been made to admit Covered Bonds issued under the Programme to the Official List and to admit the Covered Bonds to trading on the Main Market of the London Stock Exchange. Covered Bonds issued under the Programme may be unlisted or may be listed on such other or further stock exchanges or regulated or unregulated markets, as may be agreed between the Issuer, the LLP, the Bond Trustee and the relevant Dealer(s) in relation to each issue. The Final Terms relating to each Tranche of the Covered Bonds will state whether or not the Covered Bonds are to be listed and/or admitted to trading and, if so, on which stock exchange(s) and/or markets.

**The RCB Regulations:**

On 25 March 2021, the Issuer was admitted to the register of issuers and the Programme was admitted to the register of regulated covered bonds under the RCB Regulations.

**Governing law:**

The Covered Bonds issued pursuant to this Base Prospectus will be governed by, and construed in accordance with, English law.

<b>Selling restrictions:</b>	There are restrictions on the offer, sale and transfer of any Tranche of Covered Bonds in the United Kingdom, the United States, the European Economic Area, Hong Kong and Japan. Other restrictions may apply in connection with the offering and sale of a particular Series of Covered Bonds. See the section of this Base Prospectus entitled " <i>Subscription and Sale and Transfer and Selling Restrictions</i> ".
<b>EU MiFID II Product Governance:</b>	The Final Terms in respect of any Covered Bonds may include a legend entitled " <i>EU MiFID II Product Governance</i> " which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate.
<b>UK MiFIR Product Governance:</b>	The Final Terms in respect of any Covered Bonds may include a legend entitled " <i>UK MiFIR II Product Governance</i> " which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate.
<b>EU PRIIPs Regulation:</b>	If the Final Terms in respect of any Covered Bonds includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Covered Bonds are not intended to be, and should not be, offered, sold or otherwise made available to any retail investor in the EEA, and no key information document under the EU PRIIPs Regulation will be prepared.
<b>UK PRIIPs Regulation:</b>	If the Final Terms in respect of any Covered Bonds includes a legend entitled " <i>Prohibition of Sales to UK Retail Investors</i> ", the Covered Bonds are not intended to be, and should not be, offered, sold or otherwise made available to any retail investor in the UK, and no key information document under the UK PRIIPs Regulation will be prepared.
<b>Risk factors:</b>	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 in the section of this Base Prospectus entitled " <i>Risk Factors</i> " from page 30 of this Base Prospectus.

## 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 Group and the industry in which it operates together with all other information contained in, or incorporated by reference in, this Base Prospectus, 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 Base Prospectus 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 Base Prospectus and their particular circumstances.*

### 1. RISKS RELATING TO THE ISSUER

***Risk factors incorporated by reference.*** Risks relating to the Issuer's ability to fulfil its obligations with respect to the Covered Bonds can be found in the section headed "Risk Factors" on pages 1 to 26 of the Registration Document which has been incorporated by reference in this Base Prospectus (see "Documents Incorporated by Reference" above). In particular, investors should be aware that payments and return of initial investment in relation to the Covered Bonds depend on the solvency of the Issuer.

### 2. RISKS RELATING TO SPECIFIC FEATURES OF THE COVERED BONDS

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

***Covered Bonds subject to optional redemption by the Issuer.*** In the event that (a) pursuant to Condition 7 (*Taxation*) the Issuer would be obliged to increase the amounts payable in respect of any Tranche of Covered Bonds due to any withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, or (b) (unless the relevant Final Terms specify otherwise) the interest payments (or funding costs of the Issuer as recognised in its accounts) under or with respect to the Covered Bonds are not fully deductible for UK corporation tax purposes, the Issuer may redeem all outstanding Covered Bonds of such Tranche in accordance with the Conditions.

In addition, in the case of any particular Tranche of Covered Bonds, the relevant Final Terms may specify that the Covered Bonds are redeemable at the Issuer's option in other circumstances. However, Covered Bondholders will have no right to request the redemption of the Covered Bonds and should not invest in the Covered Bonds in the expectation that the Issuer would exercise its option to redeem the Covered Bonds. Any decision by the Issuer as to whether it will exercise its option to redeem the Covered Bonds will be taken at the absolute discretion of the Issuer with regard to factors such as, but not limited to, the economic impact of exercising such option to redeem the Covered Bonds, any tax consequences, the regulatory capital/loss absorbing capacity requirements and the prevailing market conditions. In such circumstances, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as

high as that of the relevant Covered Bonds. If specified in the relevant Final Terms, the amount payable by the Issuer in such circumstances may be less than the amount invested in the Covered Bonds or what would have been received under the Covered Bonds if the Covered Bonds had not been so redeemed and investors will forego any further interest payments (if any) in respect of the Covered Bonds. Covered Bondholders should be aware that they may be required to bear the financial risks of an investment in the Covered Bonds until maturity.

***Covered Bonds issued at a substantial discount or premium.*** The market values of securities issued at a substantial discount to or premium above 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.

***Investment in Covered Bonds is subject to interest rate risks.*** As Covered Bonds may carry a fixed interest rate, the trading price of Covered Bonds will consequently vary with the fluctuations in the interest rates. If holders of Covered Bonds propose to sell their Covered Bonds before their maturity, they may receive an offer lower than the amount they have invested.

### 3. **RISKS RELATING TO INTEREST PROVISIONS OF THE COVERED BONDS, INCLUDING BENCHMARK REFORM AND TRANSITION**

#### ***Floating Rate Covered Bonds – regulation and reform of benchmarks.***

The London Inter-Bank Offered Rate (**LIBOR**), the Euro Interbank Offered Rate (**EURIBOR**) and other indices (including SONIA) which are deemed to be "benchmarks" are the subject of ongoing national, international and other regulatory guidance and reform. Some of these reforms are already effective whilst others are yet to apply. These reforms may cause such "benchmarks" to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. For example, following an announcement by the FCA on 5 March 2021, (i) immediately after 31 December 2021, all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month U.S. Dollar settings, either ceased to be provided by any administrator or became unrepresentative of the relevant underlying market, and (ii) immediately after 30 June 2023 the remaining U.S. dollar settings ceased to be provided. The FCA has compelled the publication of the 1-month, 3-month and 6-month U.S. Dollar LIBOR settings under an alternative "synthetic" methodology until 30 September 2024.

Regulation (EU) 2016/1011, as amended (the **EU Benchmarks Regulation**) and the UK Benchmarks Regulation apply to the provision of benchmarks and the contribution of input data to a benchmark within the EU or the UK (as applicable) and prevent certain uses by EU or UK supervised entities (as applicable) of "benchmarks" of unauthorised administrators.

The EU Benchmarks Regulation and the UK Benchmarks Regulation, together with other international, national or other reforms or the general increased regulatory scrutiny of "benchmarks" could have a material impact on any Covered Bonds linked to a "benchmark". Such reforms could result in changes to the manner of administration of "benchmarks", with the result that such "benchmarks" may perform differently than in the past (and such changes could have the effect of reducing or increasing the rate or level or affecting the volatility of the published rate or level) or may have the effect of discouraging market participants from continuing to administer or participate in certain "benchmarks" leading to their disappearance. In addition, the trigger changes in the rules or methodologies used in certain benchmarks could also increase the institutional costs of compliance.

***A Base Rate Modification Event could occur in relation to the Covered Bonds.*** A "Base Rate Modification Event" (as defined in the Conditions) may occur in relation to the Covered Bonds in a number of scenarios, including:

- upon the elimination or potential elimination of any benchmark (such as SONIA);
- where the administrator of a benchmark does not obtain authorisation/registration or is not able to rely on one of the regimes available to non-UK benchmarks;

- prolonged non-availability of any benchmark;
- changes in the manner of administration of certain benchmarks; and/or
- certain other events determined by the Issuer in accordance with the Conditions to constitute Base Rate Modification Events.

The occurrence of a Base Rate Modification Event in relation to the Covered Bonds could result in the determination by the Issuer of an Alternative Base Rate. See further, "*Covered Bondholders will be deemed to have consented to certain modifications to the Transaction Documents so long as holders of at least 10% 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*".

In circumstances where, following a Base Rate Modification Event, it is not possible for the Issuer to determine an Alternative Base Rate during a given Interest Period, the floating interest rate on the Floating Rate Covered Bonds may accrue at the same rate as the immediately preceding Interest Period (or, in the case of the initial Interest Period, the initial Interest Rate), effectively converting the Floating Rate Covered Bonds (during the relevant Interest Period) into fixed rate instruments.

The circumstances which can lead to the trigger of a Base Rate Modification Event are beyond the Issuer's control and the subsequent use of an Alternative Base Rate following such Base Rate Modification Event may result in changes to the Conditions and/or interest payments that are lower than or that do not otherwise correlate over time with the payments that would have been made on such Covered Bonds if the relevant benchmark remained available in its current form. Any such consequence could have a material adverse effect on the value of and return on any such Covered Bonds.

***The market continues to develop in relation to risk free rates which may be reference rates for Floating Rate Covered Bonds.*** In the majority of relevant jurisdictions, the chosen near risk free rate (RFR) is an overnight rate (for example, the Sterling Overnight Index Average (SONIA) in respect of Sterling, the Secured Overnight Financing Rate (SOFR) in respect of US Dollars, and the euro short-term rate (€STR) in respect of Euro), with the interest rate for a relevant period calculated on a backward looking (compounded or simple weighted average) basis, rather than on the basis of a forward-looking term. As such, investors should be aware that RFRs may behave materially differently from EURIBOR and other interbank offered rates as interest reference rates for the Covered Bonds.

The market or a significant part thereof (including the Issuer) may adopt an application of SONIA that differs significantly from that set out in the Conditions (including in relation to fallbacks in the event that such rates are discontinued or fundamentally altered) and used in relation to Floating Rate Covered Bonds referencing SONIA issued under this Programme.

Since RFRs are relatively new in the market, Covered Bonds linked to such rates may have a limited trading market when issued, and a wider trading market may never develop or may not be very liquid. Potential investors should note that the market terms for debt securities indexed to SONIA, SOFR, €STR and/or any other risk-free rate, such as the spread over the index reflected in interest rate provisions, may evolve over time, and trading prices of the Covered Bonds linked to SONIA, SOFR, €STR and/or any other risk free rate may be lower than those of later-issued indexed debt securities as a result.

***Historical levels are not an indication of future levels.*** Hypothetical or historical performance data and trends are not indicative of, and have no bearing on, the potential performance of RFRs and therefore investors should not rely on any such data or trends as an indicator of future performance. Daily changes in RFRs have, on occasion, been more volatile than daily changes in comparable benchmark or market rates and as a result, Covered Bondholders should note that the return on and value of the Covered Bonds linked to RFRs may fluctuate more than floating rate securities that are linked to less volatile benchmark and market rates. Investors should note that the future performance of any RFR is impossible to predict and no future performance of any RFR should be inferred from any hypothetical or historical data or trends.

***Calculation of Rate of Interest based on SONIA is only capable of being determined at the end of the relevant Interest Period.*** Interest on Covered Bonds which reference SONIA is only capable of being determined at the end of the relevant Interest Period and immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Covered Bonds that reference such rates to reliably estimate the amount of interest that will be payable on such Covered Bonds. Further, if the Covered Bonds become due and payable under Condition 9(c) (*Enforcement*), the Rate of Interest applicable to the Covered Bonds shall be determined on the date the Covered Bonds became due and payable and shall not be reset thereafter.

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

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

***The Issuer has no control over the determination, calculation or publication of SONIA.*** The Issuer has no control over the determination, calculation or publication of SONIA. There can be no guarantee that SONIA will not be discontinued, suspended or fundamentally altered in a manner that is materially adverse to the interests of investors in Floating Rate Covered Bonds linked to SONIA. In particular, the Bank of England as the administrator of SONIA may make methodological or other changes that could change the value of SONIA, including changes related to the method by which SONIA is calculated, eligibility criteria applicable to the transaction used to calculate such the rate, or timing related to the publication of the rate. The Bank of England has no obligation to consider the interests of the Covered Bondholders when calculating, adjusting, converting, revising or discontinuing SONIA.

If the manner in which SONIA is calculated is changed, that change may result in a reduction of the amount of interest payable on such Covered Bonds and the trading prices of such Covered Bonds.

#### 4. **RISKS RELATING TO COVERED BONDS GENERALLY**

***LLP only obliged to pay Guaranteed Amounts when the same are Due for Payment.*** Following service of a Notice to Pay on the LLP but prior to the service of an LLP Acceleration Notice, 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 and such higher ranking items which are then due and payable pursuant to the Guarantee Priority of Payments. In these circumstances, the LLP will not be obliged to pay any other amounts which become payable for any other reason or are to become payable in the future (including amounts which will become due and payable in the future on other Series of Covered Bonds).

Payments by the LLP under the Covered Bond Guarantee will be made subject to any applicable withholding or deduction and the LLP will not be obliged to pay any additional amounts 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 – 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*). See also "*Finite resources are available to the LLP to make payments due under the Covered Bond Guarantee*".

***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 (including in relation to Variable Rate Mortgages).*** With respect to each of the Non-Forward Starting Covered Bond Swaps, the LLP will, periodically, pay, or provide for payment of an amount to each corresponding Covered Bond Swap Provider based on an agreed floating rate. The relevant

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

In respect of both Non-Forward Starting Covered Bond Swaps and Forward Starting Covered Bond Swaps, a Covered Bond Swap Provider may be required, following a downgrade of its ratings below the ratings specified in the relevant Covered Bond Swap Agreement, to post collateral with the LLP pursuant to the terms of the relevant Covered Bond Swap Agreement if the LLP's net exposure to the Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement exceeds a certain threshold level. In addition to the above, although the LLP has entered into the Interest Rate Swap Agreement 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, the reference rate used, the products which are subject to the hedge 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. In particular, investors should note that as at the date of this Base Prospectus, the LLP will not enter into interest rate swaps referencing Variable Rate Mortgages in the Cover Pool. Any change in basis risk will be factored into ongoing pool maintenance, including but not limited to (1) potential changes in rating agency asset percentages and (2) levels of overcollateralisation maintained by the Issuer or as directed by the FCA and/or (3) any additional hedging arrangements as may be required by the FCA, in each case from time to time.

***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.*** Failure by the LLP to make payment in respect of the Final Redemption Amount on the Final Maturity Date (subject to any applicable grace period) in respect of a Series of Covered Bonds with an Extended Due for Payment Date shall not constitute an LLP Event of Default in respect of such Series. However, failure by the LLP to pay the Guaranteed Amounts corresponding to the Final Redemption Amount, or the balance thereof, on or prior to the Extended Due for Payment Date and/or Guaranteed Amounts constituting Scheduled Interest when Due for Payment will (subject to any applicable grace periods) be an LLP Event of Default. This may mean Covered Bondholders of the relevant Series may suffer losses

resulting from a delay in enforcing the Security between the Final Maturity Date and the Extended Due for Payment Date.

Furthermore, in relation to all Guaranteed Amounts constituting Scheduled Interest up to (and including) the Extended Due for Payment Date, as provided in the relevant Final Terms, the LLP may pay such Scheduled Interest pursuant to the floating rate set out in the applicable Final Terms, notwithstanding that the relevant Covered Bond was a Fixed Rate Covered Bond as at its relevant Issue Date. This may mean Covered Bondholders of the relevant Series suffer losses in their investments resulting from the different interest bases applicable.

***Service of an Issuer Acceleration Notice, Notice to Pay and/or LLP Acceleration Notice is not automatic.*** The Issuer is liable to make payments when due on the Covered Bonds. The obligations of the Issuer under the Covered Bonds are direct, unsecured, unconditional and unsubordinated obligations, ranking *pari passu* without any preference amongst themselves and (subject to applicable law) equally with its other direct, unsecured, unconditional and unsubordinated obligations (save for any obligations to be preferred by law).

The LLP has no obligation to pay the Guaranteed Amounts payable under the Covered Bond Guarantee until the occurrence of an Issuer Event of Default, service by the Bond Trustee on the Issuer of an Issuer Acceleration Notice and service by the Bond Trustee on the LLP of a Notice to Pay or, if earlier, following the occurrence of an LLP Event of Default, service by the Bond Trustee of an LLP Acceleration Notice. The occurrence of an Issuer Event of Default does not constitute an LLP Event of Default. However, failure by the LLP to pay amounts when Due for Payment under the Covered Bond Guarantee would constitute an LLP Event of Default which would entitle the Bond Trustee to accelerate the obligations of the Issuer under the Covered Bonds (if they have not already become due and payable) and the obligations of the LLP under the Covered Bond Guarantee and the Security Trustee to enforce the Security. Accordingly, the service of an Issuer Acceleration Notice, a Notice to Pay on the LLP and/or a LLP Acceleration Notice is not automatic and as such there may be some delay which in turn may impact on the timing of payments to Covered Bondholders.

***Certain decisions of the Covered Bondholders taken at Programme level.*** Any request in writing by (i) the holders of at least 25% of the aggregate Principal Amount Outstanding of the Covered Bonds or (ii) an Extraordinary Resolution of all the holders of the Covered Bonds 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 Conditions and the Trust Deed.

***Covered Bonds issued under the Programme.*** Covered Bonds issued under the Programme will either be fungible with an existing Series of Covered Bonds or have different terms from an existing Series of Covered Bonds (in which case they will constitute a new Series). All Covered Bonds issued from time to time will rank *pari passu* with each other in all respects and will share in the Security granted by the LLP under or pursuant to the Deed of Charge. Following the occurrence of an Issuer Event of Default and service by the Bond Trustee of an Issuer Acceleration Notice, the Covered Bonds of all outstanding Series will accelerate against the Issuer but will be subject to, and have the benefit of, payments made by the LLP under the Covered Bond Guarantee (following service of a Notice to Pay). Following the occurrence of an LLP Event of Default and service by the Bond Trustee of an LLP Acceleration Notice, the Covered Bonds of all Series outstanding will accelerate against the Issuer (if not already accelerated following service of an Issuer Acceleration Notice) and the obligations of the LLP under the Covered Bond Guarantee will accelerate. Covered Bonds may be issued by the Issuer which are unlisted and not admitted to trading on any regulated or unregulated market.

***Excess Proceeds received by the Bond Trustee.*** 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 a Notice to Pay Event and service of a Notice to Pay on the LLP (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 will constitute LLP Available Principal and shall be applied 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, Receipts and Coupons (subject to restitution of the same if such Excess Proceeds shall be required to be repaid by the Bond Trustee or the LLP). However, the obligations of the LLP under the Covered Bond Guarantee are (following service of a Notice to Pay or, if earlier, service of an LLP Acceleration Notice) unconditional and irrevocable and the receipt by the Bond Trustee of any Excess Proceeds and payment to the LLP of such Excess Proceeds shall not reduce or discharge any of such obligations. Covered Bondholders should note that such Excess Proceeds shall be paid to the LLP to be applied in accordance with the Priorities of Payments and therefore may not be readily available.

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

***Credit ratings may not reflect all risks; effect of reductions in credit ratings.*** One or more independent credit rating agencies may assign credit ratings to the Issuer and to any Series of 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 ratings assigned by Moody's to the Covered Bonds address the expected loss posed to potential investors. Such credit ratings may not reflect the potential impact of all risks related to structure, market, risk factors discussed herein or other factors that may affect the value of the Covered Bonds, including risks relating to the current macroeconomic environment and the Russia-Ukraine war and the Israel-Hamas war, as well as the potential for further escalation of these wars, including in the latter case, within the Middle East. Accordingly, an investor may suffer losses if the credit rating assigned to any Covered Bonds does not reflect the true credit risks relating to such Covered Bonds. A credit rating is not a recommendation to buy, sell or hold Covered Bonds and may be revised or withdrawn by the relevant rating agency at any time.

There can be no assurance that rating agencies will maintain the current ratings or outlook assigned to the Issuer or any Covered Bonds. Additionally, any uncertainty about the extent of any anticipated changes to the credit ratings assigned to the Issuer or the Covered Bonds may adversely affect the market value of the Covered Bonds.

The value of any Covered Bonds may be affected, in part, by investors' general appraisal of the Issuer's and the LLP's creditworthiness. Such perceptions are generally influenced by credit ratings. Real or expected downgrades, suspensions or withdrawals of, or changes in the methodology used to determine, credit ratings accorded to any securities of the Issuer, including the Covered Bonds, or to the Issuer's debt securities generally, by any credit rating agency, could result in a reduction of the trading value of the Covered Bonds.

***The Covered Bonds may be assigned a credit rating below investment grade in the future, in which case the Covered Bonds will be subject to the risks associated with non-investment grade securities.*** Rating agencies may adopt methodology changes that may result in their assigning to the Covered Bonds credit ratings which are below investment grade. If the Covered Bonds are not considered to be investment grade securities, they will be subject to a higher risk of price volatility than higher-rated securities. Furthermore, increases in leverage or deteriorating outlooks for the Issuer or volatile markets could lead to a significant deterioration in market prices of below-investment grade rated securities. Further detail is included in the section headed "*EU CRA Regulation and UK CRA Regulation Considerations*".

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 Base Prospectus.

***Rating Confirmation in respect of Covered Bonds.*** The terms of certain of the Transaction Documents provide that, in certain circumstances, in respect of any proposed act or omission, that

the Rating Condition is satisfied, namely that such act or omission has been notified in writing to each of the Rating Agencies by the Issuer or the LLP (as applicable) and each Rating Agency has either (a) provided written confirmation that such proposed act or omission will not result in the downgrade, withdrawal or suspension of the then current ratings assigned by that Rating Agency to any Series of Covered Bonds; or (b) not advised the notifying party that such proposed act or omission will result in the downgrade, withdrawal or suspension of the then current ratings assigned by that Rating Agency to any Series of Covered Bonds. 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, where the Rating Condition is required to be satisfied, whether any action proposed to be taken by the Issuer, the LLP, the Seller, the Servicer, the Cash Manager, the Bond Trustee, the Security Trustee or any other party to a Transaction Document is either (i) permitted by the terms of the relevant Transaction Document, or (ii) in the best interests of, or not prejudicial to, some or all of the Covered Bondholders. In being entitled to have regard to the fact that the Rating Agency has either confirmed that such proposed act or omission will not result in the downgrade, withdrawal or suspension of the then current ratings assigned by that Rating Agency to any Series of Covered Bonds or not advised the notifying party that such proposed act or omission will result in such a downgrade, withdrawal or suspension, each of the Issuer, the LLP, the Bond Trustee, the Security Trustee and the Secured Creditors (including the Covered Bondholders) is deemed to have acknowledged and agreed that the above does not impose or extend any actual or contingent liability on the Rating Agency to the Issuer, the LLP, the Bond Trustee, the Security Trustee, the Secured Creditors (including the Covered Bondholders) or any other person or create any legal relations between the Rating Agency and the Issuer, the LLP, the Bond Trustee, the Security Trustee, the Secured Creditors (including the Covered Bondholders) or any other person whether by way of contract or otherwise. Any such confirmation by a Rating Agency may or may not be given at the sole discretion of the Rating Agency. It should be noted that, depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that the Rating Agency cannot provide such a 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. Such a confirmation by a Rating Agency 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.

***The Bond Trustee and the Security Trustee may agree to certain modifications to the Transaction Documents without, respectively, the Covered Bondholders' or Secured Creditors' prior consent.*** Pursuant to Condition 14 (*Meetings of Covered Bondholders, Modification, Waiver and Substitution*), and certain provisions of the Trust Deed and the Deed of Charge, the Bond Trustee has the ability to agree to and/or direct the Security Trustee to agree to certain modifications, waivers and authorisations under the Covered Bonds and the Transaction Documents (including the waiver of any Issuer Event of Default and/or LLP Event of Default) without consultation with, or the consent or sanction of, the Covered Bondholders or the other Secured Creditors provided that (i) the Bond Trustee is of the opinion that such modification, waiver, authorisation or determination will not be materially prejudicial to the interests of any of the Covered Bondholders; or (ii) in the case of modification only, such modification is in the opinion of the Bond Trustee or the Security Trustee (as the case may be) of a formal, minor or technical nature, is to correct a manifest error or is to comply with mandatory provisions of law.

Subject as provided in Condition 14 (*Meetings of Covered Bondholders, Modification, Waiver and Substitution*), the Trust Deed and to being indemnified and/or secured and/or prefunded to its satisfaction, the Bond Trustee must, and/or must direct the Security Trustee to, agree to modifications, waivers and authorisations as referred to above if so directed by (i) an Extraordinary Resolution of the Covered Bondholders of the relevant one or more Series or (ii) the holders of not less than 25% of the Principal Amount Outstanding of the Covered Bonds of the relevant one or more Series.

In the case of the waiver of an Issuer Event of Default or an LLP Event of Default, the relevant one or more Series will be all Series taken together as a single Series. In all other cases referred to above, the relevant one or more Series will be those Series which, in the opinion of the Bond Trustee, are affected by the modification, waiver or authorisation, taken together as a single Series

if, in the opinion of the Bond Trustee, there is no conflict between the interests of the Covered Bondholders of the affected Series, but otherwise taken separately.

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% 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 to or cessation of 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 Issuer and the Principal Paying Agent from Covered Bondholders representing at least 10% 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% 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 (i) from any custodians or other intermediaries through which they hold their Covered Bonds and (ii) 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.

***In relation to instruments issued in global form, investors will have to rely on the procedures of the applicable clearing system for transfer, payment and communication with the Issuer.*** Covered Bonds issued under the Programme may be represented by instruments in global form (as further described in the section entitled "*Form of the Covered Bonds*").

While Covered Bonds are represented by instruments in global form the Issuer will discharge its payment obligations under such Covered Bonds by making payments through the applicable clearing system for distribution to their respective account holders. A holder of an interest in an instrument in global form must rely on the procedures of the relevant clearing system to receive

payments under the relevant Covered Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, interests in global instruments.

The fact that the Covered Bonds are not represented in physical form could, amongst other things:

- result in payment delays on the Covered Bonds because distributions on the Covered Bonds will be sent by or on behalf of the Issuer to Euroclear or Clearstream, Luxembourg instead of directly to Covered Bondholders;
- make it difficult for Covered Bondholders to pledge the Covered Bonds as security if Covered Bonds in physical form are required or necessary for such purposes; 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.

Holders of interests in instruments in global form will not have a direct right to vote in respect of the relevant Covered Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system to appoint appropriate proxies under and in accordance with the rules of such clearing system.

***There is no active trading market for the Covered Bonds.*** Any Series of Covered Bonds issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (even where, in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Covered Bonds which is already issued). If the Covered Bonds are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and existing liquidity arrangements (if any) might not protect Covered Bondholders from having to sell the Covered Bonds at substantial discounts to their principal amount in case of financial distress of the Issuer. Although application has been made for Covered Bonds issued under the Programme to be admitted to the Official List of the FCA and to trading on the London Stock Exchange, and application may be made for the listing of any particular Tranche of Covered Bonds on any other stock exchange, there is no assurance that any such application will be accepted, that any particular Tranche of Covered Bonds will be so admitted, that an active trading market will develop or that any listing or admission to trading will be maintained. In addition, if the Covered Bonds cease to be listed on the stock exchange on which they were admitted to trading, certain investors may not continue to hold or invest in the Covered Bonds. In addition, the ability of the Dealers to make a market in the Covered Bonds may be impacted by changes in regulatory requirements applicable to the marketing, holding and trading of, and issuing quotations with respect to, the Covered Bonds. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Covered Bonds. If a market does develop, it may not be very liquid and such liquidity may be sensitive to changes in financial markets.

Also, to the extent that Covered Bonds are redeemed or purchased and cancelled, the number of Covered Bonds outstanding will decrease, resulting in a lessening of the liquidity of the Covered Bonds. A lessening of the liquidity of the Covered Bonds may cause, in turn, an increase in the volatility associated with the price of the Covered Bonds. To the extent that there is no liquid market in the Covered Bonds, an investor may have to wait until the redemption of such Covered Bonds in order to realise the value of their investment and, as such, an investor should proceed on the assumption that they may have to bear the economic risk of an investment in the Covered Bonds until the maturity date of the Covered Bonds.

The Issuer and any person directly or indirectly connected with the Issuer may, but is not obliged to, at any time purchase Covered Bonds at any price in the open market or otherwise. Such Covered Bonds may be held, reissued or, at the option of the Issuer, cancelled.

***Covered Bonds with multiple denominations.*** Where the Covered Bonds of a Series issued under the Programme are specified as having a denomination consisting of a minimum specified denomination *plus* a higher integral multiple of another smaller amount, it is possible that such Covered Bonds may be traded in the clearing systems in amounts in excess of the minimum specified denomination that are not integral multiples of the minimum specified denomination. In

such a case, should Covered Bonds in definitive form be required to be issued, Covered Bondholders who, as a result of trading such amounts, hold a principal amount that is less than the minimum specified denomination in his account with the relevant clearing system at the relevant time may not receive a Covered Bond in definitive form in respect of such holding and would need to purchase a principal amount of Covered Bonds such that their holding amounts to, or is in excess of, the minimum specified denomination.

***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.

***Eligibility of the Covered Bonds for central bank schemes is subject to the applicable collateral framework criteria and could have an impact on the liquidity of the Covered Bonds in general.*** Whilst central bank schemes (such as the Bank of England's (BoE) Discount Window Facility, the Indexed Long-Term Repo Facility and other schemes under its Sterling Monetary Framework, and the Eurosystem monetary policy framework for the European Central Bank), including emergency liquidity operations introduced by central banks in response to a financial crisis or a wide-spread health crisis (such as the Covid-19 pandemic), provide an important source of liquidity in respect of eligible securities, relevant eligibility criteria for eligible collateral apply (and will apply in the future) under such schemes and liquidity operations. Investors should make their own conclusions and seek their own advice with respect to whether or not the Covered Bonds constitute eligible collateral for the purposes of any of the central bank liquidity schemes, including whether and how such eligibility may be impacted by the UK's withdrawal from the EU and the UK no longer being part of the EEA. No assurance is given that any Covered Bonds will be eligible for any specific central bank liquidity schemes. If the Covered Bonds are not considered eligible collateral for such schemes, Covered Bondholders will not be able to use them as collateral for such schemes and may also find that the Covered Bonds become less liquid in any secondary market.

## 5. RISKS RELATING TO GREEN BONDS

***The use of proceeds of the Covered Bonds may not meet investor expectations or requirements.*** In relation to Tranches of Covered Bonds which are specified in the relevant Final Terms as being "Green Bonds" (hereinafter referred to as **Green Bonds**), the Issuer will exercise its judgement and sole discretion in determining the businesses and projects that satisfy certain eligibility requirements that purport to promote green initiatives (**Green Assets**) and will be financed by an amount equivalent to the net proceeds of the Covered Bonds. If the use of the proceeds of the Covered Bonds is a factor in an investor's decision to invest in the Covered Bonds, they should consider the disclosure in "Use of Proceeds" below and/or and in the relevant Final Terms relating to any specific Tranche of Covered Bonds and consult with their legal or other advisers before making an investment in the Covered Bonds.

Furthermore, there is no contractual obligation to allocate such funding to finance eligible businesses and projects or to provide annual progress reports as described in "Use of Proceeds" below and/or and in the relevant Final Terms. The Issuer's failure to so allocate or report, the failure of any of the businesses and projects funded with an amount equivalent to the net proceeds from the Covered Bonds to meet a specific framework or the failure of external assurance providers to opine on the Green Assets, conformity with a specific framework, will not constitute a Default (as

defined in the Trust Deed) with respect to the Covered Bonds and may affect the value of the Covered Bonds and/or have adverse consequences for certain investors with portfolio mandates to invest in Green Assets, which may in turn affect the liquidity of the Covered Bonds. Furthermore, any such failure will not lead to an obligation of the Issuer to redeem such Covered Bonds.

No assurance can be given that Green Assets will meet investor expectations or requirements regarding "green" or similar labels (including in relation to the EU Taxonomy Regulation and any related technical screening criteria, the EU Green Bond Regulation, SFDR, and any implementing legislation and guidelines, or any similar legislation in the United Kingdom) or any requirements of such labels as they may evolve from time to time. Any Green Bonds issued under the Programme will not be compliant with the EU Green Bond Regulation and are only intended to comply with the requirements and processes in the Issuer's Green Bond Framework. It is not clear if the establishment of the EU Green Bond (**EuGB**) label and the optional disclosures regime for bonds issued as "environmentally sustainable" under the EU Green Bond Regulation could have an impact on investor demand for, and pricing of, green bonds that do not comply with the requirements of the EuGB label or the optional disclosures regime, such as the Green Bonds issued under this Programme. It could result in reduced liquidity or lower demand or could otherwise affect the market price of any Green Bonds issued under this Programme that do not comply with those standards proposed under the EU Green Bond Regulation. The Issuer's Green Bond Framework (as defined in "*Use of Proceeds*" below) may be subject to review and change and may be amended, updated, supplemented, replaced and/or withdrawn from time to time and any subsequent version(s) may differ from any description given in this Base Prospectus. The Issuer's Green Bond Framework does not form part of, nor is incorporated by reference, in this Base Prospectus.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may be made available in connection with the issue of the Covered Bonds and in particular with any of the businesses and projects funded with an amount equivalent to the net proceeds from the Covered Bonds to fulfil any environmental and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall it be deemed to be, incorporated in and/or form part of this Base Prospectus. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer or any other person to buy, sell or hold the Covered Bonds. Any such opinion or certification is only current as at the date that opinion was initially issued. The criteria and/or considerations which form the basis of any opinion or certification may change at any time and any opinion may be amended, updated, supplemented, replaced and/or withdrawn. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in the Covered Bonds. The providers of such opinions and certifications are not currently subject to any specific regulatory or other regime or oversight.

**Green Bonds may not be linked to the performance of the Green Assets and do not benefit from any arrangements to enhance the performance of the Green Assets or any contractual rights derived solely from the intended use of proceeds of such Green Bonds**

Prospective investors should note that the performance of the Green Bonds may not be linked to the performance of the relevant Green Assets or the performance of the Issuer in respect of any environmental or similar targets. There will be no segregation of assets and liabilities in respect of the Green Bonds and the Green Assets. Consequently, neither payments of principal and/or interest on the Green Bonds nor any rights of Covered Bondholders shall depend on the performance of the relevant Green Assets or the performance of the Issuer in respect of any environmental or similar targets. Covered Bondholders, including holders of Green Bonds will not receive any preferential rights or priority against any of the Green Assets nor any benefit from any arrangements to enhance the performance of the Covered Bonds and therefore, this will mean that any failure to pay by the LLP under the Guarantee will be suffered by all Covered Bondholders equally (including holders of Green Bonds).

Prospective investors should consider the disclosure in "*Use of Proceeds*" below and/or and in the relevant Final Terms relating to any specific Tranche of Covered Bonds that are designated as

"Green Bonds" and consult with their legal or other advisers before making an investment in the Green Bonds.

**The listing of any Covered Bonds on any dedicated 'green', or other equivalently-labelled segment of any stock exchange or securities market is subject to change and may not meet investor expectations or requirements**

If a Tranche of Covered Bonds is at any time listed or admitted to trading on any dedicated "green" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental impact of any projects or uses, the subject of or related to, any of the businesses and projects funded with an amount equivalent to the net proceeds from the Covered Bonds. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer or any other person that any such listing or admission to trading will be obtained in respect of a Tranche of Covered Bonds or, if obtained, that any such listing or admission to trading will be maintained during the life of the Covered Bonds, and any failure to obtain or maintain such listing may affect the value of the Covered Bonds.

## 6. RISKS RELATING TO THE COVER POOL

***Value of the Mortgaged Properties and Payments on Mortgages.*** The value of the properties securing the Mortgages may decrease as a result of any number of factors, including the national or international economic climate, regional economic or housing conditions, changes in tax laws, inflation, prevailing mortgage interest rates, rising interest rates, yields on alternative investments, political developments, government policies, industrial action and strikes and the availability of financing. The availability of financing may be affected by, without limitation, economic and market conditions (as described in the Registration Document and the 2023 Annual Report and Accounts) or the presence of cladding where either a satisfactory EWS1 form has not been obtained or related remediation work has not yet been carried out, all of which may reduce the ability and/or willingness of mortgage lenders to make credit available to prospective borrowers and/or increase the rates of interest at which such lenders are able and/or willing to lend to prospective borrowers.

The same factors, along with other factors in Borrowers' personal or financial circumstances such as loss of earnings, illness (including any illness arising out of or in connection with any new variants of the Covid-19 virus or other epidemic and/or pandemic diseases), divorce and other similar factors may lead to an increase in delinquencies by, and bankruptcies of, Borrowers, and could adversely affect prepayment rates, repossession frequency and the ultimate ability of Borrowers to make payments of interest and principal on the Mortgages.

More specifically, the following factors may influence the value of the Mortgages and the making of payments by Borrowers on Mortgages:

- (i) the geographic concentration of Mortgages (see further "*Mortgages in the Portfolio may also be subject to geographic concentration risks within certain regions of England and Wales*"); and/or
- (ii) the United Kingdom residential mortgage market is closely correlated to the United Kingdom economic cycle and Borrowers with Mortgages may be experiencing increasing difficulties meeting repayments on such mortgages in the more adverse economic climate. The arrears and default history of the Seller's mortgage book will, in part, be reflective of the economic climate over this time; and/or
- (iii) changes in the national or international economic climate, regional economic or housing conditions including the rising cost of living crisis, changes in tax laws, including increases in taxes and/or national insurance contributions, rising interest rates, inflation, rising energy prices, industrial actions and strikes, the availability of financing, yields on

alternative investments, political developments and government policies, geopolitical crises such as the Russia-Ukraine war and Israel-Hamas war as well as the potential for further escalation of these wars, including in the latter case, within the Middle East, natural disasters and widespread health crises or the fear of such crises (such as epidemic or pandemic diseases including, without limitation, Covid-19 and any new variants of the Covid-19 virus).

Additionally, when market interest rates increase in relation to the rate of interest currently paid by a borrower, borrowers are less likely to prepay their mortgage loans, while conversely, when market interest rates decrease in relation to the rate of interest currently paid by a borrower, borrowers (in particular those paying by reference to a fixed interest rate, where there are no or minimal associated early repayment charges) are generally more likely to prepay their mortgage loans. Borrowers may prepay mortgage loans when they refinance their loans or sell their properties (either voluntarily or as a result of enforcement action).

In addition, the ability of a Borrower to sell the Mortgaged Property relating to the relevant Mortgage at a price sufficient to repay the amounts outstanding under such Mortgage will depend upon a number of factors, including the availability of buyers for that property, the value of the property and property values and the property market in general at the time of such proposed sale. This may affect the ability of the LLP to make payments under the Covered Bond Guarantee.

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

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. Any decline in housing prices may leave borrowers with insufficient equity in their homes to permit them to refinance. These events, alone or in combination, may contribute to higher delinquency rates and losses on the Portfolio, which in turn may affect the ability of the Issuer to make payments of interest and principal on the Covered Bonds.

In addition, the ability of a Borrower to sell the Mortgaged Property relating to the relevant Mortgage at a price sufficient to repay the amounts outstanding under such Mortgage will depend upon a number of factors, including the availability of buyers for that property, the value of the property and property values and the property market in general at the time of such proposed sale. This may affect the ability of the LLP to make payments under the Covered Bond Guarantee.

***Mortgages in the Portfolio may also be subject to geographic concentration risks within certain regions of England and Wales.*** To the extent that specific geographic regions within England and Wales 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, a concentration of the Mortgages in such a region may be expected to exacerbate all of the risks relating to the Mortgages described in this risk factor. The economy of each geographic region within England and Wales 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. Neither the Issuer nor the LLP can predict neither when nor where such regional economic declines may occur nor to what extent or for how long such conditions may continue as described above, thus the ability of the LLP to make payments under the Covered Bond Guarantee could be reduced or delayed.

If the timing of the payments, as well as the quantum of such payments, in respect of the Mortgages 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.

***Default by Borrowers in paying amounts due on their Mortgages.*** As described in the risk factor titled "Value of the Mortgaged Properties and Payments on Mortgages" above, Borrowers may default on their obligations due under the Mortgages.

If a Borrower does default on their obligations due under a Mortgage, in order to enforce a power of sale in respect of a mortgaged property in England and Wales, the relevant mortgagee must first obtain possession of the relevant property. Possession is usually obtained by way of a court order or decree. This can be a lengthy and costly process and will involve the mortgagee assuming certain risks. The Security Trustee is never obliged to enter into possession of any Mortgaged Property. In addition, once possession has been obtained, a reasonable period must be allowed for marketing the property, to discharge obligations and to take reasonable care to obtain a proper price. If obtaining possession of properties and arranging a sale in such circumstances is lengthy or costly, the Issuer's ability to make payments on the Covered Bonds may be reduced. The Issuer's ability to make such payments may be reduced further if the powers of a mortgagee in relation to obtaining possession of properties permitted by law are restricted in the future. Action to seek possession should be the last resort and should not be started unless all other reasonable attempts to resolve the position have failed.

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

***The constitution of the Mortgage Portfolio will change over time.*** Potential investors should note that as Covered Bondholders, they will receive only limited detailed statistics or information in relation to the Mortgages in the Mortgage Portfolio via the Issuer's website and Covered Bondholders will not have access to any more detailed statistics or information. This information will be set out in the relevant investor report and will relate to the Mortgage Portfolio at the end of the immediately preceding Calculation Period and will not reflect any subsequent changes to the Portfolio since such date. It is expected that the constitution of the Mortgage Portfolio will frequently change due to, for instance:

- the Seller selling Mortgages and their Related Security (or New Mortgage Loan Types and their Related Security) to the LLP;
- the Seller repurchasing Mortgages and their Related Security in accordance with the Mortgage Sale Agreement;
- repayments by Borrowers, from time to time, of the Mortgages in the Portfolio;
- Additional Borrowings, Product Switches and prepayments by Borrowers in relation to Mortgages included in the Cover Pool;
- potentially, New Sellers acceding to certain of the Transaction Documents and selling and/or repurchasing Mortgages and their Related Security (or New Mortgage Loan Types and their Related Security) to the LLP.

Potential investors should note that there is no assurance that the characteristics of the New Mortgages assigned to the LLP on a future date will be the same as those Mortgages in the Mortgage Portfolio as at the date prior to any such assignment. Investors should note that changes in the characteristics of the Mortgages in the Mortgage Portfolio may adversely affect the average credit quality, yield, payment rate and other characteristics of the Mortgages, which may result in the LLP breaching the Asset Coverage Test. Moreover, changes that affect the credit quality of the Mortgages may lead to increased defaults by Borrowers and may affect the realisable value of the Cover Pool, or part thereof, and the ability of the LLP to make payments under the Covered Bond Guarantee. The Seller will be permitted (subject to the satisfaction of the Asset Coverage Test), but will not be required, to request the retransfer of delinquent mortgages from the LLP to the

Seller as described further in "*The Cover Pool*" below. However, investors should note that prior to any assignment, each Mortgage will be required to meet the Mortgage Warranties and the Substitution Criteria set out in the Mortgage Sale Agreement – see "*Summary of the Principal Documents – Mortgage Sale Agreement – Sale by the Seller of Mortgages and Related Security*" (although the Mortgage Warranties and Substitution Criteria may change in certain circumstances, including with respect to the sale of New Mortgage Loan Types to the LLP – see "*The Bond Trustee and the Security Trustee may agree to certain modifications to the Transaction Documents without, respectively, the Covered Bondholders' or Secured Creditors' prior consent*" below). In addition, the Asset Coverage Test is intended to ensure that the Aggregate Adjusted Cover 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 Investor Reports will set out certain information in relation to the Asset Coverage Test. The Investor Reports shall not form part of this Base Prospectus.

***Changes in the characteristics of the Mortgages.*** The characteristics of the Mortgages in the Cover Pool may change over time as a result of how the Seller manages its mortgage business and the resulting behaviour of Borrowers. In particular, prospective investors should note the following:

- (i) the Seller is permitted to solicit Borrowers to encourage them to refinance a Mortgage in the Cover Pool with another loan product which the Seller does not (or cannot) transfer into the Cover Pool;
- (ii) the Seller is permitted to advance Additional Borrowings in respect of Mortgages in the Cover Pool which may result in either the characteristics of the relevant Mortgage changing (including as a result of higher loan to value ratios and/or income multiples), subject to the relevant Mortgage meeting the Mortgage Warranties and the Substitution Criteria on the Calculation Date immediately after the Additional Borrowing is made, or the removal of the relevant Mortgage from the Cover Pool;
- (iii) each of the Mortgages originated by the Seller or acquired by the Seller from HSBC Bank plc pursuant to a transfer under Part VII of the Financial Services and Markets Act 2000 will have been originated in accordance with its Lending Criteria at the time of origination. It is expected that the Seller's Lending Criteria will generally consider type of property, term of loan, age of applicant, the loan-to-value ratio, status of applicants and credit history. In the event of the sale or transfer of any Mortgages and Related Security to the LLP, the Seller will warrant only that such Mortgages and Related Security were originated in accordance with the Seller's Lending Criteria applicable at the time of origination. The Seller retains the right to revise its Lending Criteria from time to time. If the Lending Criteria change in a manner that affects the creditworthiness of the Mortgages, that may lead to increased defaults by Borrowers and may affect the realisable value of the Portfolio, or part thereof, and the ability of the LLP to make payments under the Covered Bond Guarantee; and
- (iv) the Seller is permitted to add Mortgages to the Cover Pool which were acquired by it or were originated or acquired by one of its affiliates and in such case the Mortgages so added may have been originated under lending criteria materially different from those of the Seller.

Such changes in the characteristics of the Mortgages may adversely affect the average credit quality, yield, payment rate and other characteristics of the Mortgages, which may result in the LLP breaching the Asset Coverage Test. Moreover, changes that affect the credit quality of the Mortgages may lead to increased defaults by Borrowers and may affect the realisable value of the Cover Pool, or part thereof, and the ability of the LLP to make payments under the Covered Bond Guarantee. The Seller will be permitted (subject to the satisfaction of the Asset Coverage Test), but will not be required, to request the retransfer of delinquent mortgages from the LLP to the Seller as described further in "*The Cover Pool*" below.

***Sale of Selected Mortgages and their Related Security following the failure of the Pre-Maturity Test or the service of a Notice to Pay.*** If the Pre-Maturity Test is failed or a Notice to Pay is served on the LLP, then the LLP will be obliged to sell, subject to a right of pre-emption enjoyed by the

Seller pursuant to the terms of the Mortgage Sale Agreement, Selected Mortgages in order to make payments to the LLP's creditors, including making payments under the Covered Bond Guarantee, see "*Summary of the Principal Documents – LLP Deed – Sale of Selected Mortgages and their Related Security if the Pre-Maturity Test is failed*" and "*Summary of the Principal Documents – LLP Deed – Sale of Selected Mortgages and their Related Security following service of a Notice to Pay*".

There is no guarantee that a buyer will be found to acquire Selected Mortgages at the times required and there can be no guarantee or assurance as to the price which may be able to be obtained for such Selected Mortgages, which may adversely affect the ability of the LLP to make payments under the Covered Bond Guarantee. However, the Selected Mortgages may not be sold by the LLP for less than an amount equal to the Adjusted Required Redemption Amount for the relevant Series of Covered Bonds until six months prior to the Final Maturity Date in respect of such Covered Bonds or (if specified as applicable in the relevant Final Terms) the Extended Due for Payment Date under the Covered Bond Guarantee in respect of such Covered Bonds. In the six months prior to, as applicable, the Final Maturity Date or Extended Due for Payment Date, the LLP is obliged to sell the Selected Mortgages for the best price reasonably available notwithstanding that such price may be less than the Adjusted Required Redemption Amount. This may adversely affect later maturing Series of Covered Bonds if the Selected Mortgages 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 Collections) to redeem that earlier maturing Series of Covered Bonds.

The factors that may affect the realisable value of Mortgages or any part thereof (which in turn could adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee) include:

- (i) representations or warranties not being given by the LLP or (unless otherwise agreed with the Seller) the Seller in respect of the Mortgages;
- (ii) default by Borrowers of amounts due on their Mortgages;
- (iii) changes to the lending criteria of the Seller;
- (iv) the LLP not having legal title to the Mortgages in the Portfolio;
- (v) risks in relation to some types of Mortgages which may adversely affect the value of the Portfolio or any part thereof;
- (vi) set-off risks in relation to some types of Mortgages;
- (vii) reliance of the LLP on third parties;
- (viii) limited recourse to the Seller;
- (ix) possible regulatory changes by the FCA, the PRA, the Competition and Markets Authority (CMA) and other regulatory authorities;
- (x) regulations in the UK that could lead to some terms of the Mortgages being unenforceable, cancellable or subject to set-off;
- (xi) the impact of the Pensions Act 2004 (see "*Legal and Regulatory Risks – Pensions Act 2004*"); and
- (xii) geographic risks, as geographic regions within the UK have experienced or may experience in the future weaker regional economic conditions and housing markets than other regions in the UK (see further "*Mortgages in the Portfolio may also be subject to geographic concentration risks within certain regions of England and Wales*").

Each of these factors is considered in more detail below. However, it should be noted that the Asset Coverage Test and the Amortisation Test are intended to ensure that there will be an adequate amount of Mortgages in the Portfolio and moneys standing to the credit of the Covered Bond

Account, to enable the LLP to repay the Covered Bonds following an Issuer Event of Default, service of an Issuer Acceleration Notice on the Issuer and service of a Notice to Pay on the LLP and accordingly it is expected (but there is no assurance) that Selected Mortgages and their Related Security could be realised for sufficient values to enable the LLP to meet its obligations under the Covered Bond Guarantee.

In relation to Hard Bullet Covered Bonds, if the Pre-Maturity Test is breached, the LLP may be obliged to sell Selected Mortgages and their Related Security to seek to generate sufficient cash to enable the LLP to pay the Final Redemption Amount on any Hard Bullet Covered Bond should the Issuer fail to pay. There is no guarantee that a buyer will be found to acquire Selected Mortgages 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.

The LLP may not give warranties or indemnities in respect of a sale of Selected Mortgages (unless expressly permitted to do so by the Security Trustee, acting on the instructions of the Bond Trustee, itself acting on advice of a financial or other advisor (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). In addition, there is no assurance that the Seller would give any warranties or representations in respect of the Selected Mortgages. Any representations or warranties previously given by the Seller in respect of the Mortgages may not have value for a third party purchaser if the Seller is then insolvent.

***Set-off risk may adversely affect the value of the Mortgage Portfolio or any part thereof.*** As described above, the sale by the Seller to the LLP of Mortgages has been or will be given effect by an equitable assignment. As a result, legal title to the Mortgages sold by the Seller to the LLP will remain with the Seller. Therefore, the rights of the LLP may be subject to the direct rights of the Borrowers against the Seller, including rights of set-off which occur in relation to transactions or deposits made between the Borrowers and the Seller existing prior to notification to the Borrowers of the assignment of the Mortgages.

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

***The Seller may not have sufficient resources to repurchase any Mortgages in breach of the Mortgage Warranties.*** The LLP, the Bond Trustee and the Security Trustee will not undertake any investigations, searches or other actions on any Mortgage or its Related Security and will rely instead on the Mortgage Warranties given in the Mortgage Sale Agreement by the Seller in respect of the Mortgages sold by it to the LLP.

If any Mortgage sold by the Seller does not materially comply with any of the Mortgage Warranties made by the Seller as at the Transfer Date of that Mortgage, then the Seller will be required (but only after the service of a Mortgage Repurchase Notice) to repurchase (by way of a cash payment, or subject to compliance with the Asset Coverage Test, a deemed Capital Distribution to the Seller resulting in an adjustment of the Capital Contribution Balance of the Seller) on the Calculation Date immediately following completion of such repurchase.

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

***The Asset Coverage Test and/or Amortisation Test may be failed if the Seller fails to transfer additional Mortgages or make any Cash Capital Contributions.*** Asset Coverage Test: Pursuant to the terms of the Mortgage Sale Agreement and the LLP Deed, the Seller will agree to use all reasonable endeavours to transfer Mortgages and their Related Security to the LLP in order to ensure that the Portfolio is in compliance with the Asset Coverage Test. The consideration payable

to the Seller for the sale of the Mortgages and Related Security to the LLP will be a combination of: (i) a cash payment paid by the LLP; and/or (ii) the Seller being treated as having made a Capital Contribution to the LLP (in an amount up to the difference between the True Balance of the Mortgages sold by the Seller to the LLP as at the relevant Transfer Date and the cash payment (if any) paid by the LLP for such Mortgages); 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 following Calculation Date, an Asset Coverage Test Breach Notice will be served on the LLP, which will result in the consequences set out in "*Summary of the Principal Documents – LLP Deed – Asset Coverage Test*". There is no guarantee that the Seller or Issuer will have the resources available to transfer further Mortgages or make any Cash Capital Contribution and there is no specific recourse by the LLP to the Seller in respect of failure to sell Mortgages and their Related Security to the LLP nor is there any specific recourse to the Issuer if it does not make Cash Capital Contributions to the LLP. In addition, Covered Bondholders should be aware that the FCA may take certain actions under the RCB Regulations in relation to the Seller, including prohibiting the Seller from transferring further Mortgages 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 Asset Amount is in an amount at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding under the Covered Bonds. The Amortisation Test is intended to ensure that the assets of the LLP do not fall below a certain threshold 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. However, there is no assurance that the assets of the LLP will be sufficient for such purposes.

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

***Finite resources are available to the LLP to make payments due under the Covered Bond Guarantee.*** Following service of a Notice to Pay on the LLP, the LLP's ability to meet its obligations under the Covered Bond Guarantee will depend primarily on: (i) the realisable value of the assets in the Cover Pool; (ii) the amount and timing of Interest Collections and Principal Collections and/or Sale Proceeds from the assets in the Cover Pool; and (iii) amounts received from the Swap Providers. 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 is enforced, the proceeds of enforcement may not be sufficient to meet, in full, the claims of all the Secured Creditors, including the Covered Bondholders. Covered Bondholders who do not receive all amounts due to them under the Covered Bonds may still have an unsecured claim against the Issuer for the shortfall, however, it is unlikely in such circumstances that the Issuer will have sufficient funds to pay that shortfall in full. 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.

Covered Bondholders should note that the Asset Coverage Test has been structured to ensure that the Aggregate Adjusted Cover Amount is greater than the Sterling Equivalent of the aggregate

Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding, which should reduce the risk of there ever being a shortfall (although there is no assurance of this – in particular, the sale of further Mortgages and Related Security by the Seller to the LLP may be required to avoid or remedy a breach of the Asset Coverage Test).

The LLP and the Seller (in its capacity as member) shall procure 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. The Asset Coverage Test, the Amortisation Test and the Pre-Maturity Test (each as set out in the LLP Deed) have in the aggregate been structured with the intent of ensuring that the Cover Pool is sufficient to pay amounts due on the Covered Bonds and senior expenses (which will include costs relating to the maintenance, administration and winding-up of the Cover Pool while the Covered Bonds are outstanding). However, no assurance can be given that the Cover Pool will yield sufficient amounts for such purpose.

The LLP or the Servicer acting on its behalf may, from time to time, send notification to Moody's and the Security Trustee of the proposed percentage (used in the computation of the Asset Percentage) selected by it, being the difference between 100% and the amount of credit enhancement required to ensure that the Covered Bonds maintain an Aaa rating by Moody's using Moody's expected loss methodology. However, there is no obligation on the LLP or the Members to ensure that an Aaa rating by Moody's is maintained and the LLP is under no obligation to change the figure selected by it and notified to Moody's and the Security Trustee in line with such level of credit enhancement. If the LLP does not send further notification to Moody's and the Security Trustee, the Asset Percentage may not be reduced and may be insufficient to ensure the maintenance of an Aaa rating by Moody's, and the Covered Bonds may be downgraded, even though the Asset Coverage Test is not breached. For the avoidance of doubt, merely notifying Moody's and the Security Trustee of the amended Asset Percentage does not ensure that an Aaa rating by Moody's is maintained.

***Seller initially to retain legal title to the Mortgages.*** The sale by the Seller to the LLP of Mortgages has taken or will take effect by way of an equitable assignment. As a result, legal title to the Mortgages will remain with the Seller. The LLP, however, will have the right to demand that the Seller give it legal title to the Mortgages sold by it in the limited circumstances described in the section of this Base Prospectus entitled "*Summary of the Principal Documents – Mortgage Sale Agreement – Perfection of legal title to the Mortgages in the Cover Pool*" and, until such right arises, the LLP will not give notice of the sale of the Mortgages to any Borrower or apply to the Land Registry to register or record its equitable interest in the Mortgages. Since the LLP has not obtained legal title to the Mortgages and has not protected its interest in the Mortgages by registration of a notice at the Land Registry or otherwise perfected its legal title to the Mortgages, the following risks exist:

- *first*, if the Seller wrongly sells a Mortgage, which has already been sold to the LLP, to another person and that person acted in good faith and did not have notice of the interests of the LLP in the Mortgage, then such person might obtain good title to the Mortgage, free from the interests of the LLP. If this occurred then the LLP would not have good title to the affected Mortgage and it would not be entitled to payments by a Borrower in respect of that Mortgage. However, the risk of third party claims obtaining priority to the interests of the LLP would be likely to be limited to circumstances arising from a breach by the Seller of its contractual obligations or fraud, negligence or mistake on the part of the Seller or the LLP or their respective personnel or agents;
- *second*, the rights of the LLP may be subject to the rights of the Borrowers against the Seller, such as rights of set-off, which occur in relation to transactions or (in the case of deposit-taking institutions, such as HSBC UK Bank plc) deposits made between Borrowers and the Seller, and the rights of Borrowers to redeem their mortgages by repaying the Mortgage directly to the Seller. See further "*Set-off risk may adversely affect the value of the Mortgage Portfolio or any part thereof*"; and
- *third*, unless the LLP has perfected the assignment of the Mortgage (which it is only entitled to do in certain limited circumstances), the LLP would not be able to enforce any

Borrower's obligations under a Mortgage 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 Mortgage Portfolio or any part thereof and/or the ability of the LLP to make payments under the Covered Bond Guarantee may be affected.

***Lack of investigations in relation to the Cover Pool and reliance on the Seller's warranties.*** None of the LLP or the Security Trustee has undertaken or will undertake any investigations, searches or any other actions in relation to Mortgages and each of them will instead rely on the Seller's representations and warranties to the LLP under the Mortgage Sale Agreement in respect of the Mortgages.

In the event of a material breach of any of the representations or warranties or any of those representations and or warranties proves to be materially untrue in respect of any Mortgage as at (i) in respect of the Mortgages in the Cover Pool, the Initial Contribution Date or (ii), in the case of a Mortgage sold to the LLP after the Initial Contribution Date, the relevant Transfer Date (including, without limitation, if a Mortgage or any part thereof is held to be unenforceable and/or not to fall within the first ranking charge by way of legal mortgage over the relevant Mortgaged Property), then the LLP shall as soon as reasonably practicable serve upon the Seller a Mortgage Repurchase Notice requiring the Seller to accept the retransfer of the relevant Mortgage (and any other advances secured or intended to be secured on the Mortgaged Property) on the next LLP Payment Date following receipt by the Seller of such Mortgage Repurchase Notice (or such other date as the LLP may direct) for a repurchase price equal to the True Balance of the relevant Mortgage on the relevant date of repurchase less an amount equal to any Additional Borrowing (unless the Seller has already made a Capital Contribution in Kind in relation to such Additional Borrowing, in accordance with the LLP Deed).

The repurchase price to be paid by the Seller may be satisfied by way of a cash payment or, subject to compliance with the Asset Coverage Test, a deemed Capital Distribution to the Seller resulting in an adjustment of the Capital Contribution Balance of the Seller.

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

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

***FCA response to the cost of living crisis.*** On 16 June 2022, the FCA sent a "Dear CEO" letter which stated that the FCA considers that the Mortgages Tailored Support Guidance published on 25 March 2021, 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 (the **Mortgages Tailored Support Guidance**). 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. The FCA makes clear in the Mortgage Tailored Support Guidance that it expects lenders of both owner-occupied and buy-to-let mortgage loans to act in a manner which is consistent with that guidance. If the Issuer is required to offer prospective forbearance to a significant proportion of Mortgages in the Mortgage 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 Bonds Guarantee. 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 restating the scope of the above guidance.

*Mortgage Charter.* On 26 June 2023, His Majesty's Treasury published the 'Mortgage Charter' in light of the current pressures on households following interest rate rises and the cost-of-living crisis (last updated on 25 March 2024). The Mortgage Charter states that the largest mortgage lenders in the United Kingdom and the FCA have agreed with the Chancellor of the Exchequer 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 within a one-year period of their first missed payment (other than in exceptional circumstances). 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 only applies to owner-occupied mortgage loans. This may adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee. Further detail in relation to the Mortgage Charter is included in the section headed "*Information Relating to the Regulation of Mortgages in the UK – Mortgage Charter*" below.

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

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

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

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

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

No assurance can be given that any changes in legislation, guidance or case law on unfair terms will not have a material adverse effect on the Seller, the LLP and/or the Servicer and their respective businesses and operations. There can be no assurance that any such changes (including changes in regulators' responsibilities) will not affect the Mortgages. Further detail in relation to both the UTCCR and the CRA is included in the section headed "*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 (CPUTR).* The CPUTR prohibits certain practices which are deemed unfair within the terms of the CPUTR. Breach of the CPUTR may lead to liability for misrepresentation or breach of contract in relation to the underlying credit agreements, which may result in irrecoverable losses on amounts to which such agreements apply and which may adversely affect the ability of the LLP to make payments under the Covered Bond Guarantee. Further detail in relation to the CPUTR is included in the section headed "*Information Relating to the Regulation of Mortgages in the UK – Consumer Protection From Unfair Trading Regulations 2008*" below.

*Financial Ombudsman Service.* Under the 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 would affect the ability of the LLP to make payments under the Covered Bond Guarantee. Further detail is included in the section headed "*Information Relating to the Regulation of Mortgages in the UK – Financial Ombudsman Service*" below.

*Mortgage repossessions.* The protocols for mortgage possession claims may have adverse effects in relation to the ability of the Seller to repossess properties in markets experiencing above average levels of possession claims. Delays in the initiation of responsive action in respect of the Mortgages may result in lower recoveries and may adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee. Action to seek possession should be the last resort and should not be started unless all other reasonable attempts to resolve the position have failed.

*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. There is a risk that in certain circumstances, where a long lease is also an AT/AST due to the level of the ground rent the long lease will come to an end and the landlord will be able to re-enter the relevant property. This may adversely affect the LLP's ability to make payments on the Covered Bond Guarantee. Further detail

is included in the section headed "*Information Relating to the Regulation of Mortgages in the UK – Assured Shorthold Tenancy (AST)*" 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 establishes a scheme which gives eligible individuals in debt problems the right to legal protections from creditor action for up to 60 days while they receive debt advice, as well as a separate scheme providing for borrowers receiving mental health crisis treatment to be protected by a similar moratorium for the duration of their mental health crisis treatment and then for a further 30 days following the end of such treatment. Protections under the scheme are not extended to mortgage payments on the principal and interest, but will extend to payments of mortgage arrears not capitalised and interest, fees or any other charges on those arrears.

However, the Breathing Space Regulations do not apply to payments on principal and interest, except for arrears which are uncapitalised at the date of the application under the Breathing Space Regulations and interest, fees or any other charges on those arrears. Interest can still be charged on the principal secured debt during the breathing space period, but not on the arrears. Any mortgage arrears incurred during any breathing space period are not protected from creditor action. The Borrower must continue to make mortgage payments in respect of any mortgage secured against their primary residence (save in respect of arrears accrued prior to the moratorium) during the breathing space period, otherwise the relevant debt adviser may cancel the breathing space period.

In February 2021, the FCA issued a policy statement (PS21/1) on the application of the Breathing Space Regulations, in which they confirm that no changes are currently being made to the rules under MCOB, in relation to how mortgage lenders should treat a "breathing space" as an indicator of payment difficulties. The FCA's view is that this is something that firms should take into account, but should not be treated more specifically than other potential indicators of payment difficulties.

Prospective investors should note that any moratoria may adversely affect the LLP's ability to make payments under the Covered Bond Guarantee.

***The Seller has adopted procedures relating to investigations of title and searches for remortgages which could affect the characteristics of the Portfolio and which may adversely affect payments on the Covered Bonds.*** The Seller has not required a solicitor or a licensed conveyancer to conduct a full investigation of the title to a mortgaged property in all cases. Where the borrower is remortgaging, there may be a more limited title check with only some, but not all, of the searches and investigations which would normally be carried out for such a transaction. Mortgaged properties which have undergone such a limited title check may be subject to matters which would have been revealed by a full investigation of title and which may have been remedied or, if incapable of remedy, may have resulted in the mortgaged properties not being accepted as security for a loan had such matters been revealed. No indemnity insurance is obtained in respect of such mortgaged properties to mitigate against this risk. The inclusion of Mortgages secured by such Mortgaged Properties into the Portfolio can impact on the characteristics of the Portfolio. This could lead to a delay or reduction in the payments received on the Covered Bonds.

## 7. **RISKS RELATING TO COUNTERPARTIES**

***Reliance of the LLP on third parties.*** The LLP has entered into agreements with a number of third parties, including the Servicer, the Cash Manager and the Account Bank, which have agreed to provide services to the LLP. In the event that any of these parties fails to perform its obligations under the relevant agreement(s) 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 pay Guaranteed Amounts when Due for Payment may be adversely affected.

Failure by the Servicer to adequately administer the Mortgages may lead to higher incidences of non-payment or default by Borrowers, a reduction in the realisable value of Mortgages and failure to recover, from Borrowers, all amounts due under their Mortgages. The LLP is also dependent on the Swap Providers to provide it with the funds matching its obligations under the Intercompany Loan Agreement and the Covered Bond Guarantee, as described below.

If a Servicer Termination Event occurs, there can be no assurance that a substitute servicer with sufficient experience of administering mortgages of residential properties would be found who would be willing and able to service the Mortgages on the terms of the Servicing Agreement. Neither the Security Trustee nor the Bond Trustee is obliged in any circumstances to act as the Servicer or to monitor the performance by the Servicer of its obligations. In addition, any substitute servicer will be required to be authorised under the FSMA to conduct mortgage administration business. 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 and the ability of the Servicer to transfer such information, software and records to any substitute servicer. Any delay or inability to appoint a substitute servicer or to provide it with such information, software or records as it requires to properly perform its duties may affect the realisable value of the Portfolio or any part thereof and the timelines within which collections are received or recovered from Borrowers, and/or the ability of the LLP to make payments under the Covered Bond Guarantee.

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

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

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

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

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

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

***Reliance on Swap Providers.*** To provide a hedge against possible variances in the rates of interest payable on the Mortgages in the Mortgage 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, from time to time, enter into Interest Rate Swaps with an Interest Rate Swap Provider.

In addition, to provide a hedge against interest rate and currency risks in respect of amounts received by the LLP under the Mortgages and the Interest Rate Swaps and amounts payable by the LLP on the outstanding Term Advances or (following service on the LLP of a Notice to Pay) under the Covered Bond Guarantee in respect of the Covered Bonds, the LLP may enter into a Non-Forward Starting Covered Bond Swap Agreement with each Covered Bond Swap Provider in respect of a Series of Covered Bonds under the Covered Bond Swap Agreement between the LLP and that Covered Bond Swap Provider.

To provide a hedge against interest rate, currency (if applicable) and/or other risks in respect of amounts received by the LLP under the Mortgages in the Mortgage Portfolio and the Interest Rate Swap and amounts payable by the LLP under the Covered Bond Guarantee after service of a Notice to Pay on the LLP or service of an LLP Acceleration Notice, the LLP may, where relevant, enter into a Forward Starting Covered Bond Swap with a Covered Bond Swap Provider in respect of a

Series of Covered Bonds under a Covered Bond Swap Agreement between the LLP and that Covered Bond Swap Provider.

If the LLP fails to make timely payments of amounts due under any Swap Agreement then it will have defaulted under that Swap Agreement and such Swap Agreement may be terminated. 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 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 be able to find a replacement swap counterparty which has sufficiently high ratings as may be specified in current rating agency criteria published by or as otherwise agreed with each Rating Agency as being sufficient to maintain the current ratings of the Covered Bonds and which agrees to enter into a replacement swap agreement.

Furthermore, if the LLP is obliged to pay a termination payment under any Swap Agreement, such termination payment will rank (a) in the case of Interest Rate Swaps (i) prior to the service of an LLP Acceleration Notice, the commencement of winding-up proceedings against the LLP and/or realisation of the Security, ahead of amounts due on the Covered Bonds and (ii) following the service of an LLP Acceleration Notice, the commencement of winding-up proceedings against the LLP and/or realisation of the Security, *pari passu* with amounts due on the Covered Bonds, except where default by, or downgrade of, the relevant Swap Provider has caused the relevant Swap Agreement to terminate and (b) in the case of Covered Bond Swaps, *pari passu* with amounts due on the Covered Bonds, 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 Bank) are required to satisfy certain criteria in order that they can continue to receive and hold monies.

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

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

***Conflicts of interest.*** Conflicts of interest may arise during the life of the Programme as a result of various factors involving certain transaction parties. For example, such potential conflicts may arise because members of the Group and its affiliates act in several capacities (such as Interest Rate Swap Provider, Covered Bond Swap Provider, Issuer, Cash Manager, Servicer, Account Bank and Swap Collateral Account Bank) under the Transaction Documents although the relevant rights and obligations under the Transaction Documents are not contractually conflicting and are independent from one another. Also, during the course of their business activities, the transaction parties and/or

any respective affiliates may operate, service, acquire or sell properties, or finance loans secured by properties, which are in the same markets as the Mortgages. In such cases, the interest of any of those parties or their affiliates or the interest of other parties for whom they perform servicing functions may differ from, and compete with, the interests of the Issuer or of the holders of the Covered Bonds. So far as the Issuer is aware, there are no potential conflicts of interest between any duties of the members of the Group and its affiliates acting in their several capacities under the Transaction Documents, as at the date of this Base Prospectus.

## 8. LEGAL AND REGULATORY RISKS

***Change of law.*** The Conditions of the Covered Bonds and Transaction Documents are based on English law in effect as at the date of issue of the relevant Covered Bonds. No assurance can be given as to the impact of any possible judicial decision or change to English law (including any change in regulation which may occur without a change in primary legislation) or administrative practice (including without limitation the impact of any relevant change in law or practice relating to tax) in the UK after the date of this Base Prospectus, nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Covered Bonds or the ability of the LLP to make payments under the Covered Bond Guarantee.

In addition, the LLP is a limited liability partnership. Limited liability partnerships, created by statute pursuant to the LLPA 2000 are bodies corporate for general English law purposes and have unlimited capacity. A general description of limited liability partnerships is set out below under "*Description of Limited Liability Partnerships*". This area of the law is relatively undeveloped. Accordingly, there is a risk that, as the law develops, new case law or new regulations made under or affecting the 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 Covered Bondholders.

No assurance can be given that additional regulations or guidance from the regulators, or any other regulatory authority will not arise with regard to the mortgage market in the UK generally (including without limitation, in relation to matters arising from changes to the FCA's MCOB rules), the Seller's particular sector in that market or specifically in relation to the Seller, as to which, please see the risk factor titled "*Mortgages are subject to certain legal and regulatory risks*" with respect to the impact on the ability of the LLP to meet its obligations under the Covered Bond Guarantee when due.

The financial services industry has been and continues to be the focus of significant regulatory change and scrutiny. In particular, the UK's withdrawal from the EU continues to create significant political, regulatory and macroeconomic uncertainty. While the UK's withdrawal from the EU has not affected the validity of the Banking Act (through which Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended, supplemented or replaced from time to time) was implemented), UK and EU law have diverged with respect to certain aspects of recovery and resolution, as well as regulatory capital requirements. UK and EU law may diverge further, particularly as a result of the enactment of the Financial Services and Markets Act 2023 on 29 June 2023, which gives His Majesty's Treasury powers to revoke EU-derived laws (known as **retained EU laws** or **REUL** before the end of 2023 and as of 1 January 2024, known as **assimilated law**) related to financial services (including the Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms of the European Parliament and of the Council of 26 June 2013, as amended or supplemented, as it forms part of domestic law in the United Kingdom by virtue of the EUWA, the **UK CRR**) and replace such laws with a new UK legislative framework. His Majesty's Treasury, along with the UK FCA and PRA, have been consulting on the new UK legislative framework. His Majesty's Treasury and the PRA are expected to publish consultations, along with draft legislation and rules, on a number of matters relating to the repeal and replacement of UK CRR throughout 2024, the outcomes of which are likely to have effect over the next few years.

Any significant changes in financial services regulation, including through powers derived from the Financial Services and Markets Act 2023, may adversely affect the Group's business, financial performance, capital and risk management strategies. Such regulatory changes and the resulting actions taken to address such regulatory changes may include higher capital and additional loss absorbency requirements and increased powers of competent authorities which together may have

an adverse impact on the Group's performance and financial condition and may therefore affect the Issuer's performance and financial condition. It is not possible to predict changes to legislation or regulatory rulemaking or the ultimate consequences of any such changes to the Group or the Covered Bondholders, which could be material to the rights of Covered Bondholders and/or the ability of the Issuer to satisfy its obligations under the Covered Bonds.

***Implementation of and/or changes to the Basel III framework may affect the capital requirements and/or the liquidity associated with a holding of the Covered Bonds for certain investors.*** In Europe, the U.S. and elsewhere, there is significant focus on fostering greater financial stability through increased regulation of financial institutions, and their corresponding capital and liquidity positions. This has resulted in a number of regulatory initiatives which are currently at various stages of implementation and which may have an impact on the regulatory position for certain investors in covered bond exposures and/or on the incentives for certain investors to hold covered bonds, and may thereby affect the liquidity of such securities. Investors in the Covered Bonds are responsible for analysing their own regulatory position and none of the Issuer, the Guarantor 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 Basel Committee on Banking Supervision (the **BCBS**) has approved a series of significant changes to the Basel regulatory capital and liquidity framework in January 2011, January 2014 and December 2017 (such changes being referred to by the BCBS as **Basel III** in respect of reforms finalised prior to 7 December 2017 and **Basel IV** in respect of reforms finalised on or following that date), including additional capital requirements, higher capital ratios, more stringent eligibility requirements for capital instruments, a new leverage ratio and liquidity requirements.

The BCBS released a statement on 3 October 2023 which shows good progress among member states in implementing Basel III standards. However, implementation of Basel III requires national legislation, the final rules and the timetable for its implementation in each jurisdiction, as well as the treatment of covered bonds, may be subject to some level of national variation. It should also be noted that changes to regulatory capital requirements have been made for insurance and reinsurance undertakings through participating jurisdiction initiatives, such as the Solvency II framework in EU member states. Prospective investors should therefore make themselves aware of the requirements described above (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other applicable regulatory requirements with respect to their investment in the Covered Bonds. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

***Harmonisation of the EU Covered Bond framework.*** In November 2019, the European Parliament and the Council adopted the legislative package on covered bond reforms made up of a new covered bond directive and a new regulation, which have applied in the EU since July 2022 (both texts have relevance for the EEA and have been (or will be) implemented in EEA countries). Directive (EU) 2019/2162 (the **Covered Bond Directive**) replaces Article 52(4) of 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). Regulation (EU) 2019/2160 (the **Covered Bond Regulation**), which has been directly applicable in the EU since July 2022, has amended Article 129 of the Capital Requirements Regulation (Regulation (EU) No. 575/2013 (the **EU CRR**)) (and certain related provisions) and has further strengthened the criteria for covered bonds that benefit from preferential capital treatment under the EU CRR regime. 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.

The Covered Bond Directive provides that an equivalence for third-country (non-EU Member State) covered bond frameworks would be assessed following the two-year study period after entry into force and it is underway as at the date of this Base Prospectus. Investors in the Covered Bonds should consider their own regulatory positions and the uncertainty with respect to the Covered Bonds since such instruments may not qualify for preferential risk weight and may not be used as collateral for Eurosystem credit window purposes.

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

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

**UK regulated covered bond regime.** On 25 March 2021, the Issuer was admitted to the register of issuers and the Programme was admitted to the register of regulated covered bonds pursuant to Regulation 14 of the RCB Regulations. The RCB Regulations and the Regulated Covered Bond Sourcebook (the **RCB Sourcebook**) impose certain ongoing obligations and liabilities on both the Issuer and the LLP. In this regard, the LLP is required to (amongst other things), following the insolvency of the Issuer, make arrangements for the maintenance and administration of the Cover Pool such that certain asset capability and quality related requirements are met.

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

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

**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 UK branches of third country institutions. In addition, powers may be used in certain circumstances in respect of UK established banking group companies, where such companies are in the same group as a relevant UK or third country institution. Relevant transaction parties for these purposes include HSBC UK Bank plc in its capacity as the Issuer and a Covered Bond Swap Provider and the LLP may be considered a banking group company (see below).

For further information in relation to the tools available under the Banking Act generally, please see the risk factor entitled "*The Securities and the Issuer will be subject to certain bank resolution powers under the Banking Act*" in the Registration Document.

If an instrument or order were to be made under the provisions of the Banking Act currently in force in respect of a relevant entity as described above (including the Issuer), such action may (among other things) affect the ability of the relevant entity to satisfy its obligations under the

Transaction Documents (including limiting its capacity to meet its repayment obligations) and/or result in the cancellation, modification or conversion of certain unsecured liabilities of such entity under the Transaction Documents, including any unsecured portion of the liability in respect of the Covered Bonds at the relevant time and/or in other modifications to the Conditions and/or the Transaction Documents. In particular, modifications may be made pursuant to powers permitting (i) certain trust arrangements to be removed or modified, (ii) contractual arrangements between relevant entities and other parties to be removed, modified or created where considered necessary to enable a transferee in the context of a property or share transfer to operate the transferred business effectively and (iii) in connection with the modification of an unsecured liability through use of the bail-in tool (including any unsecured portion of the liability in respect of the Covered Bonds at the relevant time), the reduction of the relevant liability (including to zero) and/or the discharge of a relevant entity from further performance of its obligations under a contract. In addition, subject to certain conditions, powers would apply to require a relevant instrument or order (and related events) to be disregarded in determining whether certain widely defined "default events" have occurred (which events may include trigger events included in the Transaction Documents in respect of the Issuer, including trigger events in respect of perfection of legal title to the Mortgages and the Issuer Events of Default).

As a result, the making of an instrument or order in respect of a relevant entity may affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee and/or otherwise adversely affect the rights and interests of the Covered Bondholders.

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

As noted above, the stabilisation tools may be used in respect of certain banking group companies; provided certain conditions are met. If the LLP were regarded as 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.

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

The UK Supreme Court has held that a flip clause as described above is valid under English law, courts in the U.S. have provided conflicting judgments. 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 general, if a subordination provision included in the Transaction Documents were 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.

As a consequence, this may result in negative rating pressure in respect of the Covered Bonds, which may adversely affect the market value of the Covered Bonds.

***Expenses of insolvency officeholders.*** Under the RCB Regulations, following the realisation of any 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. 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.

***Fixed charges may take effect under English law as floating charges.*** Pursuant to the terms of the Deed of Charge, the LLP will, among other things, purport to grant fixed charges in favour of the Security Trustee to be held for, *inter alios*, the Bond Trustee (for the Covered Bondholders) in respect of the Cover Pool.

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

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

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

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

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

***Impact of UK European Market Infrastructure Regulation (UK EMIR) on Swap Agreements.***

The derivatives markets are subject to extensive regulation in a number of jurisdictions. UK EMIR establishes 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.

Pursuant to UK EMIR, counterparties can be classified as: (i) financial counterparties (FCs), and (ii) non-financial counterparties (NFCs). The category of "FC" is further split into: (i) financial counterparties above the "clearing threshold" (FC+s) and (ii) financial counterparties having gross

notional derivative exposures below the "clearing threshold" (FC-s). The category of "NFC" is further split into: (i) non-financial counterparties having gross notional derivative exposures above the "clearing threshold" (NFC+s), and (ii) non-financial counterparties having gross national derivative exposures below the "clearing threshold" (NFC-s). Whereas FC+s and NFC+ entities must clear 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.

The LLP is currently an NFC- under UK EMIR and a third country equivalent NFC- under EU EMIR, although a change in the LLP's position cannot be ruled out. Should the status of the LLP change to NFC+, FC+ or FC- under UK EMIR and/or third country equivalent NFC+, FC+ or FC- under EU EMIR, this may result in the application of the relevant Clearing Obligation or the margin requirement and daily valuation obligation under the applicable Risk Mitigation Requirements (the **Margin Obligation**), although it seems unlikely that any of the Swap Agreements would be a type of OTC derivative contract that is subject to the Clearing Obligation under the relevant UK and EU implementing measures made to date. It should also be noted that the applicable Margin Obligation should not apply in respect of the Interest Rate Swaps or the Covered Bonds Swaps entered into prior to the date the relevant implementing measures come into force, unless such a swap is materially amended on or after that date.

If the LLP's counterparty status changes to an NFC+, or FC+ or FC-, 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 the applicable conditions are satisfied.

The applicable conditions require that:

- (a) the Interest Rate Swaps and the Covered Bond Swaps are used only to hedge interest rate or currency mismatches under the covered bonds; and
- (b) the arrangements under the covered bonds adequately mitigate counterparty credit risk with respect to the Interest Rate Swaps and the Covered Bond Swaps concluded by the LLP in connection with the covered bonds,

and with respect to the partial exemption from the Margin Obligation only:

- (c) the netting set does not include OTC derivative contracts unrelated to the cover pool of the covered bonds; and
- (d) the covered bond to which the OTC derivative contract is associated meets the requirements of paragraphs (1), (2) and (3) of Article 129 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment funds amending Regulation (EU) 648/2012 as it forms part of domestic law in the UK by virtue of the EUWA.

Arrangements under covered bonds shall be considered to adequately mitigate counterparty credit risk, where the OTC derivative contracts concluded by the relevant covered bond entity in connection with the covered bonds comply with all of the following criteria:

- (i) those OTC derivative contracts are registered or recorded in the cover pool of the covered bond in accordance with UK legislation on covered bonds;
- (ii) those OTC derivative contracts are not terminated in case of resolution or insolvency of the covered bond issuer or the cover pool;
- (iii) the counterparty to the OTC derivative contract concluded with covered bond issuers or with cover pools for covered bonds ranks at least *pari passu* with the covered bond holders, except where the counterparty to the OTC derivative contract concluded with covered bond issuers or with cover pools for covered bonds is the defaulting or the affected party, or waives the *pari passu* rank; and

- (iv) the covered bonds are subject to a regulatory collateralisation requirement of at least 102%.

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.

If the LLP's counterparty status as an NFC- for the purposes of UK 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 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, 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.

**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 (SI2017/1119).

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.

**Pensions Act 2004.** Under the Pensions Act 2004, a person that is "connected with" or an "associate of" an employer in a defined benefit occupational pension scheme could be subject to a contribution notice or a financial support direction. The Issuer is an employer in a defined benefit occupational pension scheme and also a Member of the LLP. On this basis, the LLP is likely to be treated as an "associate of" the Issuer for the purposes of the UK Pensions Regulator's powers.

A contribution notice could be served on the LLP if it was party to an act, or a deliberate failure to act: (a) which has caused a material detriment to the pension scheme (whether or not intentionally); (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 ("**a section 75 debt**") or (ii) to prevent a section 75 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; (c) which has materially reduced the amount of any section 75 debt due from the employer that a defined benefit scheme could have recovered if a section 75 debt had been triggered immediately after the act or failure to act, or (d) which has reduced the value of the employer's resources and this reduction is material relative to a defined benefit scheme's estimated section 75 debt.

It is a criminal offence to fail to comply with a contribution notice. This is punishable by an unlimited fine or a civil penalty of up to £1 million.

A financial support direction could be served on the LLP where an employer is either a service company or insufficiently resourced. An employer is insufficiently resourced if, broadly, the value of its resources is less than 50% 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 contribution notice or financial support direction can only be served where the UK Pensions Regulator considers it is reasonable to do so, having regard to a number of factors.

A potential target's (which, in this structure could include the LLP) maximum exposure to a pension scheme under these powers is an amount equal to the section 75 debt. If a contribution notice or financial support direction were to be served on the LLP this could adversely affect the interests of the Covered Bondholders

***Pension Schemes Act 2021.*** The Pension Schemes Act 2021 (the **Pensions Schemes Act**), which came into force on 1 October 2021, introduced two standalone criminal offences in relation to defined benefit pension schemes.

The first offence is where a person does an act or engages in a course of conduct, or a failure to act, which (i) prevents the recovery of a section 75 debt due from the employer, (ii) prevents a section 75 debt becoming due, (iii) compromises or settles a section 75 debt, or (iv) reduces the amount of any section 75 debt which would otherwise become due. The person must have intended that their action would have this effect and must not have had a reasonable excuse for doing the act or engaging in the course of conduct or failure to act.

The second offence is committed where a person does an act or engages in a course of conduct, or a failure to act, which detrimentally affects in a material way the likelihood of accrued scheme benefits being received. The person must have known, or ought to have known, that the act or failure to act would have such an effect and must not have had a reasonable excuse for doing the act or engaging in the course of conduct or failure to act.

The UK Pensions Regulator has issued guidance on the approach it will take to the investigation and prosecution of the new offences, but this is non-binding guidance.

Any person who carries out an act, or any failure by such person to act which comes within the scope of the above offences will be at risk of criminal prosecution, in respect of which the penalty is a maximum custodial sentence of up to 7 years and/or an unlimited fine. There is also a risk of a civil penalty of up to £1 million for similar conduct.

If a criminal or civil action is taken against the LLP, this could adversely affect the interests of the Covered Bondholders.

***Volcker Rule.*** The LLP is not, and will not be, even after giving effect to any offering and sale of Covered Bonds pursuant to the Trust Deed, a "covered fund" for the purposes of regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended, commonly known as the "Volcker Rule". In reaching this conclusion, the LLP has determined that (i) the LLP may rely on the exemption from registration under the Investment Company Act provided by section 3(c)(5)(C) thereof and (ii) the LLP will not rely solely on section 3(c)(1) or section 3(c)(7) of the Investment Company Act for its exemption from registration under the Investment Company Act. 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.

There is limited interpretive guidance regarding the Volcker Rule, and implementation of the regulatory framework for the Volcker Rule is still evolving. The Volcker Rule's prohibitions and lack of interpretive guidance could negatively impact the liquidity and value of the Covered Bonds. Any entity that is a "banking entity" as defined under the Volcker Rule and is considering an investment in the Covered Bonds should consider the potential impact of the Volcker Rule in respect of such investment and on its portfolio generally. None of the Issuer, the LLP, the Seller, the Arranger, any Dealers or any other person makes any representation to any prospective investor

regarding the application of the Volcker Rule to the LLP or to such prospective investor's investment in the Covered Bonds, on the date hereof or at any time in the future. 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. Further detail is included in the section headed "*Certain Investment Company Act Considerations*".

**FCA Consumer Duty.** The FCA aims to set a higher level of consumer protection in retail financial markets by requiring regulated firms to act to ensure good retail consumer outcomes. The FCA published its final rules on the consumer duty in July 2022 (**Consumer Duty**) and these rules have applied since 31 July 2023 for products and services that remain open to sale or renewal and will apply from 31 July 2024 for closed products and services. The final rules set out a new FCA principle for businesses that require the Issuer and other firms within the Group that are subject to FCA regulation to act to deliver good outcomes for retail customers in relation to their products and services, price and value, consumer understanding and consumer support. The principle is supplemented by specific conduct standards to act in good faith towards consumers, avoid foreseeable consumer harm and to enable customers to pursue their financial objectives.

It is unclear, in some respects despite the guidance from the FCA and some areas of developing market practice, precisely 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 Mortgages, it could adversely affect the amounts received or recoverable in relation to the Mortgages and may adversely affect the ability of the LLP to meet its obligations under the Covered Bond Guarantee. In addition, the impact of the Consumer Duty on the loans cannot yet be predicted and no assurances can be given that it will not have a material adverse effect on the Seller, the Servicer and the Issuer and their respective businesses and operations. Further detail is included in the section headed "*Information relating to the regulation of mortgages in the UK – FCA Consumer Duty*".

## FORM OF THE COVERED BONDS

The Covered Bonds of each Series will be in either bearer form, with or without Receipts, Coupons and/or Talons attached, or registered form, without Receipts, Coupons and/or Talons attached. Bearer Covered Bonds will be issued outside the United States in reliance on the exemption from registration provided by Regulation S and Registered Covered Bonds will be issued both (i) outside the United States 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 pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws.

### **Bearer Covered Bonds**

Each Tranche of Bearer Covered Bonds will be initially issued in the form of a temporary global covered bond without Receipts and Coupons attached (a **Temporary Global Covered Bond**) or, if so specified in the applicable Final Terms (the **applicable Final Terms**), a permanent global covered bond without Receipts and 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 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, SA (**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 (the **Exchange Date**) which is 40 days after a Temporary Global Covered Bond is issued, interests in such Temporary Global Covered Bond will be exchangeable (free of charge) upon a request as described therein either for: (i) interests in a Permanent Global Covered Bond of the same Series; or (ii) Bearer Definitive Covered Bonds of the same Series with, where applicable, Receipts, 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, in whole but not in part, for Bearer Definitive Covered Bonds with, where applicable, Receipts, Coupons and Talons attached 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 to permanently 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) may give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

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 Covered Bondholder) 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.

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 and on all Receipts and Coupons and/or 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, Receipts, Coupons and/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, Receipts, Coupons and/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 **Registered Global Covered Bond**). Prior to expiry of the Distribution Compliance Period applicable to each Tranche of Covered Bonds, beneficial interests in a Registered Global Covered Bond may not be offered, 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 Registered Global Covered Bond will bear a legend regarding such restrictions on transfer.

Registered Global Covered Bonds will be deposited with a common depositary or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, and registered in the name of a common nominee of Euroclear and Clearstream, Luxembourg, or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Covered Bonds will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Definitive Covered Bonds in fully registered form.

Payments of principal, interest and any other amount in respect of the Registered Global Covered Bonds will, in the absence of provision to the contrary, be made to the person shown on the Register (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 receipts, coupons or talons attached 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 to permanently 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 Registered Covered Bonds represented by the Registered Global Covered Bond in definitive form. The Issuer will promptly give notice to the Covered Bondholders of each Series of Registered Global Covered Bonds in accordance with Condition 13 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any registered holder of an interest in such Registered Global Covered Bond) may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.

### **Transfer of Interests**

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

### **General**

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Covered Bonds*"), the Principal Paying Agent shall arrange that, where a further Tranche of Covered Bonds is issued which is intended to form a single Series with an existing Tranche of Covered Bonds, the Covered Bonds of such further Tranche shall be assigned a common code and ISIN.

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

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

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

Where the Covered Bonds are not intended to be deposited with one of the ICSDs as common safekeeper upon issuance, should the Eurosystem eligibility criteria be amended in the future such that the Covered Bonds are capable of meeting such criteria, the Covered Bonds may then be deposited with one of the ICSDs as common safekeeper. Where the Covered Bonds are so deposited with one of the ICSDs as common safekeeper (and in the case of Registered Covered Bonds, registered in the name of a nominee of one of the ICSDs acting as common safekeeper) upon issuance or otherwise, this does not necessarily mean

that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at issuance or at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that the Eurosystem eligibility criteria have been met.

## FORM OF FINAL TERMS

*Set out below is the form of Final Terms which, subject to any necessary amendment, will be completed for each Series of Covered Bonds issued under the Programme.*

[Date]

### **HSBC UK Bank plc**

*(incorporated with limited liability in England and Wales)*

**Legal Entity Identifier (LEI: 21380081EP12LC86CB82)**

**Issue of Regulated [Aggregate Principal Amount of Tranche] [Title of Covered Bonds] irrevocably and unconditionally guaranteed as to payment of principal and interest by**

**HSBC UK Covered Bonds LLP**

**under the €25 billion**

**Global Covered Bond Programme**

**EU 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, **EU MiFID II**); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a **distributor**) should take into consideration the manufacturers' target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

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

**[IMPORTANT – PROHIBITION OF SALES TO EEA RETAIL INVESTORS]** – The Covered Bonds are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the **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, **EU MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the **EU Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; 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; 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]** – 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, who is not a professional client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law in the UK by virtue of 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 domestic law in the UK by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law in the UK 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.]

## PART A – CONTRACTUAL TERMS

[This document constitutes the Final Terms relating to the issue of the Tranche of Covered Bonds described herein. Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the **Conditions**) set forth in the base prospectus dated [●] 2024 in relation to the above Programme [●], as supplemented by the supplements thereto dated [●] which [together] constitute[s] a base prospectus (the **Base Prospectus**) for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law in the UK by virtue of the European Union (Withdrawal) Act 2018 (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 Base Prospectus. Full information on the Issuer, the Guarantor and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus. Pursuant to the UK Prospectus Regulation, the Base Prospectus is available for viewing at [www.hsbc.com (please follow links to 'Investors', 'Fixed income investors', 'Covered Bonds')] [and at [●] during normal business hours] and copies may be obtained from [●].]

[Terms used herein shall be deemed to be defined as such for the purposes of the 20[●] Conditions (the **Conditions**) which are defined in, and incorporated by reference into, the base prospectus dated [●] in relation to the above Programme [●], as supplemented by the supplements thereto dated [●] which [together] constitute[s] a base prospectus (the **Base Prospectus**) for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law in the UK by virtue of the European Union (Withdrawal) Act 2018 (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 Base Prospectus. Full information on the Issuer, the Guarantor and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus. Pursuant to the UK Prospectus Regulation, the Base Prospectus is available for viewing at [www.hsbc.com (please follow links to 'Investors', 'Fixed income investors', 'Covered Bonds')] [and at [●] during normal business hours] and copies may be obtained from [●].]

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

1. (i) Issuer: HSBC UK Bank plc
- (ii) Guarantor: HSBC UK Covered Bonds LLP
2. (i) Series Number: [●]
- (ii) Tranche Number: [●] [The Covered Bonds under these Final Terms are to be consolidated and form a single series with [●] (the **Original Issue**) issued on [●] [(ISIN: [●])].]
- (iii) Date on which the Covered Bonds become fungible: [●] / [Not Applicable]
3. Specified Currency or Currencies: [●]

4. [Nominal Amount of Covered Bonds to be issued:] [●]
5. Aggregate Principal Amount of the Covered Bonds admitted to trading:
  - (i) [Series: [●]
  - (ii) [Tranche: [●]
6. (i) [Issue Price: [●]% of the aggregate principal amount [plus accrued interest from [insert date] if applicable]
- (ii) [Net proceeds (Required only for listed issues)] [●]
7. (i) Specified Denominations: (in the case of Registered Covered Bonds, this means the minimum integral amount in which transfers can be made) [●]
 

*(N.B. Where multiple denominations above €100,000 or equivalent are being used, the following sample wording should be followed:*

*"[€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]].")*

*(N.B. If an issue of Covered Bonds is: (i) NOT admitted to trading on a European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the UK Prospectus Regulation, the €100,000 minimum denomination is not required.)*
- (ii) Calculation Amount: [●]
 

*(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
8. (i) Issue Date: [●]
- (ii) Interest Commencement Date: [specify/Issue Date/Not Applicable]
 

*(N.B. An Interest Commencement Date will not be relevant for certain Covered Bonds, for example Zero Coupon Covered Bonds.)*
9. (i) Final Maturity Date: [●] / (Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify month])
- (ii) Extended Due for Payment Date of Guaranteed Amounts corresponding to the Final Redemption Amount under the Covered Bond Guarantee: [●] / [Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify month; in each case, falling [not less than one year] after the Final Maturity Date]] / [Not Applicable]

10. Interest Basis: ☐ % Fixed Rate]  
☐ [Compounded Daily SONIA/EURIBOR] +/- ☐ %  
Floating Rate]  
☐ [Zero Coupon]  
☐ [specify other]  
(further particulars specified below)
11. Redemption/Payment Basis: ☐ [Redemption at par]  
☐ [Hard Bullet Covered Bonds]  
☐ [specify other]  
*[If Hard Bullet Covered Bonds, specify applicable Issuer ratings for Pre-Maturity Test below.]*  
☐ [Issuer ratings for purposes of the Pre-Maturity Test: [P-1(cr) Moody's][F1+ Fitch]]
12. Change of Interest Basis or Redemption/Payment Basis: ☐ [Specify details of any provision for change of Covered Bonds into another Interest Basis or Redemption/Payment Basis] / ☐ [in accordance with paragraphs 18 and 19]
13. Call Options: ☐ [Issuer Call]/☐ [Not Applicable]  
☐ [Further particulars specified below]
14. (i) Status of the Covered Bonds: ☐ Senior  
(ii) Status of the Guarantee: ☐ Senior  
(iii) ☐ [Date of approval (of the board of directors) for issuance of Covered Bonds obtained: ☐ ☐ [and ☐], respectively]  
*(N.B. Only relevant where authorisation of the board of directors (or similar) is required for the particular tranche of Covered Bonds or related Guarantee)]*
15. Listing: ☐ [London/specify other/None]
16. Method of distribution: ☐ [Syndicated/Non-syndicated]
17. Stabilisation Manager(s) (if any): ☐ [Not Applicable]/☐ ☐

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

18. Fixed Rate Covered Bond Provisions: ☐ [Applicable/Not Applicable]  
*(if not applicable, delete the remaining subparagraphs of this paragraph 18)*
- (i) Fixed Rate(s) of Interest: ☐ ☐ % per annum ☐ [payable ☐ [annually/semi-annually/quarterly] in arrear]  
*(if payable other than annually, consider amending Condition 4 (Interest))*

- (ii) Interest Payment Date(s): [●] in each year up to and including the [Final Maturity Date] [Extended Due for Payment Date, if applicable]/[specify other] (provided however that after the Extension Determination Date, the Interest Payment Date shall be monthly)
- (NB: This will need to be amended in the case of long or short coupons)*
- (iii) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]
- (iv) Business Day(s): [●]
- (v) Additional Business Centre(s): [●]
- (vi) Fixed Coupon Amount(s): [●] per [●] Calculation Amount
- (Applicable to Covered Bonds in definitive form)
- (vii) Initial Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
- (Applicable to Covered Bonds in definitive form)
- (viii) Broken Amount: *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount]*
- (ix) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or specify other]
- (x) Determination Date(s): [[●] in each year]/[Not Applicable]
- [Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]*
- NB: This will need to be amended in the case of regular interest payment dates which are not of equal duration.*
- NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA)]*
- (xi) Other terms relating to the method of calculating interest for Fixed Rate Covered Bonds: [Not Applicable/Give details]
19. Floating Rate Covered Bond Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph 19)*
- (i) Interest Period(s): [●]
- (ii) Specified Interest Payment Date(s): [Not Applicable] / [●], subject to adjustment in accordance with the Business Day Convention set out in item (iii) below][(provided however that after the Extension Determination Date, the Specified Interest Payment Date shall be monthly)]

*NB: Specify the Specified Interest Payment Date(s) up to and including the Extended Due for Payment Date, if applicable*

- (iii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]
- (iv) Additional Business Centre(s): [●]
- (v) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/specify other]
- (vi) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [●]
- (vii) Screen Rate Determination: [Applicable/Not Applicable]
  - Reference Rate: [[Compounded Daily SONIA] / [●] month [EURIBOR]]
  - Interest Determination Date(s): [●]
 

*(Second day on which the T2 is open prior to the start of each Interest Period if EURIBOR)*

*NB: Specify the Interest Determination Date(s) up to and including the Extended Due for Payment Date, if applicable*
  - Relevant Screen Page: [●]
 

*(In the case of EURIBOR, if not Reuters EURIBORO1 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
  - Relevant Time: [●]
  - Relevant Financial Centre: [●]
  - SONIA Lag Period (p): [five/[●] 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]*
- (viii) ISDA Determination:
  - Floating Rate Option: [●]
  - Designated Maturity: [●]/[Not Applicable]

(Designated Maturity will not be relevant where the Floating Rate Option is a risk free rate)

- Reset Date: [●]/[as specified in the ISDA Definitions]/[the first day of the relevant Interest Period, subject to adjustment in accordance with the Business Day Convention set out in [(iii)] above and as specified in the ISDA Definitions]
- ISDA Definitions: [2006 ISDA Definitions / 2021 ISDA Definitions]
- Compounding: [Applicable]/[Not Applicable]
- Compounding Method: [Compounding with Lookback  
Lookback: [●] Applicable Business Days  
[Compounding with Observation Period Shift  
Observation Period Shift: [●] Observation Period Shift Business Days  
Observation Period Shift Additional Business Days: [●]/[Not Applicable]]  
[Compounding with Lockout  
Lockout: [●] Lockout Period Business Days  
Lockout Period Business Days: [●]/[Applicable Business Days]]]
- Averaging: [Applicable]/[Not Applicable]
- Averaging Method: [Averaging with Lookback  
Lookback: [●] Applicable Business Days  
[Averaging with Observation Period Shift  
Observation Period Shift: [●] Observation Period Shift Business Days  
Observation Period Shift Additional Business Days: [●]/[Not Applicable]]  
[Averaging with Lockout  
Lockout: [●] Lockout Period Business Days  
Lockout Period Business Days: [●]/[Applicable Business Days]]]
- Index Provisions: [Applicable]/[Not Applicable]
- Index Method: Compounded Index Method with Observation Period Shift  
Observation Period Shift: [●] Observation Period Shift Business Days

		Observation Period Shift Additional Business Days: [•]/[Not Applicable]
(ix)	Margin(s):	[+/-] [●]% per annum
(x)	Minimum Rate of Interest:	[●]% per annum
(xi)	Maximum Rate of Interest:	[●]% per annum
(xii)	Day Count Fraction:	[Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 30E/360 (ISDA)] [Other] <i>(See Condition 4 (Interest) for alternatives)</i> [adjusted/not adjusted]
20.	Zero Coupon Covered Bond Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph 20)</i>
(i)	Accrual Yield:	[●]% per annum
(ii)	Reference Price:	[●]
(iii)	Any other formula/basis of determining amount payable:	[●]
(iv)	Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]
(v)	Business Day(s):	[●]
(vi)	Additional Business Centre(s):	[●]
(vii)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Condition 6(f) ( <i>Purchases</i> ) applies/specify other] (Consider applicable day count fraction if not U.S. Dollar denominated)

#### PROVISIONS RELATING TO REDEMPTION BY THE ISSUER

21.	Issuer Call:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph 21)</i>
(i)	Optional Redemption Date(s):	[●]  <i>NB: Optional Redemption Dates must be Interest Payment Dates unless otherwise agreed with the Dealers and the Bond Trustee</i>

- (ii) Optional Redemption Amount of each Covered Bond and method, if any, of calculation of such amount(s): ☐ per Calculation Amount/*specify other*
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: ☐
- (b) Higher Redemption Amount: ☐
- (iv) Notice period (if other than as set out in the Conditions): ☐

*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or Bond Trustee)*

22. Redemption for taxation reasons: (Condition 6(b)) ☐/[Not Applicable]
23. Final Redemption Amount: ☐ per Calculation Amount/*specify other*
24. Early Redemption Amount of each Covered Bond payable on redemption for taxation reasons, on acceleration following an Issuer Event of Default or an LLP Event of Default and/or the method of calculating the same (if required or if different from that set out in Condition 6(f)) (*Purchases*): ☐ per Calculation Amount/*specify other*

#### GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

25. New Global Covered Bond: ☐[Yes][No] ☐[Not Applicable]
26. New Safekeeping Structure ☐[Yes][No] ☐[Not Applicable]
26. 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:

[Registered Global Covered Bond registered in the name of a nominee for a common safekeeper for Euroclear and Clearstream, Luxembourg]]

27. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]  
*(Note that this item relates to the place of payment and not Interest Period end dates to which items 18(iii) (Business Day Convention:) and 20(vi) (Additional Business Centre(s):)*
28. Talons for future Coupons or Receipts to be attached to Bearer Definitive Covered Bonds (and dates on which such Talons mature): [Yes/No. If yes, give details]

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

Listing: Application [has been] [will be] made for the Covered Bonds to be admitted to listing on [the Official List of the Financial Conduct Authority/[●]] with effect from on or around [the Issue Date/[●]]

Admission to Trading: Application [has been] [will be] made for the Covered Bonds to be admitted to trading on [the Main Market of the London Stock Exchange plc/[●]] with effect from on or around [the Issue Date/[●]]

### 2. RATINGS

Ratings: The Covered Bonds to be issued [have been/are expected to be] rated:

[Moody's: [●]]

[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 for the fees and commission of [●] payable to the [Managers/Dealers] in relation to the Covered Bonds, so][So] far as the Issuer is aware, no person involved in the offer of the Covered Bonds has an interest material to the issue.] [other interests to be specified]]

### 4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(i) Reasons for the offer: [Use of proceeds if other than for general corporate purposes:]

[The Covered Bonds are specified as being "Green Bonds" and an amount equivalent to the net proceeds from the sale of the Covered Bonds will be used [as described in "Use of Proceeds" in the Base Prospectus]

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

- (iii) [Estimate of the total expenses related to the admission to trading] It is estimated that the total expenses to be incurred in relation to the admission to trading of the Covered Bonds will be:[•].]

## 5. YIELD (Fixed Rate Covered Bonds only)

Indication of yield: [●]

Calculated as [●] on the Issue Date.

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

## 6. 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][No][Not Applicable]

[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, that is, held under the NSS,] *[include this text for Registered Covered Bonds which are to be held under the NSS]* and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met]. *[include this text if "yes" is selected, in which case Bearer Covered Bonds must be issued in NGCB form and Registered Covered Bonds must be held under NSS]*

[While the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Covered Bonds are capable of meeting them, the Covered Bonds may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)][*include this text for registered covered bonds*]. Note that this does not necessarily mean that the Covered Bonds will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during

their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

## 7. DISTRIBUTION

- (i) Method of Distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated:
  - (a) Names of Dealers: [●]
  - (b) Stabilising Manager(s) (if any): [Not Applicable/[●]]
- (iii) If non-syndicated, name of Dealer: [Not Applicable/[●]]
- (iv) U.S. Selling Restrictions: [Regulation S Category 2; TEFRA C/TEFRA D/TEFRA not applicable]
- (v) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
 

*(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.)*
- (vi) Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]
 

*(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.)*

## 8. UK BENCHMARKS REGULATION

UK Benchmarks Regulation: Article 29(2) statement on benchmarks: [Not Applicable]

[Applicable: Amounts payable under the Covered Bonds are calculated by reference to *[insert name[s] of benchmark(s)]*, which *[is/are]* provided by *[insert name[s] of the administrator[s]]* – if more than one, specify in relation to each relevant benchmark]

[As at the date of these Final Terms, *[insert name[s] of the administrator[s]]* *[is/are]* *[not]* included in the register of administrators and benchmarks established and maintained by the FCA pursuant to Article 36 of the UK Benchmarks Regulation] *[repeat as necessary]*

[As far as the Issuer is aware, *[insert benchmark]* does not fall within the scope of the UK Benchmarks Regulation by virtue of Article 2 of that Regulation] OR [the transitional provisions in Article 51 of the UK Benchmarks Regulation apply], such that *[name of administrator]* is not

currently required to obtain authorisation or registration (or, if located outside the UK, recognition, endorsement or equivalence).]\*]

*\*To be inserted if prior statement is negative.*

## 9. HONG KONG SFC CODE OF CONDUCT

- (i) Rebates: [A rebate of [•] bps is being offered by the Issuer to all private banks for orders they place (other than in relation to Covered Bonds subscribed by such private banks as principal whereby they are deploying their own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Covered Bonds distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the "capital markets intermediaries" otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.]/ [Not Applicable]
- (ii) Contact email addresses of the Overall Coordinators where underlying investor information in relation to omnibus orders should be sent: [Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent – Overall Coordinators to provide]/[Not Applicable]
- (iii) Marketing and Investor Targeting Strategy: [if different from the Base Prospectus]/[As stated in the Base Prospectus]/[Not Applicable]

Signed on behalf of **HSBC UK BANK PLC** as the  
Issuer:

By:.....

Duly authorised

Signed on behalf of **HSBC UK COVERED  
BONDS LLP:**

By:.....

Duly authorised

## TERMS AND CONDITIONS OF THE COVERED BONDS

*The following are the Terms and Conditions of the Covered Bonds issued on and from the Programme Establishment Date (the **Conditions**) which will be incorporated by reference into each Global Covered Bond and each Definitive Covered Bond (each as defined below), in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer(s) at the time of issue but, if not so permitted and agreed, such Definitive Covered Bond will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Series of Covered Bonds may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Covered Bonds. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Covered Bond and Definitive Covered Bond.*

This Covered Bond is one of a Series (as defined below) of Covered Bonds issued by HSBC UK Bank plc (the **Issuer**) constituted by a trust deed dated 26 March 2021 (such trust deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) and made between the Issuer, HSBC UK Covered Bonds LLP as guarantor (the **LLP**) and CSC Trustees Limited as bond trustee (in such capacity, the **Bond Trustee**, which expression shall include any successor as Bond Trustee) and as security trustee (in such capacity, the **Security Trustee**, which expression shall include any successor as Security Trustee). Covered Bonds of such Series may be in bearer form (**Bearer Covered Bonds**) or in registered form (**Registered Covered Bonds**).

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

- (a) 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;
- (b) any Global Covered Bond;
- (c) any Definitive Covered Bonds in bearer form (**Bearer Definitive Covered Bonds**) issued in exchange (or part exchange) for a Global Covered Bond in bearer form; and
- (d) any Definitive Covered Bonds in registered form (**Registered Definitive Covered Bonds** and, together with the Bearer Definitive Covered Bonds, the **Definitive Covered Bonds**) (issued in exchange (or part exchange) for a Global Covered Bond in registered form).

The Covered Bonds, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an agency agreement (such agency agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 26 March 2021 (the "**Programme Establishment Date**") and made between the Issuer, the LLP, the Bond Trustee, the Security Trustee and HSBC UK Bank plc as initial principal paying agent (in such capacity, the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents), 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** means the Paying Agents and the Transfer Agents.

Interest-bearing Bearer Definitive Covered Bonds have (unless otherwise indicated in the applicable Final Terms) coupons (**Coupons**) and, if indicated in the applicable Final Terms, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Bearer Definitive Covered Bonds repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Covered Bonds and Global Covered Bonds do not have Receipts, Coupons or Talons attached on issue.

Each Series or Tranche of Covered Bonds will be issued on these Conditions (the **Conditions**) as supplemented by a separate document attached to these Conditions containing the final terms for such

Series (the **Final Terms**) or in a separate prospectus specific to such Series (a **Drawdown Prospectus**). In the case of a Series or Tranche of Covered Bonds which is the subject of a Drawdown Prospectus, each reference in these Conditions to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise and references to "applicable Final Terms" are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Covered Bond or to the relevant Drawdown Prospectus, as the case may be.

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

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

The LLP has, in the Trust Deed, irrevocably and unconditionally guaranteed the due and punctual payment of 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 the occurrence of a Notice to Pay Event.

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 Establishment 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 free of charge at (website: [www.hsbc.com](http://www.hsbc.com) (please follow links to 'Investors', 'Fixed income investors', 'Covered Bonds')). Copies of the applicable Final Terms for all Covered Bonds of each Series (including in relation to unlisted Covered Bonds of any Series) are obtainable during normal business hours at the registered office of the Issuer. Written or oral requests for inspection of such documents should be directed to the specified office of the Principal Paying Agent. The Covered Bondholders, the Receiptholders and the Couponholders are deemed to have notice of, are bound by, and are entitled to the benefit of, all the provisions of, and definitions contained in, the Trust Deed, the Deed of Charge, the Master Definitions and Construction Agreement, the Agency Agreement, each of the other Transaction Documents and the applicable Final Terms which are applicable to them and to have notice of each 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 Establishment Date (as the same may be amended and/or supplemented and/or restated from time to time, the **Master Definitions and Construction Agreement**), a copy of each of which may be obtained as described above.

#### 1. **Form, Denomination and Title**

The Covered Bonds are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of Definitive Covered Bonds (being Bearer Definitive Covered Bond(s) and/or, as the context may require, Registered Definitive Covered Bond(s)), serially numbered, in the Specified Currency and the Specified Denomination(s). Covered Bonds of one Specified

Denomination may not be exchanged for Covered Bonds of another Specified Denomination and Bearer Covered Bonds may not be exchanged for Registered Covered Bonds and *vice versa*.

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

This Covered Bond may be a Hard Bullet Covered Bond or an Extendable Maturity Covered Bond, depending upon the Redemption/Payment Basis shown in the applicable Final Terms and subject, in each case, to confirmation from the Rating Agencies that the then current rating of any outstanding Series of Covered Bonds will not be adversely affected by the issuance of this Covered Bond.

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

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

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

For so long as any of the Covered Bonds is represented by a Global Covered Bond held on behalf of, or, as the case may be, registered in the name of a common depositary (in the case of a CGCB) or common safekeeper (in the case of an NGCB or a Registered Covered Bond held under the NSS) for Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking, SA (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of such Covered Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Covered Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error and any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the holder of a particular nominal amount of the Covered Bonds is clearly identified with the amount of such holding) shall be treated by the Issuer, the LLP, the Paying Agents, the Security Trustee and the Bond Trustee as the holder of such nominal amount of such Covered Bonds for all purposes other than with respect to the payment of principal or interest or other amounts on such nominal amount of such Covered Bonds, 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 expressions **Covered Bondholder** and **holder of Covered Bonds** and related expressions shall be construed accordingly.

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

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any 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.

2. **Transfers of Registered Covered Bonds**

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

Transfers of beneficial interests in Registered Global Covered Bonds will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Covered Bond will, subject to compliance with all applicable legal and regulatory restrictions, be exchangeable for Covered Bonds in definitive form or for a beneficial interest in another Registered Global Covered Bond only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

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

Subject as provided in Conditions 2(e) (*Transfers of interests in Registered Global Covered Bonds*) and 2(f) (*Exchanges and transfers of Registered Covered Bonds generally*) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Covered Bond in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer: (i) the holder or holders must: (A) surrender the Registered Covered Bond for registration of the transfer of the Registered Covered Bond (or the relevant part of the Registered Covered Bond) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing; and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent; and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Bond Trustee and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 5 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within 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 principal amount to the Registered Covered Bond (or the relevant part of the Registered Covered Bond) transferred. In the case of the transfer of part only of a Registered Covered Bond in definitive form, a new Registered Covered Bond in definitive form in respect of the balance of the Registered Covered Bond not transferred will be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to the address specified by the transferor.

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

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

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

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

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

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

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

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

(g) ***Definitions***

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

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

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

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

**New Safekeeping Structure** or **NSS** means the new safekeeping structure for registered covered bonds in global form cleared through Euroclear or Clearstream, Luxembourg;

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

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

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

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

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

(b) ***Status of the Covered Bond Guarantee***

The payment of Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for Payment have been unconditionally and irrevocably guaranteed by the LLP (the **Covered Bond Guarantee**) in the Trust Deed. However, the LLP has no

obligation under the Covered Bond Guarantee to pay any Guaranteed Amounts until the occurrence of a Notice to Pay Event 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 (following a Notice to Pay Event and service of a Notice to Pay on the LLP or, if earlier, following the occurrence of an LLP Event of Default and service by the Bond Trustee of an LLP Acceleration Notice), direct, unconditional (subject as provided in Condition 17 (*Limited Recourse*)) and unsubordinated obligations of the LLP, which are secured as provided in the Deed of Charge.

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

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

#### 4. Interest

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

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

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

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

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

- (i) in the case of Fixed Rate Covered Bonds which are represented by a Global Covered Bond, the aggregate outstanding principal 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 Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half

of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Covered Bond in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Covered Bond shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

**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 London Business Days following the date of service of a Notice to Pay on the LLP in respect of such Guaranteed Amounts, or, if the applicable Final Terms specify that an Extended Due for Payment Date is applicable to the relevant Series of Covered Bonds, the Scheduled Payment Date that would have applied if the Final Maturity Date of such Series of Covered Bonds had been the Extended Due for Payment Date.

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

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

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

(i) Interest Payment Dates

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

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

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

If a Business Day Convention is specified in the applicable Final Terms and (i) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (ii) 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:

- (A) in any case where Specified Periods are specified in accordance with Condition 4(b)(i) (*Interest on Floating Rate Covered Bonds*), the **Floating Rate Convention**, such Interest Payment Date (1) in the case of (i) above, shall be the last day that is a Business Day in the relevant month and the provisions of (II) below shall apply *mutatis mutandis* or (2) in the case of (ii) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (I) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (II) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the **Following Business Day Convention**, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) 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
- (D) the **Preceding Business Day Convention**, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

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

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

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

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Covered Bonds will be determined in the manner specified in the applicable Final Terms and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is 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 Condition 4(b)(ii)(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 was acting as Calculation Agent (as defined in the relevant ISDA Schedule) for that swap transaction under the terms of an agreement incorporating the ISDA Definitions under which:

- (a) if the Final Terms specify either "2006 ISDA Definitions" or "2021 ISDA Definitions" as the applicable ISDA Definitions:
  - (I) the Floating Rate Option is as specified in the applicable Final Terms;
  - (II) the Designated Maturity is the period specified in the applicable Final Terms, if applicable;
  - (III) unless otherwise stated in the applicable Final Terms, the relevant Reset Date is the first day of that Interest Period;
  - (IV) if the specified Floating Rate Option is an Overnight Floating Rate Option, Compounding is specified to be applicable in the relevant Final Terms and:
    - (1) if Compounding with Lookback is specified as the Compounding Method in the relevant Final Terms then (a) Compounding with Lookback is the Overnight Rate Compounding Method and (b) Lookback is the number of Applicable Business Days specified in the relevant Final Terms;
    - (2) if Compounding with Observation Period Shift is specified as the Compounding Method in the relevant Final Terms then (a)

Compounding with Observation Period Shift is the Overnight Rate Compounding Method, (b) Observation Period Shift is the number of Observation Period Shift Business Days specified in the relevant Final Terms and (c) Observation Period Shift Additional Business Days, if applicable, are the days specified in the relevant Final Terms; or

- (3) if Compounding with Lockout is specified as the Compounding Method in the relevant Final Terms then (a) Compounding with Lockout is the Overnight Rate Compounding Method, (b) Lockout is the number of Lockout Period Business Days specified in the relevant Final Terms and (c) Lockout Period Business Days, if applicable, are the days specified in the relevant Final Terms;
- (V) if the specified Floating Rate Option is an Overnight Floating Rate Option, Averaging is specified to be applicable in the relevant Final Terms and:
  - (1) if Averaging with Lookback is specified as the Averaging Method in the relevant Final Terms then (a) Averaging with Lookback is the Overnight Rate Averaging Method and (b) Lookback is the number of Applicable Business Days as specified in the relevant Final Terms;
  - (2) Averaging with Observation Period Shift is specified as the Averaging Method in the relevant Final Terms then (a) Averaging with Observation Period Shift is the Overnight Rate Averaging Method, (b) Observation Period Shift is the number of Observation Period Shift Business Days specified in the relevant Final Terms and (c) Observation Period Shift Additional Business Days, if applicable, are the days specified in the relevant Final Terms; or
  - (3) if Averaging with Lockout is specified as the Averaging Method in the relevant Final Terms then (a) Averaging with Lockout is the Overnight Rate Averaging Method, (b) Lockout is the number of Lockout Period Business Days specified in the relevant Final Terms and (c) Lockout Period Business Days, if applicable, are the days specified in the relevant Final Terms; and
- (VI) if the specified Floating Rate Option is an Index Floating Rate Option and Index Provisions are specified to be applicable in the relevant Final Terms, the Compounded Index Method with Observation Period Shift shall be applicable and (a) Observation Period Shift is the number of Observation Period Shift Business Days specified in the relevant Final Terms and (b) Observation Period Shift Additional Business

Days, if applicable, are the days specified in the relevant Final Terms;

- (b) references in the ISDA Definitions to:
  - (A) **Confirmation** shall be references to the relevant Final Terms;
  - (B) **Calculation Period** shall be references to the relevant Interest Period;
  - (C) **Termination Date** shall be references to the Maturity Date; and
  - (D) **Effective Date** shall be references to the Interest Commencement Date;
- (c) if the Final Terms specify "2021 ISDA Definitions" as being applicable:
  - (A) **Administrator/Benchmark Event** shall be disapplied; and
  - (B) if the Temporary Non-Publication Fallback in respect of any specified Floating Rate Option is specified to be "Temporary Non-Publication Fallback – Alternative Rate" in the Floating Rate Matrix of the 2021 ISDA Definitions, the reference to "Calculation Agent Alternative Rate Determination" in the definition of "Temporary Non-Publication Fallback– Alternative Rate" shall be replaced by "Temporary Non-Publication Fallback – Previous Day's Rate".
- (d) Unless otherwise defined, capitalised terms used in this Condition 4(b)(ii)(A) shall have the meaning ascribed to them in the ISDA Definitions.
- (e) Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be zero.

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

- (i) 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:
  - I. the offered quotation (if there is only one quotation on the Relevant Screen Page); or
  - II. the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (Brussels time) on the Interest Determination Date in question *plus* or *minus* the

Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

- (ii) *If Relevant Screen Page not available, no offered quotation or fewer than three offered quotations*

If the Relevant Screen Page is not available or if, in the case of I above, no offered quotation appears or if, in the case of II above, fewer than three offered quotations appear, in each case as at 11.00 a.m. (Brussels time), the Principal Paying Agent shall request each of the reference banks to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question.

If two or more of the reference banks provide the Principal Paying Agent with offered quotations, the Rate of Interest for the relevant Interest Period shall be the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of the offered quotations *plus* or *minus* (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent.

- (iii) *If fewer than two reference banks provide offered quotations*

If fewer than two of the reference banks provide the Principal Paying Agent with offered quotations, the Principal Paying Agent shall request at least two of the reference banks to provide the Principal Paying Agent with its rates (expressed as a percentage rate per annum) for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Euro-zone inter-bank market, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question.

If two or more of the reference banks provide the Principal Paying Agent with such rates, the Rate of Interest for the relevant Interest Period shall be the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of such offered rates *plus* or *minus* (as appropriate) the Margin (if any).

If fewer than two of the reference banks provide the Principal Paying Agent with offered rates, the Rate of Interest for the relevant Interest Period shall be the offered rate or the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, any one or more bank (which bank(s) are in the opinion of the Issuer suitable for the purpose) informs the Principal Paying Agent it is quoting to leading banks

in the Euro-zone inter-bank market *plus* or *minus* (as appropriate) the Margin (if any).

- (iv) *If Rate of Interest cannot be determined in accordance with the above*

If the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 4(b)(B), the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

**(C) Screen Rate Determination for Floating Rate Covered Bonds referencing Compounded Daily SONIA**

If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined and the Reference Rate is specified in the relevant Final Terms as being "Compounded Daily SONIA", the Rate of Interest applicable to the Covered Bonds for each Interest Accrual Period will be the sum of the Margin and Compounded Daily SONIA with respect to such Interest Accrual Period, all as determined by the Calculation Agent and notified by the Calculation Agent to the Servicer, the Cash Manager and the Principal Paying Agent on the Interest Determination Date for such Interest Period.

For the purposes of this Condition 4(b)(C):

**Compounded Daily SONIA** means, in relation to an Interest Accrual Period:

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

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

- II. where "Index Determination" is specified as Applicable in the relevant Final Terms, the rate calculated by the Calculation Agent 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 Calculation Agent is unable for any reason to determine either or both of Index<sub>END</sub> and

Index<sub>START</sub> in relation to any Interest Accrual Period, then Compounded Daily SONIA shall be calculated for such Interest Accrual Period as if "Index Determination" had been specified as being Not Applicable in the relevant Final Terms (and paragraph I of this definition shall be applied accordingly),

where:

**d** means (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>0</sub>** means (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** means, in relation to any Interest Period, a series of whole numbers from one to d<sub>0</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 Days 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>** means, for any London Business Day, 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, in relation to an Interest Period, the period from (and including) the date which is "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** has the meaning given to it in the applicable Final Terms;

**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

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

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

shall be the date on which such Covered Bonds become due and payable).

#### Fallback provisions

If, in respect of any London Business Day in the relevant Observation Period, the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) determines that the SONIA rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA rate shall be:

- (I) the Bank of England's Bank Rate (the **Bank Rate**) prevailing at close of business on the relevant London Business Day; *plus* the mean of the spread of the SONIA rate to the Bank Rate over the previous five days on which a SONIA rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate; or
- (II) if the Bank Rate is not published by the Bank of England at close of business on the relevant London Business Day, the SONIA rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding London Business Day on which the SONIA rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors).

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

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms), the Rate of Interest shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period) or (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Covered Bonds for the first Interest Period had the

Covered Bonds been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Period).

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

In these Conditions, **Relevant Screen Page** has the meaning given to it in the applicable Final Terms.

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

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 4(b)(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. Unless otherwise stated in the Final Terms the Minimum Rate of Interest shall be zero.

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 Condition 4(b)(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.

**Calculation Amount** means the amount specified as such in the applicable Final Terms.

**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 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**) *divided by* 365 (or, if any portion of that Accrual Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Accrual Period falling in a leap

year *divided by* 366 and (II) the actual number of days in that portion of the Accrual 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 Accrual Period *divided by* 365;
- (C) if **Actual/365 (Sterling)** is specified in the applicable Final Terms, the actual number of days in the Accrual 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 Accrual 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 Accrual Period *divided by* 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

"D1" is the first calendar day, expressed as a number, of the Accrual 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 Accrual 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 Accrual Period *divided by* 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

"D1" is the first calendar day, expressed as a number, of the Accrual 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 Accrual Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30; and

- (G) if **30E/360 (ISDA)** is specified in the applicable Final Terms, the number of days in the Accrual Period *divided by* 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

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

The Principal Paying Agent (in the case of Floating Rate Covered Bonds) will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Bond Trustee and to any stock exchange or other relevant competent authority or quotation system on which the relevant Floating Rate Covered Bonds are for the time being listed, quoted and/or traded or by which they have been admitted to listing and to be published in accordance with Condition 13 (*Notices*) as soon as possible after their determination but in no event later than the fourth Business Day (as defined in this Condition 4(b)) thereafter by the Principal Paying Agent. Each Interest

Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment or alternative arrangements will be promptly notified to the Bond Trustee and each stock exchange or other relevant authority on which the relevant Floating Rate Covered Bonds are for the time being listed or by which they have been admitted to listing and to the Covered Bondholders in accordance with Condition 13 (*Notices*).

(vi) **Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), by the Principal Paying Agent 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, Receiptholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the LLP, the Covered Bondholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent 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 or default is otherwise made in the payment thereof, in which event interest will continue to accrue as provided in the Trust Deed.

5. **Payments**

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

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment but without prejudice to the provisions of Condition 7 (*Taxation*). References to Specified Currency will include any successor currency under applicable law.

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

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

Payments of instalments (if any) of principal other than the final instalment, will (subject as provided below) be made against presentation and surrender of the relevant Receipt. Each Receipt must be presented for payment of the relevant instalment together with the Bearer Definitive Covered Bond to which it appertains. If any Bearer Definitive Covered Bond is redeemed or becomes repayable prior to the stated maturity thereof, principal will be payable only on surrender of such Bearer Definitive Covered Bond together with all unmaturing Receipts appertaining thereto. Receipts presented without the Bearer Definitive Covered Bond to which they appertain and unmaturing Receipts do not constitute valid obligations of the Issuer or the LLP.

Fixed Rate Covered Bonds in definitive bearer form (other than Long Maturity Covered Bonds) should be presented for payment together with all unmaturing 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 unmaturing Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmaturing 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 ten years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due.

Upon amounts in respect of any Fixed Rate Covered Bond or Long Maturity Covered Bond in definitive bearer form becoming due and repayable by the Issuer (in the absence of a Notice to Pay) or the LLP under the Covered Bond Guarantee prior to its Final Maturity Date (or, as the case may be, Extended Due for Payment Date), all unmaturing 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 unmaturing 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 Principal Paying Agent and such record shall be *prima facie* evidence that the payment in question has been made and (ii) in the case of any Global Covered Bond which is issued in NGCB form, the Principal Paying Agent shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

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

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

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Covered Bond (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the Business Day in the city where the specified office of the Registrar is located on the relevant due date to the holder (or the first named of joint holders) of the Registered Covered Bond appearing in the Register: (i) where the Registered Covered Bond is in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date; and (ii) where in definitive form, at the close of business on the 15<sup>th</sup> day (whether or not such 15<sup>th</sup> day is a Business Day) before the relevant due date (in either case, the **Record Date**) at the holder's address shown in the Register on the Record Date and at the holder's risk. Upon application of the holder to the specified office of the Registrar not less than three Business Days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Covered Bond, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Covered Bonds which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Covered Bond on redemption and the final instalment of principal will be made in the same manner as payment of the principal in respect of such Registered Covered Bond.

Holders of Registered Covered Bonds will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Covered Bond as a result of a cheque posted in accordance with this Condition 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.

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 Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Covered Bonds represented by such Global Covered Bond must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or the LLP to, or to the order of, the holder of such Global Covered Bond (or the Bond Trustee, as the case may be). No person other than the holder of the relevant Global Covered Bond (or, as provided in the Trust Deed, the Bond Trustee) will 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 will only be made at the specified office of a Paying Agent in the United States if:

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

(f) **Payment Day**

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

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) in the case of Definitive Covered Bonds only, the relevant place of presentation; and
  - (B) any Additional Financial Centre specified in the applicable Final Terms; and

either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a TARGET Day.

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

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

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

(h) ***Definitions***

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

**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 a Series of 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 specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Final Maturity Date.

Without prejudice to Condition 9 (*Events of Default and Enforcement*), if:

- (i) an Extended Due for Payment Date is specified as applicable in the Final Terms for a Series of Covered Bonds;
- (ii) 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
- (iii) 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 under the Guarantee Priority of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of the relevant Series of Covered Bonds on the date falling on the earlier

of (i) the date which falls two London Business Days after service of such Notice to Pay on the LLP or if later the Final Maturity Date (or, in each case, after the expiry of the grace period set out in Condition 9(b)(i)) under the terms of the Covered Bond Guarantee and (ii) the Extension Determination Date,

then (subject as provided below) payment of the unpaid amount by the LLP under the Covered Bond Guarantee shall be deferred until the Extended Due for Payment Date, provided that the LLP may pay any amount representing the Final Redemption Amount on the relevant Final Maturity Date and any amount representing all or part of the Final Redemption Amount due and remaining unpaid on the earlier of (c)(i) and (ii) above may also be paid by the LLP on any Interest Payment Date thereafter up to (and including) the relevant Extended Due for Payment Date.

If an Extended Due for Payment Date is specified as applicable in the Final Terms for a Series of Covered Bonds, the Issuer shall confirm to the Principal Paying Agent as soon as reasonably practicable and in any event at least four London Business Days prior to the Final Maturity Date of a Series of Covered Bonds whether (x) 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 (y) 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.

The LLP, or the Cash Manager on its behalf, shall notify the relevant Covered Bondholders (in accordance with Condition 13 (*Notices*)), the Rating Agencies, any relevant Covered Bond Swap Provider, the Bond Trustee, the Security Trustee, the Principal Paying Agent and the Registrar (in the case of Registered Covered Bonds) as soon as reasonably practicable and in any event at least two Business Days prior to the dates specified in (c)(i) and (ii) of the second 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, or the Cash Manager on its behalf, 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 such circumstances, the LLP shall on the earlier of (i) the date falling two London Business Days after the service of a Notice to Pay on the LLP or if later the Final Maturity Date (or, in each case, after the expiry of the grace period set out in Condition 9(b)(i)) and (ii) the Extension Determination Date under the Covered Bond Guarantee, apply the monies (if any) available (after paying or providing for payment of higher ranking or *pari passu* amounts in accordance with the Guarantee Priority of Payments) *pro rata* in part payment of an amount equal to the Final Redemption Amount of each Covered Bond of the relevant Series of Covered Bonds and shall pay Guaranteed Amounts constituting the Scheduled Interest in respect of each such Covered Bond on such date. The obligation of the LLP to pay any amounts in respect of the balance of the Final Redemption Amount not so paid shall be deferred as described above. Such failure to pay by the LLP shall not constitute an LLP Event of Default.

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

For the purposes of these Conditions:

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

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

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

(b) ***Redemption for taxation reasons***

If the Issuer satisfies the Bond Trustee immediately prior to the giving of the notice referred to below that:

- (i) on a subsequent date for the payment of interest on any Series of Covered Bonds the Issuer would be required to pay any additional amounts in accordance with the provisions of Condition 7 (*Taxation*); or
- (ii) if the Issuer were to seek to redeem the Covered Bonds (for which purpose no regard shall be had as to whether or not the Issuer would otherwise be entitled to redeem such Covered Bonds), the Issuer would be required to pay any additional amounts in accordance with the provisions of Condition 7 (*Taxation*); or
- (iii) unless the relevant Final Terms specify that this Condition 6(b)(iii) does not apply, on a subsequent date for the payment of interest on any Series of Covered Bonds, interest payments (or funding costs of the Issuer as recognised in its accounts) under or with respect to the Covered Bonds are not fully deductible for UK corporation tax purposes,

then, subject to the final two paragraphs of this Condition 6(b), the Issuer may, having given not less than 30 nor more than 45 days' notice (ending, in the case of Floating Rate Covered Bonds, on an Interest Payment Date) to the Covered Bondholders in respect of such Series of Covered Bonds, redeem all, but not some only, of the Covered Bonds, at their principal amount or such other redemption amount as may be specified in the relevant Final Terms together with interest accrued and unpaid, if any, to the date fixed for redemption provided that no such notice of redemption shall be given earlier than 90 days (or in the case of Floating Rate Covered Bonds a number of days which is equal to the aggregate of the number of days in the then current Interest Period *plus* 60 days provided that such aggregate number of days shall not be greater than 90 days) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or (if applicable) is unable to make such deduction, were a payment in respect of the Covered Bonds then due or the Covered Bonds then redeemed.

It shall be sufficient to establish the circumstances required to be established pursuant to this Condition 6(b) if the Issuer shall deliver to the Bond Trustee a certificate or opinion of an independent legal advisor or accountant satisfactory to the Bond Trustee to the effect either that such circumstances do exist or that, upon a change in or amendment to the laws (including any regulations pursuant thereto), or in the interpretation, application or administration thereof, of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, which at the date of such certificate or opinion is proposed and, in the case of Condition 6(b)(i) or 6(b)(iii), in the opinion of such legal advisor or accountant is reasonably expected to become effective on or prior to the date on which the relevant payment of principal or interest in respect of the Covered Bonds would otherwise be made, becoming so effective, such circumstances would exist and, for these purposes, the Bond Trustee shall accept such certificate or opinion without further enquiry and without liability for doing so as sufficient evidence of the existence of such circumstances and such certificate or opinion shall be conclusive and binding on the Covered Bondholders and Couponholders.

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

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having (unless otherwise specified in the applicable Final Terms) given not less than 30 nor more than 60 days' notice to the Bond Trustee, the Principal Paying Agent, (in the case of the redemption of Registered Covered Bonds) the Registrar and, in accordance with Condition 13 (*Notices*), the Covered Bondholders (which notice shall be irrevocable) redeem all or some only (as specified in the applicable Final Terms) of the relevant series of 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 Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Covered Bonds represented by a Global Covered Bond, in each case, not more than 60 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, a list of the serial numbers of such Redeemed Covered Bonds will be published in accordance with Condition 13 (*Notices*) not less than 30 days prior to the date fixed for redemption. The aggregate principal amount of Redeemed Covered Bonds represented by Definitive Covered Bonds shall bear the same proportion to the aggregate principal amount of all Redeemed Covered Bonds as the aggregate principal amount of Definitive Covered Bonds outstanding bears to the aggregate principal 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 principal amount of Redeemed Covered Bonds represented by a Global Covered Bond shall be equal to the balance of the Redeemed Covered Bonds. No exchange of the relevant Global Covered Bond will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6(c) and notice to that effect shall be given by the Issuer to the Covered Bondholders in accordance with Condition 13 (*Notices*) at least 30 days prior to the Selection Date.

(d) ***Redemption due to illegality***

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

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

(e) ***Early Redemption Amounts***

For the purpose of Conditions 6(b) (*Redemption for taxation reasons*) above and 6(h) (*Late payment on Zero Coupon Covered Bonds*) below and Condition 9 (*Events of Default and Enforcement*), each Covered Bond will be redeemed at its **Early Redemption Amount** calculated as follows:

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

Bond is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or

(iii) in the case of a Zero Coupon Covered Bond, at an amount (the **Amortised Face Amount**) equal to the sum of:

(A) the Reference Price; and

(B) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date of the first Tranche of the Covered Bonds to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Covered Bond becomes due and repayable,

or such other amount as is provided in the applicable Final Terms.

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

(f) **Purchases**

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

(g) **Cancellation**

All Covered Bonds which are redeemed will forthwith be cancelled (together with, in the case of Bearer Definitive Covered Bonds, all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Covered Bonds so cancelled and any Covered Bonds purchased and surrendered for cancellation pursuant to Condition 6(f) (*Purchases*) above and cancelled (together with, in the case of Bearer Definitive Covered Bonds, all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be held, reissued or resold.

(h) **Late payment on Zero Coupon Covered Bonds**

If the amount payable in respect of any Zero Coupon Covered Bond upon redemption of such Zero Coupon Covered Bond pursuant to Condition 6(a) (*Final redemption*), (b) (*Redemption for taxation reasons*), (c) (*Redemption at the option of the Issuer (Issuer Call)*) or (d) (*Redemption due to illegality*) above or upon its becoming due and repayable as provided in Condition 9 (*Events of Default and Enforcement*) is improperly withheld or refused or default is otherwise made in the payment thereof, the amount due and repayable in respect of such Zero Coupon Covered Bond shall be the amount calculated as provided in Condition 6(e) (*Early Redemption Amounts*) 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 (*Notices*) or individually.
- (i) ***Certification on redemption under Conditions 6(b) (Redemption for taxation reasons) and 6(d) (Redemption due to illegality)***

Prior to the publication of any notice of redemption pursuant to Condition 6(b) (*Redemption for taxation reasons*) or (d) (*Redemption due to illegality*), the Issuer shall deliver to the Bond Trustee a certificate signed by two Authorised Signatories (as defined in the Master Definitions and Construction Agreement) of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and the Bond Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on all holders of the Covered Bonds, Receiptholders and Couponholders.

## 7. **Taxation**

All payments of principal and interest (if any) in respect of the Covered Bonds, Receipts and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature unless such withholding or deduction is required by law.

- (a) In the event of a withholding or deduction being required, imposed or levied by or on behalf of the United Kingdom or any political sub-division thereof or by any authority therein or thereof having power to tax 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, Receiptholders or Couponholders, as the case may be, 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 and/or, as the case may be, Receipts or Coupons in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Covered Bond, Receipt or Coupon:
- (i) presented for payment in the United Kingdom; or
  - (ii) the holder of which: (A) 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 (B) is liable for such taxes, duties, assessments or governmental charges in respect of such Covered Bond, Receipt or Coupon (as the case may be) by reason of his having some connection with the United Kingdom other than merely by reason of the holding of such Covered Bond, Receipt or Coupon; or
  - (iii) presented for payment more than 30 days after the Relevant Date (as defined below) except, to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on the last day of such period of 30 days; or
  - (iv) where the holder is able to avoid such withholding or deduction by presenting an appropriate certificate.

Notwithstanding any other provision in these Conditions, the Issuer and LLP shall be permitted to withhold or deduct any amounts required pursuant to Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, any regulations or agreements thereunder, any official interpretations

thereof, any intergovernmental agreement, or any implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service (**FATCA withholding**). Neither the Issuer nor the LLP will have any obligation to pay additional amounts or otherwise indemnify a holder for any FATCA withholding deducted or withheld by the Issuer, a Paying Agent or any other party as a result of any person (other than an agent of the Issuer) not being entitled to receive payments free of FATCA withholding.

As used herein:

**Relevant Date** means the date on which such payment in respect of the Covered Bonds, Receipts or Coupons 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 relevant Covered Bondholders in accordance with Condition 13 (*Notices*).

Any obligation of the Issuer to pay any additional amounts pursuant to this Condition 7 will not constitute Guaranteed Amounts for the purposes of the Covered Bond Guarantee.

Should any payments made by or on behalf of the LLP under the Covered Bond Guarantee be made subject to any withholding or deduction for or on account of present or future taxes, duties, assessments or government charges of whatever nature, the LLP will not be obliged to pay any additional amounts as a consequence.

8. **Prescription**

The Covered Bonds (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within 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 (*Taxation*)) therefor, subject in each case to the provisions of Condition 5 (*Payments*).

There shall not be included, in any Coupon sheet issued on exchange of a Talon, any Coupon the claim for payment in respect of which would be void pursuant to this Condition 8 or Condition 5 (*Payments*) or any Talon which would be void pursuant to Condition 5 (*Payments*).

9. **Events of Default and Enforcement**

(a) ***Issuer Events of Default***

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 25% of the aggregate Principal Amount Outstanding of the Covered Bonds (which for this purpose or the purpose of any Extraordinary Resolution (as defined in the Trust Deed) referred to in this Condition 9(a) means the Covered Bonds of this Series together with the Covered Bonds of any other Series constituted by the Trust Deed) then outstanding as if they were a single Series (with the principal amount of Covered Bonds not denominated in Sterling converted into Sterling at the relevant Covered Bond Swap Rate (as defined in the Master Definitions and Construction Agreement)), or if so directed by an Extraordinary Resolution of all the holders of the Covered Bonds shall, subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction, give notice (an **Issuer Acceleration Notice**) in writing to the Issuer that as against the Issuer (but not, for the avoidance of doubt, against the LLP under the Covered Bond Guarantee) each Covered Bond of each Series is, and each such Covered Bond shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an **Issuer Event of Default**) shall occur and be continuing:

- (i) the Issuer fails to pay any principal or interest in respect of the Covered Bonds within 14 days of the due date; or
- (ii) the Issuer fails to perform or observe any obligations under the Covered Bonds, Receipts 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 and excluding any obligation of the Issuer to comply with the Asset Coverage Test or the Pre-Maturity Test or any representation or warranty given by the Issuer in respect of the Asset Coverage Test or the Pre-Maturity Test) and such failure is, in the opinion of the Bond Trustee, incapable of remedy or, if capable of remedy, continues for a period of 30 days (or such longer period as the Bond Trustee may permit) after written notification by the Bond Trustee to the Issuer requiring such default to be remedied and indicating that this provision may be invoked if it is not so remedied has been given to the Issuer by the Bond Trustee in accordance with the Trust Deed; or

- (iii) an order is made or an effective resolution passed for the bankruptcy or liquidation or winding-up of the Issuer (except a bankruptcy, liquidation or winding-up for the purpose of a reconstruction, union, transfer, merger, amalgamation or reorganisation following the transfer of all or substantially all of the assets of the Issuer, the terms of which have previously been approved in writing by the Bond Trustee or by an Extraordinary Resolution); or
- (iv) if the Issuer ceases to carry on its business or substantially the whole of its business (except a bankruptcy, liquidation or winding-up for the purpose of a reconstruction, union, transfer, merger, amalgamation or reorganisation following the transfer of all or substantially all of the assets of the Issuer, the terms of which have previously been approved in writing by the Bond Trustee or by an Extraordinary Resolution); or
- (v) proceedings shall be initiated against the Issuer under any applicable liquidation, winding-up, insolvency, bankruptcy, reorganisation or other similar laws (except a bankruptcy, liquidation or winding-up for the purpose of a reconstruction, union, transfer, merger, amalgamation or reorganisation following the transfer of all or substantially all of the assets of the Issuer, the terms of which have previously been approved in writing by the Bond Trustee or by an Extraordinary Resolution) or a receiver, administrator, trustee or other similar official shall be appointed in relation to the Issuer or in relation to the whole or a substantial part (having an aggregate book value of in excess of £50 million) of its assets or a distress, diligence or execution or other process shall be levied or enforced upon or sued out against the whole or a substantial part of its assets (having an aggregate book value of in excess of £50 million) and, in any of the foregoing cases, it shall not be discharged within 30 days; or
- (vi) if the Issuer shall initiate or consent to any applicable liquidation, winding-up, insolvency, bankruptcy, reorganisation or other similar process (except in connection with a bankruptcy, liquidation or winding-up for the purpose of a reconstruction, union, transfer, merger, amalgamation or reorganisation following the transfer of all or substantially all of the assets of the Issuer, the terms of which have previously been approved in writing by the Bond Trustee or by an Extraordinary Resolution) or shall make a conveyance, assignment for the benefit of, or shall enter into any composition with, its creditors generally; or
- (vii) the Issuer shall be unable to pay its debts (other than any debts disputed in good faith) as they fall due (within the meaning of Sections 123(1)(b) to (e) and Section 123(2) of the Insolvency Act 1986 as that section may be amended) or shall admit inability to pay its debts as they fall due or shall stop payment in respect of any debts that are due (save, in the case of stopping payments, in each case, in respect of any obligation for the payment of principal, redemption amount or interest in respect of the Covered Bonds of any Series) or shall be adjudged or found bankrupt or insolvent; or
- (viii) 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 following the service of such Asset Coverage Test Breach Notice; or

- (ix) the Pre-Maturity Test in respect of any Series of Hard Bullet Covered Bonds is breached less than six months (in the case of a breach under limb (a) of the definition of "Pre-Maturity Test") or 12 months (in the case of a breach under limb (b) of the definition of "Pre-Maturity Test") prior to the Final Maturity Date of that Series of Hard Bullet Covered Bonds (or such other longer or shorter period with respect to any rating requirements as the Servicer may confirm in writing; provided that such period shall not be less than six months from the relevant Pre-Maturity Test Date), and the LLP has not cured the breach as described in the LLP Deed before the earlier to occur of (A) 30 London Business Days from the date that the Seller is notified of the breach of the Pre-Maturity Test and (B) the Final Maturity Date of that Series of Hard Bullet Covered Bonds,

but in the case of the occurrence of any of the events mentioned in Conditions 9(a)(ii) to (viii) above, only if the Bond Trustee shall have certified in writing that such event is, in its opinion, materially prejudicial to the interests of the holders of the Covered Bonds of any Series; provided that a breach of any obligation to provide notices to the FCA under the RCB Regulations and/or the RCB Sourcebook shall not in itself be considered materially prejudicial to the interests of the Covered Bondholders by the Bond Trustee.

Upon the Covered Bonds becoming immediately due and repayable against the Issuer pursuant to this Condition 9(a), the Bond Trustee shall promptly 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.

In relation to Condition 9(a)(ii) above, failure by the Issuer to comply with the RCB Regulations shall not in itself be an Issuer Event of Default unless such failure results in a further breach of the Issuer's obligations under the Covered Bonds, Receipts 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) in accordance with Condition 9(a)(ii) above.

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 or other action against the Issuer in accordance with Condition 9(c) (*Enforcement*).

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 or following the occurrence of a Notice to Pay Event and service of 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 will constitute LLP Available Principal and shall be applied by the LLP as LLP Available Principal 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, Receipts and Coupons. However, the obligations of the LLP under the Covered Bond Guarantee are (following service of a Notice to Pay) unconditional and irrevocable and the receipt by the Bond Trustee of any Excess Proceeds and payment to the LLP of such Excess Proceeds shall not reduce or discharge any of such obligations.

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

(b) ***LLP Events of Default***

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter (25%) of the aggregate Principal Amount Outstanding of the Covered Bonds (which for this purpose and the purpose of any Extraordinary Resolution referred to in this Condition 9(b) means the Covered Bonds of this Series together with the Covered Bonds of any other Series constituted by the Trust Deed) then outstanding as if they were a single Series (with the Principal Amount Outstanding of Covered Bonds not denominated in Sterling converted into Sterling at the relevant Covered Bond Swap Rate) or if so directed by an Extraordinary Resolution of the Covered Bondholders shall, subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction, give notice (the **LLP Acceleration Notice**) in writing to the Issuer and 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) (*Final redemption*) where the LLP shall be required to make payments of Guaranteed Amounts which are Due for Payment on the dates specified therein; or
- (ii) a 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, as specified in Condition 9(b)(i) above) under the Trust Deed, the Deed of Charge or any other Transaction Document to which the LLP is a party which (unless certified by the Bond Trustee, in its opinion, to be incapable of remedy when no such continuation and notice as is hereinafter mentioned will be required) shall continue for more than 30 days (or such longer period as the Bond Trustee may permit) after written notification by the Bond Trustee to the LLP requiring such default to be remedied and indicating that this provision may be invoked if it is not so remedied shall have been given to the LLP by the Bond Trustee in accordance with the Trust Deed; or
- (iii) a failure to satisfy the Amortisation Test (as set out in the LLP Deed) on any Calculation Date following delivery of a Notice to Pay; or
- (iv) an order is made or an effective resolution is passed for the liquidation or winding-up of the LLP except a winding-up approved in writing by the Security Trustee or by an Extraordinary Resolution of the Covered Bondholders; or
- (v) the LLP ceases or threatens to cease to carry on its business or substantially the whole of its business; or
- (vi) 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
- (vii) proceedings are commenced and are not withdrawn within 20 days 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 of notice of the

intention to appoint an administrator (whether out of court or otherwise)); or a receiver and/or manager, administrative receiver, administrator, trustee or other similar official shall be appointed (whether out of court or otherwise) in relation to the LLP or in relation to the whole or any part of its assets, or a distress, diligence or execution or other process shall be levied or enforced upon or sued out against the whole or any part of its assets, or if the LLP shall initiate or consent to judicial proceedings relating to itself under any applicable liquidation, winding-up, insolvency, bankruptcy, composition, reorganisation or other similar laws or shall make a conveyance, assignment or assignation for the benefit of, or shall enter into any composition with, its creditors generally,

but in the case of the occurrence of any of the events described in Condition 9(b)(ii) above, 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 holders of the Covered Bonds of any Series; provided that a breach of any obligation to provide notices to the FCA under the RCB Regulations and/or the RCB Sourcebook shall in itself not be considered materially prejudicial to the interests of the Covered Bondholders by the Bond Trustee.

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) (*Enforcement*) below and the Covered Bondholders will have a claim against the LLP, under the Covered Bond Guarantee, for an amount equal to the Early Redemption Amount together with accrued interest and any other amount due under the Covered Bonds (other than additional amounts payable under Condition 7 (*Taxation*)) as provided in the Trust Deed in respect of each Covered Bond.

**(c) *Enforcement***

The Bond Trustee may, at any time, take such proceedings against the Issuer and/or the LLP, as the case may be, and/or any other person as it may think fit to enforce the provisions of the Trust Deed, the Covered Bonds, the Receipts and the Coupons and any other Transaction Document, but it shall not be bound to take any such enforcement proceedings or other action in relation to the Trust Deed, the Covered Bonds, the Receipts or the Coupons or any other Transaction Document unless (i) it has been so directed by an Extraordinary Resolution of the Covered Bondholders of all Series then outstanding (with the Covered Bonds of all Series taken together as a single Series) or so requested in writing by the holders of not less than 25% of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (with the Covered Bonds of all Series taken together as a single Series) and (ii) it has been indemnified and/or secured and/or prefunded to its satisfaction. In exercising any of its powers, trusts, authorities and discretions the Bond Trustee will only have regard to the interests of the Covered Bondholders of all Series equally and will not have regard to the interests of any other Secured Creditors.

The Bond Trustee may at any time, at its discretion and without further notice, direct the Security Trustee to take such steps or proceedings against the LLP and/or any other person as it may think fit to enforce the provisions of the Deed of Charge or any other Transaction Document and may, at any time after the Security has become enforceable, direct the Security Trustee to take such steps as it may think fit to enforce the Security, but it shall not be bound to give any such direction and the Security Trustee shall not be bound to take any such steps or proceedings unless: (i) the Bond Trustee has been so directed by an Extraordinary Resolution of the Covered Bondholders of all Series then outstanding (with the Covered Bonds of all Series taken together as a single Series) or so requested in writing by the holders of not less than 25% of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (with the Covered Bonds of all Series taken together as a single Series); and (ii) each of the Bond Trustee and Security Trustee has been indemnified and/or secured and/or prefunded to its satisfaction. In exercising any of its powers, trusts, authorities and discretions under this Condition 9(c) each of the Bond Trustee and the Security Trustee will only have regard to the interests of the Covered Bondholders of all Series equally and will not have regard to the interests of any other

Secured Creditors in respect of the property which is secured for the benefit of the Covered Bondholders.

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

No remedy against the Issuer or the LLP other than as specifically provided by this Condition 9 or the Trust Deed shall be available to the Bond Trustee, the Covered Bondholders or Couponholders in respect of any Series of Covered Bonds whether for the recovery of amounts owing in respect of such Covered Bonds or the Coupons appertaining thereto or under the Trust Deed or in respect of any breach by the Issuer of any obligation, condition or provision under the Trust Deed or such Covered Bonds or Coupons or otherwise, and no Covered Bondholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Bond Trustee, having become bound to proceed, fails to do so within a reasonable period and such failure shall be continuing in which case any such Holder may himself institute proceedings against the Issuer for the relevant remedy to the same extent (but not further or otherwise) that the Bond Trustee would have been entitled to do so in respect of the property which is secured for the benefit of the Covered Bondholders.

**10. Replacement of Covered Bonds, Receipts, Coupons and Talons**

Should any Covered Bond, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent in London (in the case of Bearer Covered Bonds, Receipts or Coupons) or the Registrar (in the case of Registered Covered Bonds), or any other place approved by the Bond Trustee of which notice has been published in accordance with Condition 13 (*Notices*) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Covered Bonds, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

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

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

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

- (a) 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:
  - (i) there will at all times be a Principal Paying Agent and a Registrar;
  - (ii) 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

- (iii) the Issuer will ensure that it appoints a Paying Agent in a member state of the European Union in the event that it is required to withhold or deduct tax on payments made in the United Kingdom.

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

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

## 12. **Exchange of Talons**

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

## 13. **Notices**

All notices regarding the Bearer Covered Bonds will be valid if published in the *Financial Times* or any other daily newspaper in London approved by the Bond Trustee or, if this is not possible, in one other English language daily newspaper approved by the Bond Trustee with general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the Bearer Covered Bonds are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers or where published in such newspapers on different dates, the last date of such first publication.

Holders of any Coupons appertaining to Covered Bonds will be deemed for all purposes to have notice of the contents of any notice given to the Holders of such Covered Bonds in accordance with this Condition 13.

All notices regarding the Registered Covered Bonds will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Covered Bonds are listed, quoted or traded on a stock exchange or are admitted to listing by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Notwithstanding the foregoing, so long as the Covered Bonds are represented in their entirety by any Global Covered Bonds held on behalf of Euroclear and/or Clearstream, Luxembourg, there may be substituted for such publication in such newspaper(s) or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the Covered Bondholders and, in addition, for so long as any Covered Bonds are listed on a stock exchange or admitted to listing by any other relevant authority and the rules of the stock exchange, or as the case may be, other relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange or, as the case may be, any other relevant authority. Any such notice shall be deemed to have been given to the Covered Bondholders on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

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

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

The Trust Deed contains provisions for convening meetings (including by way of conference call or videoconference platform) of the Covered Bondholders of any Series to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Conditions, or the provisions of the Trust Deed. The quorum at any such meeting in respect of any Covered Bonds of any Series for passing an Extraordinary Resolution is one or more persons holding or representing not less than a clear majority of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any adjourned meeting one or more persons being or representing the Covered Bondholders of such Series whatever the Principal Amount Outstanding of the Covered Bonds of such Series so held or represented, except that at any meeting the business of which includes the modification of any Series Reserved Matter, the quorum shall be one or more persons holding or representing not less than two-thirds of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one third of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Covered Bondholders of a Series shall, subject as provided below, be binding on all the Covered Bondholders of such Series, whether or not they are present at the meeting, and on all Receiptholders and Couponholders in respect of such Series of Covered Bonds. Pursuant to the Trust Deed, the Bond Trustee may convene a single meeting of the holders of Covered Bonds of more than one Series if in the opinion of the Bond Trustee there is no conflict between the respective interests of such Covered Bondholders, in which event the provisions of this paragraph shall apply thereto *mutatis mutandis*.

Notwithstanding the provisions of the immediately preceding paragraph, any Extraordinary Resolution to direct the Bond Trustee to give an Issuer Acceleration Notice pursuant to Condition 9(a) (*Issuer Events of Default*), an LLP Acceleration Notice pursuant to Condition 9(b) (*LLP Events of Default*) or to direct the Bond Trustee or the Security Trustee to take any enforcement action under Condition 9 (*Events of Default and Enforcement*) or to direct the Bond Trustee to determine that any LLP Event of Default or Potential LLP Event of Default shall not be treated as such for the purposes of the Trust Deed (each, together with certain other Extraordinary Resolutions specified in the Trust Deed, 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 Principal Amount Outstanding 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 Receiptholders and Couponholders in respect of such Series of Covered Bonds.

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

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

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

in making any modification:

- (i) to the Trust Presents, to the Covered Bonds of one or more Series, the related Coupons and/or any Transaction Document provided that in the sole opinion of the Bond Trustee such modification is not materially prejudicial to the interests of any of the Covered Bondholders of any Series; or
- (ii) to the Trust Presents, to the Covered Bonds of one or more Series, the related Coupons and/or any Transaction Document which is in the sole opinion of the Bond Trustee of a formal, minor or technical nature or which in the sole opinion of the Bond Trustee is to correct a manifest error or to comply with mandatory provisions of law.

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

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

to:

- (i) any modifications of the terms and conditions applying to Covered Bonds of any one or more Series (including these Conditions) and/or Coupons or any Transaction Document as requested by the Issuer and/or the LLP in order to enable the Issuer and/or the LLP to comply with any requirements which apply to it under Regulation (EU) 648/2012 as it forms part of domestic law by virtue of the EUWA (**UK EMIR**) in accordance with the terms of the Trust Deed, subject to receipt by the Bond Trustee and the Security Trustee of a certificate of two Directors or Authorised Signatories of the Issuer or the LLP certifying to the Bond Trustee and the Security Trustee that the requested amendments are to be made solely for the purpose of enabling the Issuer or the LLP to satisfy the relevant requirements of UK EMIR and have been drafted solely to such effect; or
- (ii) any modification for the purpose of allowing the Issuer to maintain compliance with the RCB Regulations in respect of the Programme and the Covered Bonds provided that two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and to the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or
- (iii) any modification for the purpose of allowing the Issuer to issue N Covered Bonds, provided that two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and to the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or
- (iv) any modification to effect any replacement of the Cash Manager with any other entity within the Group, provided that (A) two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect and (B) if HSBC UK Bank plc or any other entity that is the same entity as the Issuer and/or the Servicer is appointed as replacement Cash Manager, the Priorities of Payment shall be amended to the

effect that such entity in its capacity as Cash Manager ranks alongside the Servicer in each Priority of Payment; or

- (v) the partial termination of any Covered Bond Swap following the redemption in part or cancellation in part of the related Series of Covered Bonds (for the avoidance of doubt, if there is more than one Covered Bond Swap in place in relation to such Series of Covered Bonds, each such Covered Bond Swap may be partially terminated in any amount as determined by the LLP) provided that two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and the Security Trustee that following such partial termination (or partial terminations, as the case may be) the LLP remains adequately hedged in relation to such Series of Covered Bonds and provided further that two Directors or Authorised Signatories of the Issuer and the LLP have certified to the Bond Trustee and the Security Trustee that such partial termination (or partial terminations, as the case may be) will not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Series of Covered Bonds by any Rating Agency or (y) any Rating Agency placing any Covered Bonds on rating watch negative (or equivalent); or
- (vi) any modifications to an Interest Rate Swap Agreement or a Covered Bond Swap Agreement requested by the LLP or the relevant Interest Rate Swap Provider or Covered Bond Swap Provider, as applicable, for the sole purpose of complying with, or implementing or reflecting updated criteria of one or more Rating Agencies which may be published after the Programme Establishment Date (the **New Rating Criteria**), provided (A) that any conditions precedent to making of such amendments as set out in the relevant Interest Rate Swap Agreement or Covered Bond Swap Agreement have been satisfied immediately prior to the date on which it is proposed that the amendments are effected and (B) two Directors or Authorised Signatories of the Issuer and the LLP certify in writing to the Bond Trustee and the Security Trustee that such modification is necessary to comply with or to reflect and/or implement the New Rating Criteria and has been drafted solely to such effect. For the avoidance of doubt, such modifications may include, without limitation, modifications which would allow any Interest Rate Swap Provider or Covered Bond Swap Provider not to post collateral in circumstances where it previously would have been obliged to do so, subject to satisfaction of the foregoing conditions; or
- (vii) any modifications to the Transaction Documents and/or the Conditions (other than those referred to in Condition 14(vi) above) that are requested by the Issuer and the LLP to comply with, implement or reflect any New Rating Criteria which may be published after the Programme Establishment Date and which two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and the Security Trustee in writing that such modification is necessary to comply with or to reflect and/or implement such New Rating Criteria and are required to avoid a downgrade, withdrawal or suspension of the then current ratings assigned by the relevant Rating Agency to any Series of Covered Bonds and the relevant modifications have been drafted solely to such effect; or
- (viii) any modification for the purpose of allowing one or more additional rating agencies to be appointed in respect to one or all Series of Covered Bonds provided that two Directors or Authorised Signatories of the Issuer and the LLP certify in writing to the Bond Trustee and the Security Trustee that (A) the additions do not dilute any of the current rating criteria published by any existing Rating Agency, (B) any existing Rating Agency has been informed of the proposed modification and such Rating Agency has not indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Series of Covered Bonds by such Rating Agency or (y) such Rating Agency placing any Covered Bonds on rating watch negative (or equivalent) and (C) the Issuer pays all costs and expenses (including legal fees) incurred by the Issuer, the LLP and the Bond Trustee and the Security Trustee in connection with such modification; or

- (ix) the termination of the appointment of any Rating Agency in respect of the Programme and any Covered Bonds then outstanding provided that there shall be at all times at least one rating agency established in the United Kingdom and registered under the UK CRA Regulation providing a rating in respect of the Programme and any Covered Bonds then outstanding; or
- (x) any modification for the purpose of enabling the Covered Bonds to be (or to remain) listed on the London Stock Exchange, provided that two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or
- (xi) any modification for the purpose of enabling the Issuer or any of the other transaction parties to comply with FATCA (or any voluntary agreement entered into with a taxing authority in relation thereto), provided that two Directors or Authorised Signatories of the Issuer and the LLP or the relevant transaction party, as applicable, certify to the Bond Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or
- (xii) any modification for the purpose of enabling New Mortgage Loan Types to be sold to the LLP provided that (A) the Rating Condition is satisfied in respect of such modifications and subject always to the provisions of the Mortgage Sale Agreement in relation to New Mortgage Loan Types and (B) two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect and that the Rating Condition is satisfied;
- (xiii) any modification for the purpose of allowing any additional Account Banks to be appointed and/or additional LLP Accounts to be opened provided that (A) in respect of any additional Covered Bond Accounts, such additional Account Bank has the Account Bank Required Ratings; and (B) two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or
- (xiv) the termination of the appointment of an Account Bank provided that at all times there is at least one Account Bank appointed that has the Account Bank Required Ratings; or
- (xv) any modification for the purpose of appointing a replacement counterparty in respect of any of the Transaction Documents, provided that two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect and any Rating Agency has been informed of the proposed modification and such Rating Agency has not indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Series of Covered Bonds by such Rating Agency or (y) such Rating Agency placing any Covered Bonds on rating watch negative (or equivalent); or
- (xvi) any modification for the purpose of allowing any back-up servicer or back-up cash manager to be appointed, provided that two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or
- (xvii) the accession of any New Seller to the Programme provided that two Directors or Authorised Signatories of the Issuer and the LLP certify to the Bond Trustee and

the Security Trustee in writing that the relevant conditions precedent in the Transaction Documents are satisfied at the time of the intended accession; or

- (xviii) following the occurrence of a Base Rate Modification Event, any modification (other than in respect of a Series Reserved Matter, provided that a Base Rate Modification (as defined below) will not constitute a Series Reserved Matter) to the Conditions and/or any Transaction Document (including, for the avoidance of doubt but without limitation, the Covered Bond Swap in relation to the relevant Series of Covered Bonds and subject to the consent only of the Secured Creditors (x) party to the relevant Transaction Document being amended or (y) whose ranking in any Priorities of Payments is affected) that the Issuer considers necessary for the purpose of changing the Reference Rate in respect of the Covered Bonds to an alternative base rate (any such rate, an **Alternative Base Rate**), the Covered Bond Rate Maintenance Adjustment (if required) and make such other amendments as are necessary or advisable in the reasonable judgement of the Issuer to facilitate such change (a **Base Rate Modification**), provided that the Issuer delivers a certificate to the Bond Trustee (copied to the Principal Paying Agent), upon which the Bond Trustee and Principal Paying Agent shall rely absolutely without further investigation.

It is a condition to any such Base Rate Modification that:

- (A) the Issuer delivers a Base Rate Modification Certificate to the Bond Trustee and the Security Trustee copied to the Principal Paying Agent (upon which the Bond Trustee, the Security Trustee and the Principal Paying Agent shall rely absolutely without further investigation) at the time the Bond Trustee and Security Trustee are notified of the Base Rate Modification and on the effective date of such Base Rate Modification;
- (B) either:
- (I) the Issuer has obtained from each of the Rating Agencies written confirmation, or certifies in the Base Rate Modification Certificate that where it has been unable to obtain written confirmation from any such Rating Agency it has received oral confirmation from an appropriately authorised person at such Rating Agency) that the proposed Base Rate Modification would not result in a Negative Ratings Action and, if relevant, it has appended a copy of such written confirmations to the Base Rate Modification Certificate; or
- (II) the Issuer certifies in the Base Rate Modification Certificate that it has given the Rating Agencies at least ten London Business Days' prior written notice of the proposed Base Rate Modification and none of the Rating Agencies has indicated that such modification would result in a Negative Ratings Action; or
- (C) the Issuer has given at least ten London Business Days' prior written notice of the proposed Base Rate Modification to the Bond Trustee, the Security Trustee and the Principal Paying Agent before publishing a Base Rate Modification Covered Bondholder Notice;
- (D) the Issuer has provided to the holders of each relevant Series of Covered Bonds a Base Rate Modification Covered Bondholder Notice, at least 40 calendar days prior to the date on which it is proposed that the Base Rate Modification would take effect (such date being no less than ten London Business Days prior to the next Interest Determination Date), in accordance with Condition 13 (*Notices*);
- (E) Covered Bondholders representing at least 10% of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds

on the Base Rate Modification Record Date have not notified the Principal Paying Agent in writing (or otherwise notified the Principal Paying Agent in accordance with the then current practice of any applicable clearing system through which such Covered Bonds may be held) within such notification period that such Covered Bondholders do not consent to the Base Rate Modification; and

- (F) the Base Rate Modification Costs are paid by the Issuer.

In connection with any Base Rate Modification, the Issuer shall use reasonable endeavours to (i) propose a Covered Bond Rate Maintenance Adjustment as reasonably determined by the Issuer, taking into account any covered bond rate maintenance adjustment mechanisms endorsed by the any regulatory authority in the United Kingdom or the European Union, the ECB, ESMA or their sponsored committees or bodies, or mechanisms that have become generally accepted market practice (the **Market Standard Adjustments**) and (ii) agree modifications to each relevant Covered Bond Swap where commercially appropriate so that each Series of Covered Bonds is hedged following the Base Rate Modification to a similar extent as prior to the Base Rate Modification.

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 Bond on the Base Rate Modification Record Date.

If Covered Bondholders representing at least 10% of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds outstanding on the Base Rate Modification Record Date have notified the Principal Paying Agent in writing (or otherwise notified the Principal Paying Agent in accordance with the then current practice of any applicable clearing system through which such Covered Bonds may be held) within the notification period referred to above that they do not consent to the proposed Base Rate Modification, then the proposed Base Rate Modification will not be made unless an Extraordinary Resolution is passed in favour of such proposed Base Rate Modification in accordance with this Condition 14 (*Meetings of Covered Bondholders, Modification, Waiver and Substitution*) by the holders of the relevant Series of Covered Bonds.

The Issuer shall use reasonable endeavours to agree modifications to each relevant hedging agreement where commercially appropriate so that each Series of Covered Bonds is hedged following the Base Rate Modification to a similar extent as prior to the Base Rate Modification.

Neither the Bond Trustee nor the Security Trustee shall be obliged to concur in making 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 prefunded to its satisfaction or (II) increasing the obligations or duties, or decreasing the rights or protection, of the Bond Trustee and/or the Security Trustee in the Transaction Documents and/or these Conditions.

The Principal Paying Agent shall not be obliged to perform any modification which, in the sole opinion of the Principal Paying Agent would have the effect of (I) exposing the Principal Paying Agent to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (II) increasing the obligations or duties,

or decreasing the rights or protection, of the Principal Paying Agent in the Transaction Documents and/or these Conditions.

Any Base Rate Modification shall be binding on all Covered Bondholders of the relevant Series of Covered Bonds and shall be notified by the Issuer as soon as reasonably practicable to:

- (a) so long as any of the Covered Bonds of the relevant Series rated by the Rating Agencies remains outstanding, each Rating Agency;
- (b) the Secured Creditors; and
- (c) the Covered Bondholders of the relevant Series of Covered Bonds in accordance with Condition 13 (*Notices*).

Following the making of a Base Rate Modification, if the Issuer, or the Servicer on behalf of the Issuer, determines that it has become generally accepted market practice in the covered bond market to use a base rate of interest which is different from the Alternative Base Rate which had already been adopted by the Issuer in respect of a Series of Covered Bonds pursuant to a Base Rate Modification, the Issuer is entitled to propose a further Base Rate Modification pursuant to the terms of this Condition 14.

Notwithstanding any provision of these Conditions, if in the Principal Paying Agent's sole opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation provided for by the terms of a Base Rate Modification, the Principal Paying Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Principal Paying Agent in writing as to which alternative course of action to adopt. If the Principal Paying Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, wilful default or fraud) to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Principal Paying Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, wilful default or fraud) shall not incur any liability for not doing so.

Such modifications (1) shall be binding on the Covered Bondholders and/or the related Couponholders, and (2) shall be notified by the Issuer or the Guarantor (as the case may be) to the Covered Bondholders in accordance with Condition 13 (*Notices*) and other Secured Creditors in accordance with this Condition 14 as soon as practicable thereafter.

When implementing any modification pursuant to this Condition 14, 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.

The Security Trustee shall from time to time and at any time without any consent or sanction of the Secured Creditors (other than any Secured Creditor who is a party to the relevant document) concur with any person in making or sanctioning any modification to the Covered Bonds of any one or more Series and/or Coupons or any of the Transaction Documents

only if so directed by the Bond Trustee (acting on the instructions of the Covered Bondholders) or, if there are no Covered Bonds then outstanding, all other Secured Creditors.

The Bond Trustee may (other than in respect of a Series Reserved Matter), without the consent of the Covered Bondholders of any Series and/or the related Couponholders and without prejudice to its rights in respect of any subsequent breach, Issuer Event of Default, Potential Issuer Event of Default, LLP Event of Default or Potential LLP Event of Default, from time to time and at any time but only if in so far as in its opinion the interests of the Covered Bondholders of any Series shall not be materially prejudiced thereby:

- (a) waive or authorise of any breach or proposed breach by the Issuer or the Guarantor of any of the provisions of the Covered Bonds of any Series, or waive or authorise any breach or proposed breach of any of the covenants or provisions of any of the Transaction Documents to which it is a party, or determine that any Issuer Event of Default, Potential Issuer Event of Default, LLP Event of Default or Potential LLP Event of Default shall not be treated as such; and
- (b) direct the Security Trustee to waive or authorise of any breach or proposed breach by the Issuer or the Guarantor of any of the provisions of the Covered Bonds of any Series, or waive or authorise any breach or proposed breach of any of the covenants or provisions of any of the Transaction Documents to which it is a party, or determine that any Issuer Event of Default, Potential Issuer Event of Default, LLP Event of Default or Potential LLP Event of Default shall not be treated as such.

In respect of any proposed modification, waiver, authorisation or determination, prior to the Bond Trustee and/or the Security Trustee agreeing to any such modification, waiver, authorisation or determination pursuant to this Condition 14, any two Directors or Authorised Signatories of the Issuer must send written confirmation to the Bond Trustee and the Security Trustee that such modification, waiver, authorisation or determination, as applicable, would not result in a breach of the RCB Regulations or the RCB Sourcebook or result in the Issuer, the Programme and/or any Covered Bonds issued under the Programme ceasing to be registered under the RCB Regulations and that either:

- (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 may be made on such terms and subject to such conditions (if any) as the Bond Trustee may determine including, but not limited to, the Bond Trustee being indemnified and/or secured and/or prefunded to its satisfaction, and shall be binding on all the Covered Bondholders of all Series of Covered Bonds for the time being outstanding, the related Couponholders and the other Secured Creditors, and unless the Bond Trustee otherwise agrees, any such modification shall be notified by the Issuer to the Covered Bondholders of all Series of Covered Bonds for the time being outstanding and the other Secured

Creditors in accordance with Condition 13 (*Notices*) and to the other Secured Creditors in accordance with Condition 13 (*Notices*) as soon as practicable thereafter.

Subject as expressly provided otherwise in the Transaction Documents, 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 will have regard to the general interests of the Covered Bondholders of each Series as a class (but shall not have regard to any interests arising from circumstances particular to individual Covered Bondholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Covered Bondholders, the related Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Bond Trustee shall not be entitled to require, nor shall any Covered Bondholder or Couponholder be entitled to claim, from the Issuer, the LLP, the Bond Trustee, the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Covered Bondholder and/or Couponholders, except to the extent already provided for in Condition 7 (*Taxation*) and/or in any undertaking or covenant given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Trust Deed.

### **Substitution**

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

Any substitution pursuant to this Condition 14 shall be binding on the Covered Bondholders, the Receiptholders and the Couponholders and shall be notified by the Issuer to the Covered Bondholders as soon as practicable thereafter in accordance with Condition 13 (*Notices*).

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

- (a) the Covered Bond Guarantee shall remain in place or be modified to apply *mutatis mutandis* and continue in full force and effect in relation to any Successor in Business or any Subsidiary or holding company of the Issuer which is proposed to be substituted for the Issuer as principal debtor under the Covered Bonds and the Trust Deed; and
- (b) any Successor in Business or any such Subsidiary or holding company of the Issuer is included in the register of Issuers pursuant to the RCB Regulations and that all other provisions of the RCB Regulations (including Regulation 20 of the RCB Regulations) are satisfied prior to the substitution of the Issuer.

For the purposes of this Condition 14:

**Alternative Base Rate** means an alternative reference rate to be substituted for a Reference Rate, being any of the following:

- (a) a reference rate which has been recognised or endorsed as a rate which should or could be used, subject to adjustments (if any), to replace a Reference Rate by either (x) the Bank of England, any regulatory authority in the United Kingdom or the European Union, the ECB, ESMA, or any relevant committee or other body established, sponsored or approved by any of the foregoing, including the Working Group on Euro Risk-Free Rates or (y) an industry body recognised nationally or internationally as representing participants in the covered bond or asset-backed securities market generally; or
- (b) a reference rate utilised in five publicly-listed new issues of covered bonds or asset-backed floating rate notes in the six months prior to the proposed effective date of such Base Rate Modification; or

- (c) a reference rate utilised in a publicly-listed new issue of covered bonds or asset-backed floating rate notes where the originator of the relevant assets is a member of the Group or an affiliate of the Issuer; or
- (d) such other reference rate as the Issuer reasonably determines provided that this option may only be used if the Issuer certifies to the Bond Trustee and the Security Trustee that, in its reasonable opinion, none of paragraphs (a), (b) or (c) above is applicable and/or practicable in the context of the Series of Covered Bonds which are proposed to be amended and that the Issuer has reasonable justification for such determination;

**Base Rate Modification** means any modification that the Issuer considers necessary for the purpose of changing the base rate in respect of the Covered Bonds in the manner set out in Condition 14 (*Meetings of Covered Bondholders, Modification, Waiver and Substitution*).

**Base Rate Modification Certificate** means a certificate signed by the Issuer and addressed to the Bond Trustee, the Security Trustee and copied to the Principal Paying Agent (upon which the Bond Trustee, the Security Trustee and Principal Paying Agent shall rely absolutely without further investigation) certifying that:

- (a) the Base Rate Modification is being undertaken as a result of the occurrence of a Base Rate Modification Event;
- (b) the Base Rate Modification is required solely for the purpose of applying the Alternative Base Rate as a result of a Base Rate Modification Event and has been drafted solely to such effect; and
- (c) the Alternative Base Rate proposed falls within paragraph (a), (b), (c) or (d) of the definition of Alternative Base Rate and where paragraph (d) applies, the Issuer shall certify that, in its opinion, none of paragraphs (a), (b) or (c) of the definition of Alternative Base Rate is applicable and/or practicable in the context of the Transaction Documents and sets out the justification for such determination; and
- (d) either (i) it has obtained written confirmation from each of the Rating Agencies that the proposed Base Rate Modification would not result in a Negative Ratings Action and such written confirmation is appended to the Base Rate Modification Certificate; or (ii) it has been unable to obtain written confirmation from each of the Rating Agencies that the proposed Base Rate Modification would not result in a Negative Ratings Action but it has received oral confirmation from an appropriately authorised person at such Rating Agency; or (iii) it has given the Rating Agencies at least ten Business Days' prior written notice of the proposed modification and none of the Rating Agencies has indicated that such Base Rate Modification would result in a Negative Ratings Action; and
- (e) the details of and the rationale for the Covered Bond Rate Maintenance Adjustment (or absence of any Covered Bond Rate Maintenance Adjustment) are as set out in the Base Rate Modification Covered Bondholder Notice, including any deviations from the Market Standard Adjustments; and
- (f) the consent of each Secured Creditor (other than the Covered Bondholders of the relevant Series of Covered Bonds, the Bond Trustee and the Security Trustee) whose consent is required to effect the proposed Base Rate Modification pursuant to the provisions of the Transaction Documents and any Paying Agent whose responsibility it is to calculate the interest rate has been obtained and no other consents are required to be obtained in relation to the Base Rate Modification; and
- (g) whether the Base Rate Modification Costs will be paid by the Issuer;

**Base Rate Modification Costs** means all fees, costs and expenses (including legal fees or any initial or ongoing costs associated with the Base Rate Modification) properly incurred by the Issuer and the Bond Trustee or any other transaction party in connection with the Base Rate Modification;

**Base Rate Modification Event** means the occurrence of any of the following:

- (a) the applicability of any law or any other legal provision, or of any administrative or judicial order, decree or other binding measure, pursuant to which a Reference Rate may no longer be used as a reference rate to determine the payment obligations under a Series of Covered Bonds and/or under the relevant Covered Bond Swap, or pursuant to which any such use of the Reference Rate is subject to material restrictions or adverse consequences;
- (b) a material disruption to a Reference Rate, or a Reference Rate ceasing to exist or to be published, or the administrator of a Reference Rate having used fallback methodology for calculating such Reference Rate for a period of at least 30 calendar days;
- (c) the insolvency or cessation of business of the administrator of a Reference Rate (in circumstances where no successor administrator has been appointed);
- (d) a public statement by the administrator of a Reference Rate that, upon a specified future date (the specified date), it will cease publishing such Reference Rate or such Reference Rate will not be included in the register under Article 36 of the UK Benchmarks Regulation permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Reference Rate or where there is no mandatory administration), provided that if the specified date is more than six months in the future, the Base Rate Modification Event will occur upon the date falling six months prior to the specified date;
- (e) a public statement by the supervisor of the administrator that a Reference Rate has been or will be, upon a specified future date (the specified date), permanently or indefinitely discontinued, or which means that such Reference Rate may no longer be used or that it is no longer a representative reference rate or that its use is subject to restrictions for issuers of covered bonds, provided that if the specified date is more than six months in the future, the Base Rate Modification Event will occur upon the date falling six months prior to the specified date;
- (f) a change in the generally accepted market practice in the publicly listed covered bonds or asset-backed floating rate notes market linked to a Reference Rate to refer to a reference rate endorsed in a public statement by the Bank of England, any regulatory authority in the United Kingdom or the European Union, ECB, ESMA, or any relevant committee or other body established, sponsored or approved by any of the foregoing, including the Working Group on Euro Risk-Free Rates, despite the continued existence of such Reference Rate; or
- (g) it being the reasonable expectation of the Issuer that any of the events specified in paragraphs (a) to (f) above will occur or exist within six months;

**Base Rate Modification Covered Bondholder Notice** means a written notice from the Issuer to notify Covered Bondholders of a proposed Base Rate Modification confirming the following:

- (a) the date on which it is proposed that the Base Rate Modification shall take effect;
- (b) the period during which Covered Bondholders who are Covered Bondholders on the Base Rate Modification Record Date may object to the proposed Base Rate Modification (which notice period shall commence at least 40 calendar days prior to the date on which it is proposed that the Base Rate Modification would take effect and continue for a period of not less than 30 calendar days) and the method by which they may object (including the evidence that must be provided of a Covered Bondholder's holding of the Covered Bonds);
- (c) the Base Rate Modification Event or Events which has or have occurred;
- (d) the Alternative Base Rate which is proposed to be adopted pursuant to Condition 14(xviii) and the rationale for choosing the proposed Alternative Base Rate;
- (e) details of and the rationale for any Covered Bond Rate Maintenance Adjustment and any deviation from Market Standard Adjustments (if any);

- (f) details of any modifications that the Issuer has agreed will be made to any hedging agreement to which it is a party for the purpose of aligning any such hedging agreement with the proposed Base Rate Modification or, where it has not been possible to agree such modifications with hedging counterparties, why such agreement has not been possible; and
- (g) details of (i) any amendments which the Issuer proposes to make to the Conditions or any other Transaction Document and (ii) any new, supplemental or additional documents into which the Issuer proposes to enter to facilitate the changes envisaged pursuant to this Condition 14;

**Base Rate Modification Record Date** means the date specified to be the Base Rate Modification Record Date in the Base Rate Modification Covered Bondholder Notice being five Business Days from the date of the Base Rate Modification Covered Bondholder Notice, unless otherwise agreed by the Bond Trustee;

**Covered Bond Rate Maintenance Adjustment** means the adjustment (which may be positive or negative) which the Issuer proposes to make (if any) to the margin payable on each Series of Covered Bonds which are the subject of the Base Rate Modification in order to, so far as reasonably and commercially practicable, preserve what would have been the expected Rate of Interest applicable to each such Series of Covered Bonds had no such Base Rate Modification been effected;

**ECB** means the European Central Bank;

**ESMA** means the European Securities and Markets Association;

**Negative Ratings Action** means, in relation to the current rating assigned to any Series of Covered Bonds by a Rating Agency, (i) a downgrade, withdrawal or suspension of the rating or (ii) any Series of Covered Bonds being placed on rating watch negative (or equivalent);

**Potential Issuer Event of Default** means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute an Issuer Event of Default;

**Potential LLP Event of Default** means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute an LLP Event of Default;

**Successor in Business** means any entity which (i) acquires all or substantially all of the undertaking and/or assets of the Issuer or (ii) acquires the beneficial ownership of the whole of the issued voting stock and/or share capital of the Issuer or (iii) into which the Issuer is amalgamated, merged or reconstructed and where the Issuer is not the continuing company; and

**Series Reserved Matter** in relation to Covered Bonds of a Series means: (i) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds; (ii) alteration of the currency in which payments under the Covered Bonds, Receipts and Coupons are to be made; (iii) alteration of the quorum or majority required to pass an Extraordinary Resolution; (iv) any amendment to the Covered Bond Guarantee or the Deed of Charge (except in a manner determined by the Bond Trustee not to be materially prejudicial to the interests of the Covered Bondholders of any Series); (v) except in accordance with this Condition 14, the sanctioning of any such scheme or proposal as is described in paragraph 18(j) of Schedule 4 to the Trust Deed; and (vi) alteration of this definition or the definitions in or proviso to paragraph 5 or paragraph 6 of Schedule 4 to the Trust Deed.

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

The Trust Deed and the Deed of Charge contain provisions for the indemnification of the Bond Trustee and the Security Trustee and for their relief from responsibility, including provisions relieving them from taking any action unless indemnified and/or secured and/or prefunded to their satisfaction.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which each of the Bond Trustee and Security Trustee, respectively, is entitled, *inter alia*: (i) to enter into business transactions with the Issuer, the LLP and/or any of their respective Subsidiaries and affiliates and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the LLP and/or any of their respective Subsidiaries and affiliates; (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Covered Bondholders, Receipholders 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 Mortgages 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 whether or not on behalf of the Bond Trustee and/or the Security Trustee. Neither the Bond Trustee nor the Security Trustee will be responsible for *inter alia*: (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 Mortgage Portfolio is in compliance with the Pre-Maturity Test, Asset Coverage Test, Interest Rate Shortfall Test, Yield Shortfall Test, or the Amortisation Test; or (iv) monitoring whether Mortgages and Related Security satisfy the Substitution 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 neither has any responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Transaction Documents.

16. **Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Covered Bondholders, the Receipholders 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. **Limited Recourse**

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

- (i) it has determined that there is no reasonable likelihood of there being any further realisations in respect of the Charged Property (whether arising from enforcement of the Security or otherwise) which would be available to pay amounts outstanding under the Transaction Documents; and

- (ii) all amounts available to be applied to pay amounts owing under the Transaction Documents have been so applied in accordance with the Transaction Documents,

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

The Secured Creditors have agreed in the Deed of Charge that all obligations of the LLP to them will be limited in recourse to the Charged Property and have further agreed that only the Security Trustee can enforce the Security created by the LLP.

18. **Contracts (Rights of Third Parties) Act 1999**

No person has any right to enforce any term or condition of this Covered Bond under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. **Governing Law**

The Trust Deed (including the Covered Bond Guarantee), the Agency Agreement, the Covered Bonds, the Receipts, the Coupons and the other Transaction Documents and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law unless specifically stated to the contrary.

## USE OF PROCEEDS

Other than where the relevant Final Terms specifies that a Series of Covered Bonds are "Green Bonds" (as to which, see below), 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):

- (a) to purchase Mortgages and their Related Security from the Seller in accordance with the terms of the Mortgage Sale Agreement; and/or
- (b) to invest in Substitution Assets in an amount not exceeding the prescribed limit,  
  
to the extent required to meet the requirements of Regulations 23 and 24(1)(a) of the RCB Regulations and the Asset Coverage Test (as described below), and thereafter may be applied by the LLP:
  - (i) to purchase Mortgages and their Related Security, from the Seller in accordance with the terms of the Mortgage Sale Agreement; and/or
  - (ii) to invest in Substitution Assets in an amount not exceeding the prescribed limit; and/or
  - (iii) subject to complying with the Asset Coverage Test, to make a Capital Distribution to the Seller (in its capacity as Member) by way of distribution of that Member's equity in the LLP in an amount equal to the Sterling Equivalent of the Term Advance or any part thereof, which shall be paid to the Member on the relevant Issue Date by telegraphic transfer or as otherwise directed by the Member; and/or
  - (iv) if an existing Series or Tranche, or part of an existing Series or Tranche, of Covered Bonds is being refinanced (by the issue of a further Series or Tranche of Covered Bonds), to repay the Term Advance(s) corresponding to the Covered Bonds being so refinanced; and/or
  - (v) to credit all or part of the proceeds in the Covered Bond Account (including, without limitation, to fund the Reserve Fund to an amount not exceeding the prescribed limit).

### Green Bonds

If the relevant Final Terms specifies that a Series of Covered Bonds are "Green Bonds", then, unless otherwise specified in the relevant Final Terms, the Issuer intends to use an amount equivalent to the net proceeds from such issue of Covered Bonds 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) to purchase Mortgages and their Related Security from the Seller in accordance with the terms of the Mortgage Sale Agreement to the extent required to meet the requirements of Regulation 23 and 24(1)(a) of the RCB Regulations and the Asset Coverage Test (as described below) and thereafter will be applied by the LLP:

- (a) to purchase Mortgages and their Related Security, from the Seller in accordance with the terms of the Mortgage Sale Agreement; and/or
- (b) subject to complying with the Asset Coverage Test, to make a Capital Distribution to HSBC UK Bank plc (in its capacity as Member) by way of distribution of that Member's equity in the LLP in an amount equal to the Sterling Equivalent of the Term Advance or any part thereof, which shall be paid to the Member on the relevant Issue Date by telegraphic transfer or as otherwise directed by the Member.

HSBC UK Bank plc intends to use an amount equivalent to such net amounts received from the LLP as consideration for the purchase of Mortgages and their Related Security and/or a Capital Distribution to fund eligible businesses and projects in eligible green sectors (as further described within the HSBC Green Bond Framework (as may be amended from time to time) which is available on the following webpage: <https://www.hsbc.com/investors/fixed-income-investors/green-and-sustainability-bonds> (the **Green Bond Framework**)).

The Issuer will track the use of such amount via its internal information systems, and provide a progress report (the **Annual Report on Allocation**) on an annual basis (as further described in the Green Bond Framework). In addition, a second party opinion has been obtained from an appropriate provider to confirm the validity of the Green Bond Framework. The second party opinion is published on the following webpage: <https://www.hsbc.com/investors/fixed-income-investors/green-and-sustainability-bonds>. For each issuance of Covered Bonds that are specified in the relevant Final Terms as being "Green Bonds", the Issuer will engage an appropriate external assurance provider to independently assure the Annual Report on Allocation, on an annual basis, and opine on its conformity with the Green Bond Framework. The Annual Report on Allocation and related assurance report will be made available to the public on the following webpage: <https://www.hsbc.com/investors/fixed-income-investors/green-and-sustainability-bonds>.

## HSBC UK BANK PLC'S MORTGAGE BUSINESS

### *Introduction*

HSBC UK Bank plc's mortgage business comprises products offered under the First Direct and HSBC UK brands, although no First Direct branded mortgages are presently included in the Cover Pool. As described in more detail below, the HSBC UK branded products are originated by HSBC UK Bank plc in the United Kingdom through its branch network, by telephone, internet and third party intermediary channels.

On 1 July 2018, pursuant to a ring fencing transfer scheme under Part VII of the FSMA, certain elements of HSBC Bank plc's business were transferred to HSBC UK Bank plc, including the origination of mortgages. Consequently, mortgages in the Cover Pool originated prior to 1 July 2018 were originated by HSBC Bank plc.

The following describes some of the key features of the HSBC UK branded mortgages offered primarily to owner-occupiers (**Owner Occupier Mortgages**) and the process by which they are originated. Mortgages which satisfy the conditions described in "*Summary of the Principal Documents – Mortgage Sale Agreement – Representations and Warranties*" will be capable of being assigned to the LLP.

The Seller's buy-to-let mortgages (which are underwritten using different lending criteria, and are subject to different terms and conditions, from those described in this section) are not an Approved Product Type and are therefore ineligible for assignment to the LLP.

### *Product types offered by the seller*

The Seller offers a variety of HSBC UK branded mortgage loan products (each a **Product Type**), each with its own combination of features, including interest rate, repayment terms, eligibility criteria and LTV limits. Each mortgage will comprise one or more loan portions, each of which may be a separate Product Type. The Seller reserves the right to create new Product Types and to amend the terms and conditions applicable to the mortgages or Product Types which it offers (as the same may be amended from time to time, the **Mortgage Conditions**). Subject to the conditions described in "*Summary of the Principal Documents – Mortgage Sale Agreement*", the Seller may from time to time assign to the LLP Mortgages (together with Additional Borrowing in respect of Mortgages in the Cover Pool) which have different Mortgage Conditions from those Mortgages which were assigned to the LLP on the Initial Contribution Date or any subsequent cut-off date.

### **Interest rate features**

The Cover Pool comprises Owner Occupier Mortgages that fall into the following general interest rate categories:

- (i) **HSBC Fixed Rate Mortgages:** Mortgage advances subject to a fixed interest rate for a specified period of time, which at the time of this Base Prospectus is a maximum period of ten years. At the end of the specified period, the interest rate reverts to the HSBC Variable Rate. The Seller may change the maximum period in the future at its discretion.
- (ii) **HSBC Discount Rate Mortgages:** Mortgage advances subject to the HSBC Variable Rate, less a discount which applied for a two-year period. At the end of this period, the interest rate would have reverted to the HSBC Variable Rate, unless the borrower transferred their mortgage (or the relevant portion thereof) to another interest rate category. HSBC Discount Rate Mortgages ceased to be sold with effect from 23 March 2016 and, consequently, as at the date of this Base Prospectus, no borrower will have a discounted rate.
- (iii) **HSBC Tracker Rate Mortgages:** Mortgage advances subject to a variable rate of interest that is set at a fixed margin above the Bank of England base rate for the term of the mortgage or for a set period before reverting to the HSBC Variable Rate.

**HSBC Variable Rate** means the variable rate set, except in limited circumstances described in "*Summary of the Principal Documents – Setting of HSBC Variable Rates and other discretionary rates and margins*", by the Servicer in its discretion. The HSBC Variable Rate is not directly linked to any index. The Servicer sets the HSBC Variable Rate having regard to the level of interest rates in the financial markets and competitive forces in the UK mortgage market and other factors, which may include changes in the general

law or decisions of the Financial Ombudsman Service, the regulatory requirements with which the Servicer must comply from time to time, new industry guidance and codes of practice which raise standards of consumer protection, changes in the Bank of England base rate, other specified market rates or indices or tax rates and other legitimate costs in providing the mortgage (including funding costs).

In this Base Prospectus, HSBC Discount Rate Mortgages and HSBC Tracker Rate Mortgages are referred to as **Variable Rate Mortgages**.

The Seller permits borrowers who have an existing mortgage with HSBC in respect of one mortgaged property to transfer the Product Type(s) that apply to that mortgage to a new mortgage over a new property, subject to certain conditions being satisfied, although changes to loan size or term are not permitted. Such transfer is processed as a redemption of a borrower's existing mortgage and as such where this occurs in relation to a mortgage included in the Cover Pool, the relevant mortgage will be treated as having been redeemed in full.

Interest on each mortgage advance accrues on the current principal balance of that advance from time to time and is payable, in arrear, on the relevant monthly payment date for that mortgage advance. Interest on each mortgage is computed on a daily basis.

### **Repayment features**

Each Product Type has one of the following repayment methods:

- (i) **Capital Repayment Mortgages:** the borrower is required to make monthly payments of both interest and principal such that the relevant mortgage advance will have been repaid in full by the completion of the mortgage term.
- (ii) **Interest Only Mortgages:** the borrower is required to make monthly payments of interest but not of principal; the entire principal amount of the relevant mortgage advance is repayable in full at the completion of the mortgage term.

### **Monthly Payment**

Under the Mortgage Conditions, borrowers must generally make monthly payments on each monthly payment date. Interest on mortgages accrues in accordance with the Mortgage Conditions and is collected from borrowers monthly, as set out above.

The monthly payment required to be paid by the relevant borrower on each monthly payment date in respect of a mortgage advance (the **Monthly Payment**) may vary from month to month for various reasons, such as changes in interest rates (excluding Fixed Rate Mortgages, for so long as they are in their fixed rate period).

All Monthly Payments are required to be made by direct debit, unless another form of payment is agreed by the Seller, and the Monthly Payment in respect of each mortgage advance is typically paid by direct debit.

### **Flexible features**

*Overpayments:* All Product Types permit borrowers to make overpayments of principal from time to time, although certain charges may be applied if the relevant advance is in a fixed rate period and the relevant overpayment exceeds certain limits. All Fixed Rate Mortgages benefit from an annual overpayment allowance which permits the borrower to make additional payments during the fixed rate period without incurring an Early Repayment Charge either by increasing the monthly mortgage payments or making a lump sum payment. The allowance is equivalent to 10 per cent. of the outstanding balance of the mortgage to which the fixed rate relates, calculated on each anniversary of the start of the fixed rate period.

*Payment deferrals:* None of the Product Types offered by the Seller permit borrowers to make underpayments or make payment deferrals; however, in certain circumstances, the Servicer will grant a concession to a borrower.

*Redraws:* None of the Product Types (other than certain products which are no longer offered by the Seller and which will not be assigned to the LLP) permit borrowers to redraw any principal amount which they have repaid.

*Additional borrowing:* The Seller may advance additional borrowing to borrowers from time to time in its discretion, and subject to the underwriting process and Lending Criteria described below. Additional borrowing means, in relation to a mortgage, 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. The Seller imposes additional restrictions where additional borrowing is for the purpose of debt consolidation, including caps on loan to value and borrowing amount.

*Product switches:* The Seller, in its discretion, may agree with a borrower from time to time to vary the financial terms and conditions of a borrower's mortgage or mortgage loan (such variation being a **Product Switch**, subject to the exclusions set out in the paragraph below) without following the underwriting procedures described in this section. If such a variation is agreed with a borrower in respect of a Mortgage in the Cover Pool, the Mortgage (as varied) will remain in the Cover Pool, and the Seller will give the Mortgage Warranties in respect of such Mortgage (as varied) and the Substitution Criteria must be satisfied on the Calculation Date immediately following the making of such variation. If the Mortgage Warranties and Substitution Criteria are not satisfied, the Seller will be required to accept the retransfer of the relevant mortgage which is subject to the Product Switch as described in the section entitled "*Summary of the Principal Documents – Mortgage Sale Agreement – Repurchase of Mortgages*".

Product Switches do not include any variation which:

- (i) lengthens the term of a Mortgage or any advance thereunder;
- (ii) reduces the term of the Mortgage or any advance thereunder (whether as a result of a lump sum repayment of principal or an increase in the relevant Monthly Payment);
- (iii) results in a change of the relevant Borrower(s);
- (iv) increases the amount outstanding under the Mortgage or advance;
- (v) any variation of a Mortgage from a repayment Mortgage to an interest only Mortgage or vice-versa;
- (vi) involves the change in the legal ownership of the relevant Mortgaged Property or changes the Mortgage or advance to a Product Type which is not an Approved Product Type;
- (vii) any variation agreed with a Borrower to control or manage arrears on such Mortgage;
- (viii) any variation imposed by statute; or
- (ix) any variation in the rate of interest payable to another rate of interest permitted under, or otherwise contemplated by, the relevant Mortgage Conditions (including to a reversionary rate of the Seller).

### ***Origination channels***

The Seller's mortgage origination channels are its UK branch network, its telephone network, its internet network and third party intermediary channels.

Mortgages in the Cover Pool originated prior to 1 July 2018 were originated by HSBC Bank plc and were transferred to the Seller on 1 July 2018 pursuant to a ring fencing transfer scheme under Part VII of the FSMA. Mortgages originated on or after 1 July 2018 were and are originated by the Seller. The Seller reserves the right to assign, to the LLP, portfolios of mortgages acquired by it or its affiliates, subject to the satisfaction of certain conditions as described in the section "*Summary of the Principal Documents – Mortgage Sale Agreement– New Seller*".

## ***Underwriting process and Lending Criteria***

The Seller's underwriting approach and Lending Criteria has changed over time and is subject to change within the Seller's sole discretion. Mortgages in the Cover Pool may have been originated in accordance with different underwriting criteria from those set out here, depending on their date of origination.

### **Underwriting**

To apply for a mortgage, the prospective borrowers complete an application which includes information about the underlying property, income, current employment details, bank account information, current mortgage information, if any, and certain other personal information. A credit reference agency search is completed in all cases against each applicant at their current address and, if necessary, former addresses, which gives details of public information including any county court judgments and details of any bankruptcy, as well as details of the applicant's credit history and their credit score. Several internal credit scores are also generated by an automated system in respect of each applicant to assist in the process of their credit application.

All mortgage applications are evaluated by an automated system which sorts applications into 'approve', 'refer' and 'reject' categories. Applications which are graded 'approve' are approved, subject to certain conditions (such as, where required, receipt of a satisfactory property valuation). These applications are only evaluated by an underwriter in a traditional sense where the application falls outside of the approval authority of the branch mortgage protection managers or the approval authority of the mortgage advisors at the relevant UK call centre. Applications originated from third party mortgage intermediaries or from the internet channel are also assessed by underwriting services.

Applications which are graded as 'refer' or 'reject' may be referred to underwriting services for review. A system-generated 'refer' may be approved or rejected after assessment by underwriting services. A 'reject' decision in respect of cases that fall outside the Lending Criteria may only be overridden by the specialist underwriting services team in the second line of defence credit risk function.

The Seller requires each underwriter to be accredited before being given the authority to approve mortgages and once accredited they are subject to regular competency checks. The Seller has established various levels of authority for its underwriters which reflect, among other things, the degree of risk which the underwriter is permitted to approve. Underwriting decisions are monitored regularly for compliance with underwriting authority and conformity with the Lending Criteria.

The Seller periodically reviews the way in which it conducts its mortgage origination business and may change its origination processes from time to time. The Seller will retain exclusive control over the underwriting policies and Lending Criteria to be applied to the origination of mortgages.

### **Lending Criteria**

Each mortgage originated by the Seller or acquired by the Seller from HSBC Bank plc pursuant to a transfer under Part VII of the FSMA was originated according to the Seller's lending criteria (as the same may be amended from time to time, the **Lending Criteria**) applicable at the time the mortgage was offered. Except where indicated below, the Lending Criteria applied to each mortgage included in the Cover Pool were the same or substantially the same as the criteria described in this section. The Seller reserves the right to amend its Lending Criteria from time to time, and (subject to the conditions described in "*Summary of the Principal Documents – Mortgage Sale Agreement*") to assign, to the LLP, mortgages which are originated under such revised Lending Criteria.

Some of the factors currently used in making a lending decision are as follows:

#### **(i) Property Type**

The prospective mortgaged property may in relation to mortgages be freehold, commonhold or leasehold. In the case of leasehold properties in respect of mortgages originated from 2016 to date, the Seller requires that the remaining term of the relevant lease must be at least 30 years longer than the term of the proposed mortgage. Prior to 2016, this requirement was 25 years.

The Seller has policies that exclude certain types of property from being eligible to become mortgaged property. Such exclusion may be in line with the Seller's non-standard construction

policy, as varied from time to time, or because the Seller deems them to be unsuitable. Examples of the types of property that the Seller currently deems to be unsuitable include (without limitation):

- part domestic/part commercial property that is used wholly for business purposes or where there are commercial buildings on the same title (for example holiday let/cottage);
- house boats;
- mobile homes; and
- holiday homes that cannot be lived in all year round.

The Seller has since August 2020 implemented a policy that, in respect of all new mortgage applications where the property is a flat and regardless of the height of the building, a professional valuer is required to assess whether an external wall survey process (**EWS**) is required in relation to the actual or suspected presence of cladding in line with guidance from the Royal Institute of Chartered Surveyors (RICS). Since January 2023, where an EWS is required and subsequently discloses that combustible materials are present in the external wall materials, the Seller will consider lending on such properties, subject to lending criteria, where either no remediation is recommended, or there is a funded remediation scheme for the building. All persons who are to be legal owners of the property on completion must either be borrowers under the mortgage or a chargor under the mortgage deed. The consent of certain other persons may also be required by law.

(ii) Income

Income declared as part of the mortgage application must be verified in all cases. Proof of income is obtained as part of the application process for any new mortgage lending. The type of proof required depends on the source of income (e.g. employed, self-employed, retirement) and includes, for example, bank statements, pay slips, form P60, HMRC Tax Year Overviews, business accounts. Income verification is completed by validating that the income declared on the mortgage application can be evidenced from the documents provided. This may only be completed by accredited mortgage protection managers, mortgage advisors or underwriters.

(iii) Affordability

The maximum amount that the Seller will lend under a mortgage is determined by a number of factors, including the affordability of that mortgage to the relevant applicants. Affordability is determined after taking account of a number of factors, including the applicant's net income, existing credit commitments, estimated household expenditure on certain items, the cost of servicing the mortgage and any expected future changes to income or expenditure. The assessment of income will depend upon employment status and the nature of the employment. Income from other sources may be used in accordance with the Seller's policy, such as pensions, investments or performance related pay.

The Seller gives consideration to the effect of future interest rate rises and how these would impact the customers' ability to repay the mortgage. In general, a Seller may wish to impose a limit, expressed as a multiple of a given customer's income, on the amount it is prepared to advance under a mortgage. This limit is closely related to the responsible lending or financing policy that a Seller must have in place. This is a policy that sets out the factors and considerations (as outlined above) that would be taken into account when assessing a customer's ability to pay their mortgage.

There are certain circumstances where the assessment of affordability (in line with the information outlined above) need not be applied. This is normally when, amongst other conditions, the customer in question has an existing mortgage with the Seller (which was in existence prior to 26 April 2014 when the previous mortgage rules were still in force) and the further mortgage would be in the best interests of the borrower, or where a customer wants to port their mortgage to a new property (subject to certain criteria including the proportion of the loan to the value of the new property).

(iv) Valuation

All mortgage applications are subject to a satisfactory valuation of the relevant mortgaged property. An existing valuation previously used to support mortgage lending, can be used if the valuation was undertaken by a surveyor from the Seller's current panel, is dated within the last six months and the proposed borrowing has LTV equal to or less than 70 per cent. Valuations greater than six months old cannot be used to support further borrowing and a new valuation will be required in accordance with current policy.

Where the relevant mortgage is applied for in connection with the purchase of a home, the Seller requires a valuation of the proposed mortgaged property. This valuation could be either a professional valuation or a remote valuation, including automated valuations (these are subject to risk criteria). The Seller has accredited external professional valuation suppliers, who select, from an approved panel, an independent firm of professional valuers who operate in the relevant area to conduct the valuation of the prospective mortgaged property.

In other transactions where no funds are being advanced, properties may be valued by a member of the Seller's credit underwriting unit or mortgage processing centre using third party software; however, the Seller may in certain circumstances (such as where the relevant software indicates a loan to value ratio above a certain threshold) require a further assessment by a professional valuer.

(v) Term

The maximum term for a Capital Repayment Mortgage is 40 years from 2023; and for an Interest Only Mortgage, 25 years.

(vi) Applicants

The age limit is 80 years old at end of term (based upon the requested term not exceeding age 80 from the date of application). If the term of the relevant mortgage is expected to extend in to either borrower's retirement a stricter affordability assessment is applied and additional evidence of post-retirement affordability may be required, dependent upon how far the customer(s) are from retirement. The bank no longer provides mortgage lending to customers who are already aged 70 or above at the point of application. Credit history

Credit scoring is undertaken for all mortgage applications. A scorecard evaluates credit bureau, behavioural and demographic information. Applications may be declined where adverse credit history (for example, a county court judgment) is revealed by the credit reference agency search in respect of that application and also where the internally generated credit score is below a minimum threshold.

(vii) Maximum LTV

The maximum LTV is 95% for capital repayment mortgages and 75% for interest only mortgages. Further caps are applied, *inter alia*, for high value lending, new build properties, flats, remortgages and further advances. Mortgages advanced with LTV ratios greater than this are generally only permitted where fee capitalisation causes the lending to exceed these caps. Lending at over 95% LTV (excluding fee capitalisation) is only approved in exceptional circumstances and such lending is subject to the approval of the specialist underwriting services team in the second line of defence credit risk function.

**Seller's discretion to lend outside its Lending Criteria**

On a case-by-case basis, the Seller may decide to provide a mortgage to a borrower who does not strictly qualify under its Lending Criteria. This is typically to reflect compliance with the spirit of FCA policy initiatives and examples might include but are not limited to borrowers deemed to be vulnerable customers. A decision to lend outside of the Lending Criteria may be made on the basis of one or more compensating factors, including the extent to which the application falls outside the Lending Criteria, the extent of any existing relationship with the applicant and the stability of the applicant's employment. This decision can only be made by the specialist underwriting services team in the second line of defence credit risk function.

## **Insurance**

Each borrower is required under the Mortgage Conditions to arrange for insurance on the mortgaged property.

Emergency property insurance is provided automatically for all mortgaged properties in the Cover Pool by the Seller's 'Property Damage Insurance Programme' and is a contingency insurance to protect the Seller's interest in the mortgaged property, in the event that a borrower fails to maintain their own buildings insurance or where a mortgaged property is repossessed. It should be noted that for property such as flats or apartments that form part of a larger building it is usually the freeholder who is responsible for insuring the whole building.

## **Collections and recoveries**

The Seller's "Customers in Financial Difficulty" policy seeks to identify and support customers in or approaching financial difficulty, and to provide appropriate time and options in managing their credit commitments. Where a borrower misses their mortgage payment the customer is advised by letter, with follow up attempts to contact the customer by phone, SMS and e-mail where payment remains due. The Seller aims to establish engagement with the customer, to understand their circumstances and provide the appropriate support options tailored to their individual needs. In addition to forbearance options available, customers are provided information on sources of external support including free money advice.

The Seller offers a range of forbearance options to support customers in or facing financial difficulty, including (but not limited to): term extension, reduced payment plan and temporary suspension of payments. Forbearance solutions are based on a customer's level of affordability which is determined through completion of an income and expenditure assessment and monitored on an ongoing basis through regular reviews with borrowers to ensure they remain sustainable. Any amendments are agreed between the Seller and the borrower. Where a sustainable arrangement cannot be reached or maintained, possession proceedings may be instigated to enable the Seller to enforce its security.

## THE LLP

### Introduction

The LLP was incorporated in England and Wales on 25 June 2020 as a limited liability partnership (partnership number OC432297) with limited liability under the LLPA 2000 with HSBC UK Bank plc and HSBC UK Covered Bonds (LM) Limited as its Members. The principal place of business of the LLP is at 1 Centenary Square, Birmingham B1 1HQ. The LLP has no subsidiaries.

### Principal Activities

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

The LLP has not engaged since 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, filing a notification with the Information Commissioner's Officer and other matters that are incidental or ancillary to the foregoing.

Pursuant to the issuance of the first Series of the Covered Bonds by the Issuer/ the sale of the Mortgages and their Related Security by the Issuer to the LLP in accordance with and pursuant to the terms of the Transaction Documents, the LLP commenced its operations on 13 July 2022. The audited financials of the LLP have been produced for the financial years ending 31 December 2022 and 31 December 2023.

The LLP has no employees.

### Members`

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

<i>Name</i>	<i>Registered Office</i>
HSBC UK Bank plc	1 Centenary Square, Birmingham B1 1HQ
Liquidation Member	10 <sup>th</sup> Floor, 5 Churchill Place, London E14 5HU

### Directors of the Members

#### *Liquidation Member*

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>
CSC Directors (No.1) Limited	10 <sup>th</sup> Floor, 5 Churchill Place, London E14 5HU	Corporate Director
CSC Directors (No.2) Limited	10 <sup>th</sup> Floor, 5 Churchill Place, London E14 5HU	Corporate Director
Lara Nasato	10 <sup>th</sup> Floor, 5 Churchill Place, London E14 5HU	Company Director

The following table sets out the directors of both CSC Directors (No.1) Limited and CSC Directors (No.2) Limited and their respective business addresses and occupations.

<i>Name</i>	<i>Business Address</i>	<i>Business Occupation</i>
Charmaine De Castro	10 <sup>th</sup> Floor, 5 Churchill Place, London E14 5HU	Company Director
Sukanthapriya Jeyaseelan	10 <sup>th</sup> Floor, 5 Churchill Place, London E14 5HU	Company Director
Constantinos Kleanthous	10 <sup>th</sup> Floor, 5 Churchill Place, London E14 5HU	Company Director
Catherine McGrath	10 <sup>th</sup> Floor, 5 Churchill Place, London E14 5HU	Company Director
Lara Nasato	10 <sup>th</sup> Floor, 5 Churchill Place, London E14 5HU	Company Director
John Paul Nowacki	10 <sup>th</sup> Floor, 5 Churchill Place, London E14 5HU	Company Director
Dragos Savacenco	10 <sup>th</sup> Floor, 5 Churchill Place, London E14 5HU	Company Director
Debra Amy Parsall	10 <sup>th</sup> Floor, 5 Churchill Place, London E14 5HU	Company Director
Aline Sternberg	10 <sup>th</sup> Floor, 5 Churchill Place, London E14 5HU	Company Director
Katherine Emily Lagoe	10 <sup>th</sup> Floor, 5 Churchill Place, London E14 5HU	Company Director
Adrianna Pawelec	10 <sup>th</sup> Floor, 5 Churchill Place, London E14 5HU	Company Director
Oreoluwa Salu	10 <sup>th</sup> Floor, 5 Churchill Place, London E14 5HU	Company Director

#### *HSBC UK Bank plc*

The Directors of HSBC UK Bank plc are set out above in the section entitled "*Directors of the Issuer*" in the Registration Document.

#### **LLP Management Committee**

The LLP Management Committee, consisting as at the date of this Base Prospectus of directors, officers and/or employees of HSBC UK Bank plc and the Liquidation Member, will act on behalf of the LLP and is the body 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 have delegated 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.

## 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 Establishment Date and as amended and/or restated and/or supplemented from time to time, is the principal agreement governing the Covered Bonds. The Trust Deed contains provisions relating to, *inter alia*:

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

### **Covered Bond Guarantee**

Under the terms of the Covered Bond Guarantee, if the Issuer defaults in the payment on the due date of any monies due and payable under or pursuant to the Trust Deed or the Covered Bonds or any Receipts or Coupons, if any other Notice to Pay Event occurs 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 a 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, the Extended Due for Payment Date, by the Issuer (or an amount which would have become Due for Payment but for any variation, discharge or release of the Guaranteed Amounts). Under the Covered Bond Guarantee, the Guaranteed Amounts will become due and payable on any earlier date on which an LLP Acceleration Notice is served.

Following the occurrence of a Notice to Pay Event, the Bond Trustee will promptly 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 which is two London 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 governmental charges of whatever nature, unless the withholding or deduction of such taxes, assessments or governmental charges is required by law. If any such withholding or deduction is required, the LLP will pay the Guaranteed Amounts net of such withholding or deduction and shall account to the appropriate tax authority for the amount required to be withheld or deducted. The LLP will not be obliged to pay any amount to the Bond Trustee or any holder of Covered Bonds in respect of the amount of such withholding or deduction.

Under the terms of the Covered Bond Guarantee, the LLP agrees that its obligations under the Covered Bond Guarantee shall be as principal debtor and not merely as surety and shall be absolute and unconditional, irrespective of, and unaffected by, any invalidity, irregularity or unenforceability of, or defect in, any provisions of the Trust Deed or the Transaction Documents 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)(i), failure by the LLP to pay the Guaranteed Amounts when Due for Payment will result in an LLP Event of Default.

All monies (other than Excess Proceeds) received by the Bond Trustee pursuant to the terms of the Trust Deed from the Issuer or, as the case may be, the LLP or any administrator, administrative receiver, receiver,

liquidator, trustee in sequestration or other similar official appointed in relation to the LLP (including any monies which represent principal or interest in respect of Covered Bonds or Coupons which have become void or in respect of which claims have become prescribed under Condition 8 (*Prescription*) and including the proceeds of any enforcement of the Security) shall, unless and to the extent attributable, in the opinion of the Bond Trustee, to a particular Series of the Covered Bonds, be apportioned *pari passu* and rateably between each Series of the Covered Bonds, and all monies received by the Bond Trustee under the Trust Presents from the Issuer or, as the case may be, the LLP to the extent attributable, in the opinion of the Bond Trustee, to a particular Series of the Covered Bonds or which are apportioned to such Series as aforesaid, be held by the Bond Trustee upon trust to apply them):

- *Firstly:* (except in relation to any such monies received by the Bond Trustee following the occurrence of an Issuer Event of Default and the service by the Bond Trustee of an Issuer Acceleration Notice and a Notice to Pay) in payment or satisfaction of all amounts then due and unpaid to the Bond Trustee and/or any Appointee under the Trust Deed and to the Security Trustee and/or any Appointee under the Deed of Charge;
- *Secondly:* in or towards payment *pari passu* and rateably of all principal and interest then due and unpaid in respect of the Covered Bonds of that Series;
- *Thirdly:* in or towards payment *pari passu* and rateably of all principal and interest then due and unpaid in respect of the Covered Bonds of each other Series; and
- *Fourthly:* in payment of the balance (if any) to the Issuer (to the extent received from the Issuer) or the LLP (if received from the LLP).

If the Bond Trustee holds any monies (other than Excess Proceeds) which represent principal or interest in respect of Covered Bonds which have become void or in respect of which claims have been prescribed under Condition 8 (*Prescription*), the Bond Trustee shall (subject to no sums being then overdue to the Bond Trustee or to the Covered Bondholders or Couponholders in respect of any other Covered Bonds or Coupons which have been presented for payment and to paying or providing for the payment or satisfaction of the said costs, charges, expenses and liabilities owing to the Bond Trustee and the Security Trustee, including the remuneration of the Bond Trustee and the Security Trustee) pay the same forthwith to the Issuer.

The Trust Deed provides that any Excess Proceeds shall be paid by the Bond Trustee on behalf of the Covered Bondholders of the relevant Series to the LLP for its own account, as soon as practicable, and shall be held by the LLP in the Covered Bond Account and the Excess Proceeds shall thereafter form part of the Security and shall be used by the LLP in the same manner as all other monies from time to time standing to the credit of the LLP Accounts. Any Excess Proceeds received by the Bond Trustee shall discharge the obligations of the Issuer in respect of the Covered Bonds and Coupons. However, the obligations of the LLP under the Covered Bond Guarantee are (following service of an Issuer Acceleration Notice and a Notice to Pay or, if earlier, service of an LLP Acceleration Notice) unconditional and irrevocable and the receipt by the Bond Trustee of any Excess Proceeds shall not reduce or discharge any of such obligations.

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

The Trust Deed is governed by English law.

### **Intercompany Loan Agreement**

On each Issue Date, the Issuer will use the proceeds of the Covered Bonds issued on that date to make a Term Advance to the LLP pursuant to the Intercompany Loan Agreement in an amount equal to the Principal Amount Outstanding of the relevant Series of Covered Bonds. Each Term Advance will be made in either Sterling or 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 (if required) be swapped into Sterling pursuant to the relevant Covered Bond Swap Agreement, if required. The Term Advance or the Sterling Equivalent of each Term Advance, as applicable, will be used by the LLP: (i) as consideration in part for the acquisition of Mortgages and their Related Security from the Seller pursuant to the terms of the Mortgage Sale Agreement, as described under "*Mortgage Sale Agreement – Sale by the Seller of Mortgages and Related Security*" below; and/or (ii) to invest in Substitution Assets in an amount not exceeding the prescribed limit

to the extent required to meet the requirements of Regulations 23 and 24(1)(a) of the RCB Regulations and the Asset Coverage Test and thereafter may be applied by the LLP: (i) as consideration in part for the acquisition of Mortgages and their Related Security from the Seller pursuant to the terms of the Mortgage Sale Agreement, as described under "*Mortgage Sale Agreement – Sale by the Seller of Mortgages 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 the Seller in its capacity as a Member; and/or (iv) if an existing Series or Tranche, or part of an existing Series or Tranche, of Covered Bonds is being refinanced by such issue of Covered Bonds, to repay the Term Advance(s) corresponding to the Covered Bonds being so refinanced; and/or (v) to credit the Covered Bond Account (including, without limitation, to fund the Reserve Fund in an amount not exceeding the Reserve Fund Required Amount). Each Term Advance will bear interest at 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 in accordance with the relevant Priorities of Payments. Prior to the service of an Asset Coverage Test Breach Notice (which remains outstanding) or service of a Notice to Pay on the LLP, amounts due in respect of each Term Advance will be paid by the LLP to, or as directed by, the Issuer on each LLP 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, 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(i) (*Certification on redemption under Conditions 6(b) (Redemption for taxation reasons) and 6(d) (Redemption due to illegality)*).

The Intercompany Loan Agreement is governed by English law.

## **Mortgage Sale Agreement**

### ***The Seller***

Mortgages and their Related Security will be sold to the LLP from time to time pursuant to the terms of the Mortgage Sale Agreement entered into on the Programme Establishment Date and as amended from time to time between HSBC UK Bank plc (in its capacity as the Seller), the LLP and the Security Trustee.

### ***Sale by the Seller of Mortgages and Related Security***

The Cover Pool will consist of Mortgages and their Related Security sold from time to time by the Seller to the LLP in accordance with the terms of the Mortgage Sale Agreement. The types of Mortgages forming part of the Cover Pool will vary over time; provided that, at the time the relevant Mortgages are sold to the LLP, the Substitution Criteria and the Representations and Warranties (in each case, as described below) in respect of such Mortgages are met on the relevant Transfer Date. Accordingly, the Cover Pool may, at any time, include Mortgages with characteristics that were not being offered to Borrowers on previous Transfer Dates.

Prior to the occurrence of the earlier of an Issuer Event of Default and an LLP Event of Default, the LLP will acquire Mortgages and their Related Security from HSBC UK Bank plc 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 Mortgages from the Seller. In exchange for the sale of

the Mortgages to the LLP, the Seller will receive an amount equal to the True Balance of those Mortgages 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 LLP Available Principal unless an Asset Coverage Test Breach Notice has been served and remains outstanding; and/or
  - (ii) the Seller being treated as having made a Capital Contribution in Kind in an amount equal to the difference between the True Balance of the Mortgages sold by the Seller as at the relevant Transfer Date and the cash payment (if any) made by the LLP to the Seller; and
  - (iii) Deferred Consideration.
- (b) *Second*, prior to service of an Asset Coverage Test Breach Notice which remains outstanding, the LLP will use LLP Available Principal to acquire New Mortgages and Additional Borrowing from the Seller and/or Substitution Assets (in respect of any Substitution Assets, not exceeding the prescribed limit) on each Business Day.
- (c) *Third*, the LLP and HSBC UK Bank plc (in its capacity as a Member of the LLP) are required to ensure that the Cover Pool is maintained at all times in compliance with the Asset Coverage Test (as determined by the Servicer on each Calculation Date). If on any Calculation Date there is a breach of the Asset Coverage Test (which remains outstanding), HSBC UK Bank plc (in its capacity as the Seller) will use all reasonable endeavours to offer to sell sufficient New Mortgages on or before the next Calculation Date in consideration of HSBC UK Bank plc being treated as having made a Capital Contribution in Kind (in an amount equal to the True Balance of the New Mortgages sold by the Seller) as at the relevant Transfer Date and in consideration of the right to receive the Deferred Consideration.

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

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

#### ***Substitution Criteria***

The conditions to be met as at each relevant Transfer Date in relation to the sale and purchase of New Mortgages are:

- (a) no Issuer Event of Default or LLP Event of Default shall have occurred which is continuing as at the relevant Transfer Date; and
- (b) the Substitution Criteria (set out below) are satisfied.

The Substitution Criteria will be met if all of the following are satisfied:

- (a) each of the representations and warranties set out in Part 2 of Schedule 1 (Mortgage Representations and Warranties) of the Mortgage Sale Agreement are met on or as of the relevant date;
- (b) the weighted average yield on the LLP Mortgages (taking the Interest Rate Swap and any Substitution Assets into consideration) is not less than the applicable 0.4% *plus* the SONIA Spot Rate published on the final London Business Day in the previous Calculation Period; and
- (c) in respect of the assignment of New Mortgages to the LLP, the Interest Rate Swap has been appropriately modified to reflect the newly included Mortgages, if necessary;

provided that:

1. for the purpose of determining whether the Seller will be required to accept the retransfer of Additional Borrowing and Mortgages in respect of which there has been a Product

Switch, the Substitution Criteria will be met as of any Calculation Date if the conditions referred to above (excluding paragraph (a) above), are satisfied; and

2. the Mortgage or Additional Borrowing being assigned complies with the definition of "eligible property" in Regulation 2 of the RCB Regulations.

### ***Representations and Warranties***

The Seller will make a number of representations and warranties to the LLP in respect of each Mortgage assigned to the LLP on the relevant Transfer Date, including, but not limited to, the following:

- (i) it is repayable in sterling;
- (ii) the True Balance (including any undrawn Additional Borrowing) does not exceed £1 million;
- (iii) it was originated in accordance with lending criteria that would be used by a reasonable and prudent mortgage lender lending to borrowers in the United Kingdom (a **Prudent Lender**) and if originated by the Seller, was originated according to the Lending Criteria;
- (iv) the relevant Borrower is a natural person over the age of 18 as at the date of origination;
- (v) the first payment due in respect of the Mortgage has been paid (which, for the avoidance of doubt, in the case of a Product Switch or Additional Borrowing, means the first payment due in respect of the original advance has been paid);
- (vi) all principal, interest (including accrued interest and arrears of interest), costs and expenses payable by the relevant Borrower under such Mortgage are secured, subject to completion of any registration which may be pending at the Land Registry, by a first ranking charge by way of legal mortgage or charge;
- (vii) the Mortgaged Property is in England and Wales and is either freehold, leasehold, commonhold or held under a long lease;
- (viii) a valuation report that would be acceptable to a Prudent Lender was obtained in respect of the relevant Mortgaged Property as at the time of the origination of the Mortgage prior to the first advance of funds under the Mortgage;
- (ix) prior to the first advance of funds under such Mortgage, solicitors or licensed conveyancers were instructed to carry out all investigations, searches and other actions in relation to the relevant Mortgaged Property that would be acceptable to a Prudent Lender and a report on title was received from such solicitors or licensed conveyancers which, either initially or after further investigation, revealed no material matter which would cause a Prudent Lender, acting reasonably, to decline the Mortgage;
- (x) subject to completion of any registration which may be pending at the Land Registry, the Seller is the absolute legal and beneficial owner of the Mortgage;
- (xi) Mortgage Files, together with full and proper accounts, books and records have been kept showing in respect of each Mortgage the principal balance and the interest accrued and payable, together with records of such payments, and notices as it is required to maintain by a requirement of law;
- (xii) so far as the Seller is aware, other than with respect to Monthly Payments, no Borrower is in material breach of the conditions of such Mortgage;
- (xiii) it is an Approved Product Type;
- (xiv) the Number of Months in Arrears has not been more than one in the previous 12 calendar months;
- (xv) the relevant Borrower has a good and marketable title to the relevant Mortgaged Property;
- (xvi) the Mortgage Conditions require the Borrower to insure the relevant Mortgaged Property;

- (xvii) no Mortgage Loan is in arrears or in default at the point of inclusion of such Mortgage Loan in the Cover Pool;
- (xviii) the True Balance on each Mortgage constitute a legal, valid, binding and enforceable debt due to the Seller from the relevant Borrower and the terms of each Mortgage constitute valid and binding obligations of the Borrower enforceable in accordance with their terms except that enforceability may be limited by consumer protection, 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;
- (xix) immediately prior to the assignment of any Mortgage to the LLP, and subject to registration or recording at the Land Registry, the Seller has good title to, and is the absolute unencumbered legal and beneficial owner of, all property, interests, rights and benefits in relation to the Mortgages agreed to be assigned by the Seller to the LLP pursuant to this Deed 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 subject only to this Deed and the Borrower's equity of redemption and the Seller is not in breach of any covenant implied by reason of its assigning the relevant Mortgage with full title guarantee (or which would be implied if the transfers of the Land Registry Transfer were completed and registered or recorded, as appropriate); and
- (xx) it complies with the definition of "eligible property" in Regulation 2 of the RCB Regulations.

In respect of each Mortgage in the Cover Pool as at the Initial Contribution Date, the Representations and Warranties will be given on the Initial Contribution Date. In respect of each Mortgage which is assigned or purported to be assigned to the LLP by the Seller on or after the Initial Contribution Date, each of the Representations and Warranties will be made on the date of service of the relevant Mortgage Notice and on the relevant Transfer Date. In respect of each Mortgage which is subject to a Product Switch and Additional Borrowing, the Representations and Warranties are made on the Calculation Date immediately following the making by the Seller of the relevant Product Switch or Additional Borrowing (as the case may be).

If New Mortgage Loan Types are to be sold to the LLP, then the Representations and Warranties may be modified as required to accommodate these New Mortgage Loan Types. The prior consent of the Covered Bondholders to the requisite amendments will not be required to be obtained, provided that the Rating Condition is satisfied in respect of such modifications.

#### ***Approved Product Types***

Each of the mortgage products represented in the Cover Pool on the Initial Contribution Date (described in "*HSBC UK Bank plc's Mortgage Business – Product types offered by the Seller*"), together with discounted mortgages and capped rate mortgages (subject to the prior satisfaction of the Rating Condition) is an **Approved Product Type**. Mortgage products secured on residential property but having characteristics and/or features that differ materially from the characteristics and/or features of existing Approved Product Types may be designed by the Seller as Approved Product Types if the Rating Condition is satisfied.

#### ***Perfection of legal title to the Mortgages in the Cover Pool***

The assignment of the Mortgages to the LLP (until the transfer of legal title) takes effect in equity only. In each case, this means that legal title to the Mortgage will remain with the Seller until certain additional steps are completed, including notification of the assignment to the Borrower and registration of the transfer of the Mortgage at the Land Registry (in the case of a registered Mortgage) or conveyance of the Mortgage in favour of the LLP (in the case of an unregistered Mortgage).

Under the Mortgage Sale Agreement, completion of transfer of the legal title of the Mortgages to the LLP will be completed on or before the 20<sup>th</sup> London Business Day after the earliest to occur of the following:

- (i) the delivery of a Notice to Pay to the LLP;
- (ii) unless at such time the Rating Condition is satisfied, HSBC UK Bank plc ceases to be the Servicer and a substitute servicer has not yet been appointed;

- (iii) the Seller and/or the LLP being required by law or by an order of a court or regulatory authority of competent jurisdiction to perfect the transfer of legal title to the Mortgages;
- (iv) the Security under the Deed of Charge or any material part of such Security being in jeopardy and it being necessary in the sole opinion of the Security Trustee to perfect the transfer of legal title to the LLP Mortgages in favour of the LLP in order to materially reduce such jeopardy;
- (v) the Seller (in its sole discretion) giving written notice to the LLP and Security Trustee requesting such transfer; or
- (vi) the Seller ceasing to be assigned a long-term counterparty risk assessment by Moody's of at least Baa3(cr) or a long-term issuer default rating of at least BBB- by Fitch, or such other rating as otherwise satisfies the Rating Condition.

In addition, it may not be possible for there to be a legal assignment of those insurance policies to which the Seller is party or a named beneficiary and in relation to which the LLP has acquired only an equitable interest.

Pending completion of the transfer, the right of the LLP to exercise the powers of the legal owner of the Mortgages and the related Mortgages will be secured by an irrevocable power of attorney granted by the Seller in favour of the LLP and the Security Trustee.

### ***Repurchase of Mortgages***

If the Seller receives a Repurchase Notice from the LLP identifying a Mortgage or its Related Security in the Cover Pool which does not, as at the relevant Transfer Date or relevant Calculation Date (in the case of any Additional Borrowing or Product Switch), materially comply with the Representations and Warranties set out in the Mortgage Sale Agreement, then the Seller will be required to repurchase: (i) any such Mortgage and its Related Security; and (ii) any other Mortgages of the relevant Borrower and their Related Security that are included in the Cover Pool that are in breach of the Mortgage Warranties. The repurchase price payable upon the repurchase of any Mortgage is an amount (not less than zero) equal to the True Balance of such Mortgage on the relevant date of repurchase less an amount equal to any Additional Borrowing (unless the Seller has already made a Capital Contribution in Kind in relation to such Additional Borrowing, in accordance with the LLP Deed). The payment of the repurchase price may be satisfied by way of a cash payment by the Seller to the Covered Bond Account (or as the LLP shall direct) or, provided that the Asset Coverage Test would not be breached as a result thereof, the Capital Contribution Balance of the Members will be reduced by an amount equal to the True Balance of such on the relevant date of repurchase less an amount equal to any Additional Borrowing (unless the Seller has already made a Capital Contribution in Kind in relation to such Additional Borrowing, in accordance with the LLP Deed). Any repurchase proceeds received by the LLP will be applied in accordance with the Pre-Acceleration Priorities of Payments (see "*Cashflows*").

In addition to the foregoing circumstances, the Seller will also be required to repurchase a Mortgage or Mortgages and its or their Related Security sold by the Seller to the LLP where:

- (a) any Additional Borrowing or a Product Switch made in respect of a Mortgage results in certain Substitution Criteria being breached on the next Calculation Date immediately following the making of the Additional Borrowing or Product Switch (as applicable); or
- (b) a proposed Product Switch or Additional Borrowing 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 Seller or the Servicer accepts an application from, or makes an offer (which is accepted) to a Borrower for a Product Switch or any Additional Borrowing, the Servicer or administrator (as the case may be) will notify the LLP and the Seller will be required to repurchase the affected Mortgage which is the subject of the Product Switch and/or Additional Borrowing before the Additional Borrowing is made or the Product Switch takes place.

### ***General ability to repurchase***

Prior to the occurrence of an Issuer Event of Default, the Seller may from time to time offer to repurchase a Mortgage and its Related Security (including a Defaulted Mortgage) sold by it to the LLP from the LLP for a purchase price of not less than the True Balance of the relevant Mortgage on the relevant date of

repurchase less an amount equal to any Additional Borrowing (unless the Seller has already made a Capital Contribution in Kind in relation to such Additional Borrowing, in accordance with the LLP Deed). The LLP may accept any such offers at its discretion, provided that each of the Seller and the LLP certifies to the Security Trustee that:

- (a) the Asset Coverage Test would continue to be satisfied or would be satisfied immediately after completion of such repurchase, taking into account the proposed application of the Sale Proceeds by the LLP;
- (b) no Issuer Event of Default or LLP Event of Default shall have occurred which is continuing or would occur as a result of such repurchase, taking into account the application of the Sale Proceeds by the LLP; and
- (c) the weighted average yield on the LLP Mortgages (taking the Interest Rate Swap and any Substitution Assets into consideration) is and will continue to be at least the applicable 0.4% *plus* the SONIA Spot Rate published on the final London Business Day in the previous Calculation Period.

### ***Right of pre-emption***

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

The LLP will serve on the Seller a Selected Mortgages Offer Notice offering to sell those Selected Mortgages and their Related Security for an offer price equal to: (a) where the Selected Mortgages Offer Notice is given because the Issuer has failed the Pre-Maturity Test in respect of any Series of Hard Bullet Covered Bonds, the greater of the then True Balance of the Selected Mortgages and the Adjusted Required Redemption Amount; (b) where the Selected Mortgages Offer Notice is given following the service of a Notice to Pay, the greater of the then True Balance of the Selected Mortgages and the Adjusted Required Redemption Amount, in each case subject to the offer being accepted by the Seller within ten London Business Days. If an Issuer Event of Default has occurred but no liquidator or administrator has been appointed to the Seller, the Seller's right to accept the offer (and therefore its right of pre-emption) will be conditional upon the delivery by the Seller of a solvency certificate to the LLP and the Security Trustee. If the Seller rejects the LLP's offer or fails to accept it in accordance with the foregoing, the LLP will offer to sell the Selected Mortgages and their Related Security to other Purchasers (as described under "*LLP Deed – Sale of Selected Mortgages and their Related Security following service of a Notice to Pay*" below).

If the Seller validly accepts the LLP's offer to sell the Selected Mortgages and their Related Security, the LLP will, within three London Business Days of such acceptance, serve a Selected Mortgages Repurchase Notice on the Seller. The Seller will sign and return a duplicate copy of the Selected Mortgages Repurchase Notice and will repurchase from the LLP free from the Security created by and pursuant to the Deed of Charge the relevant Selected Mortgages and their Related Security (and any other Mortgage secured or intended to be secured by that Related Security or any part of it) referred to in the relevant Selected Mortgages Repurchase Notice. Completion of the purchase of the Selected Mortgages and their Related Security by the Seller will take place on the LLP Payment Date after receipt of the Selected Mortgages Repurchase Notice(s) or such date as the LLP may direct in the Selected Mortgages Repurchase Notice (provided that such date is not later than the earlier to occur of the date which is: (a) ten London Business Days after returning the Selected Mortgages Repurchase Notice to the LLP; and (b) the Final Maturity Date, as applicable, of the Hard Bullet Covered Bonds or of the Earliest Maturing Covered Bonds) when the Seller shall pay to the Covered Bond Account in accordance with the LLP Deed (or as the LLP shall direct) an amount in cash equal to the offer price specified in the relevant Selected Mortgages Repurchase Notice provided that the offer price is not less than the Adjusted Redemption Amount and the provisions of the Mortgage Sale Agreement shall apply.

For the purposes hereof:

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

- (i) the Required Redemption Amount,
- plus* (if an amount is payable by the LLP) or *minus* (if an amount is payable to the LLP);

- (ii) any swap termination amounts payable to or by the LLP under the relevant Covered Bond Swap Agreement in respect of the relevant Series of Covered Bonds,

*plus* (if an amount is payable by the LLP) or *minus* (if an amount is payable to the LLP);

- (iii) any swap termination amounts payable to or by the LLP under the Interest Rate Swap Agreement in respect of the relevant Series of Covered Bonds,

minus

- (iv) (A) in respect of a sale of Mortgages in connection with the Pre-Maturity Test, amounts standing to the credit of the Pre-Maturity Liquidity Account and the Sterling Equivalent of the principal amount of Eligible Pre-Maturity Substitution Assets held in respect of such series of Hard Bullet Covered Bonds that are not otherwise required to provide liquidity for any Series of Hard Bullet Covered Bonds which mature prior to or on the same date as the relevant Series of Hard Bullet Covered Bonds; or
- (B) in respect of a sale of Mortgages following service of a Notice to Pay, amounts standing to the credit of the Covered Bond Account and the principal balance of any Substitution Assets and Authorised Investments (excluding all amounts to be applied on the next following LLP Payment Date to pay or repay higher ranking amounts in the Guarantee Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds).

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

#### ***Further drawings under Mortgages***

The Seller is solely responsible for funding all Additional Borrowing in respect of Mortgages sold by the Seller to the LLP, if any. The amount of the Seller's Capital Contribution Balance will increase by the amount of the funded Additional Borrowing.

#### ***New Seller***

The sale of Mortgages and their Related Security by a **New Seller** to the LLP will be subject to certain conditions, including the following:

- each New Seller accedes to the terms of the LLP Deed as a Member (with such subsequent amendments as may be agreed by the parties thereto) so that it has, in relation to such Mortgages and their Related Security to be sold by the relevant New Seller, substantially the same rights and obligations as the Seller has in relation to the Mortgages and their Related Security comprised in the pool of mortgages assigned to the LLP on the Initial Contribution Date under the LLP Deed;
- each New Seller accedes to the terms of the Mortgage Sale Agreement (with such subsequent amendments as may be agreed by the parties thereto) or enters into a new Mortgage Sale Agreement with the LLP and the Security Trustee, in each case so that it has, in relation to such Mortgages and their Related Security to be sold by the relevant New Seller, substantially the same rights and obligations as the Seller had in relation to the Mortgages and their Related Security comprised in the pool of mortgages assigned to the LLP on the Initial Contribution Date under the Mortgage Sale Agreement;
- each New Seller accedes to the Programme Agreement and enters into such other documents as may be required by the Security Trustee, 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 such Mortgages and their Related Security sold by a New Seller to the LLP comply with the substitution criteria equivalent to the Substitution Criteria and the representations and warranties

equivalent to the Representations and Warranties, in each case as set out in the Mortgage Sale Agreement;

- either the Servicer services such Mortgages 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 such Mortgages 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 Mortgages and their Related Security would be determined on the date of the accession of the New Seller to the Programme);
- each of the LLP and the Servicer has certified in writing to the Security Trustee that it is satisfied that the accession of such New Member to the Programme will not prejudice the Asset Coverage Test and is not materially prejudicial to Covered Bondholders; and
- the Rating Condition has been satisfied in relation thereto.

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.

The Mortgage Sale Agreement is governed by English law.

Disclosure in respect of compliance with the UK CRA Regulation by each of the rating agencies referred to in this section will be included in the applicable Final Terms.

### **Servicing Agreement**

Pursuant to the terms of the Servicing Agreement entered into on the Programme Establishment Date and as amended from time to time between the LLP, HSBC UK Bank plc (in its capacity as Servicer) and the Security Trustee, the Servicer agreed to service on behalf of the LLP the Mortgages sold by the Seller to the LLP.

The Servicer may, in some circumstances, delegate some or all of its responsibilities and obligations under the Servicing Agreement. However, the Servicer will remain liable at all times for the servicing of the relevant Mortgages and for the acts and omissions of any delegate or such contractor.

The Servicer will be required to administer the Mortgages in accordance with the Servicing Agreement and in accordance with the servicing procedures and practices of the Servicer in connection with the servicing of Mortgages beneficially owned by the Seller (the **Servicing Procedures**) which include, among other things, the calculation of interest and other amounts payable under the Mortgages, the maintenance of records in respect of the Mortgages, communication with Borrowers, the management of payments from Borrowers and the collections process in respect of Mortgages in arrears.

The Servicer will have the full power, authority and right to do or cause to be done any and all things which it reasonably considers necessary, convenient or incidental to the management of the Mortgages sold by HSBC UK Bank plc, in its capacity as Seller to the LLP, or the exercise of such rights, powers and discretions in relation to the performance of its services under the Servicing Agreement.

The Servicer shall keep (if any) the Title Information Documents, Mortgage Files and (where applicable) Insurance Policies and the receipt of notices of assignment relating to the Mortgages comprised in the Cover Pool in safe custody and shall not without the prior written consent of the LLP and the Security Trustee part with possession, custody or control of them otherwise than to a sub-contractor or delegate appointed pursuant to the terms of the Servicing Agreement or to a solicitor or licensed conveyancer, subject to the usual undertaking to hold them to the order of the Servicer (who in turn will hold them to the order of the LLP) or to the Land Registry or, upon redemption of the relevant Mortgage, to the order of the Borrower.

### ***Undertakings of the Servicer***

Pursuant to the terms of the Servicing Agreement, the Servicer will undertake in relation to those Mortgages and their Related Security that it is servicing, *inter alia*, to:

- act as collection agent under the Direct Debiting Scheme;
- notify Borrowers of any change in their monthly payment;
- keep records and books of account on behalf of the LLP in relation to the Mortgages;
- assist the auditors of the LLP;
- maintain a register in respect of the Cover Pool;
- provide to the FCA such information about the Mortgages contained in the Cover Pool and/or such other information as the FCA may direct pursuant to the RCB Regulations;
- take all other action and do all other things which it would be reasonable to expect a Prudent Lender to do in servicing its mortgages and their related security;
- keep a Mortgage Account for each Mortgage which shall record all proceeds received in respect of that Mortgage and all amounts debited to such Mortgage Account; and
- prepare and send on request an annual statement to Borrowers in relation to each calendar year in the agreed form.

### ***Setting of HSBC Variable Rates and other discretionary rates and margins***

Under the terms of the Servicing Agreement, the Servicer has the right and authority to determine, in accordance with the applicable Mortgage Conditions, the HSBC Variable Rates and any other discretionary rates and margins chargeable to Borrowers from time to time in respect of any Mortgages in the Cover Pool.

On each Calculation Date the Servicer shall determine, having regard to:

- (i) the income which the LLP would expect to receive during the next succeeding LLP Payment Period (the **relevant LLP Payment Period**);
- (ii) the LLP Variable Rates in respect of the Variable Rate Mortgages which the Servicer proposes to set; and
- (iii) the other resources available to the LLP including those under the Interest Rate Swap Agreement, the relevant Covered Bond Swap Agreements and the Reserve Fund,

whether the LLP would receive an amount of income during the relevant LLP Payment Period which, when aggregated with the funds otherwise available to it, is less than the amount which is the aggregate of (i) the amount of interest which would be payable (or provisioned to be paid) (A) under each Term Advance under the Intercompany Loan Agreement which does not have a Covered Bond Swap in place or, if a Notice to Pay has been served, the Covered Bond Guarantee, on the LLP Payment Date falling at the end of the relevant LLP Payment Period and (B) relevant amounts payable (or provisioned to be paid) to the Covered Bond Swap Providers under the Covered Bond Swap Agreements in respect of each Term Advance which has a Covered Bond Swap in place on the LLP Payment Date falling at the end of the relevant LLP Payment Period and (ii) the other senior expenses payable by the LLP ranking in priority thereto in accordance with the relevant Priority of Payments applicable prior to an LLP Event of Default and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security (the **Interest Rate Shortfall Test**), and such shortfall being the **Interest Rate Shortfall**. If, following receipt of notice of an Interest Rate Shortfall, the LLP notifies the Seller and the Servicer that, having regard to the obligations of the LLP and the amount of the Interest Rate Shortfall, further Mortgages should be sold by the Seller to the LLP, the Seller will use all reasonable endeavours to offer to sell New Mortgages to the LLP on or before the next Calculation Date which have HSBC Variable Rates and/or other discretionary rates or margins which would be sufficient such that there would not be an Interest Rate Shortfall on future Calculation Dates.

Following an Issuer Event of Default and if it remains outstanding, the Servicer shall determine on each Calculation Date, having regard to the aggregate of:

- (i) the LLP Variable Rates in respect of the Variable Rate Mortgages which the Seller proposes to set for the relevant LLP Payment Period under the Servicing Agreement; and
- (ii) the other resources available to the LLP under the Interest Rate Swap,

whether the LLP would receive an aggregate amount of interest on the Mortgages and amounts under the Interest Rate Swap and any Substitution Assets during the relevant LLP Payment Period which would give an annual yield on the Mortgages of at least 0.4% *plus* the SONIA Spot Rate published on the final London Business Day in the previous Calculation Period (the **Yield Shortfall Test**).

If the Servicer determines that the Yield Shortfall Test will not be met, it will give written notice to the LLP, the Bond Trustee and the Security Trustee of the amount of the shortfall and the LLP Variable Rates and/or any other discretionary rate or margin applicable in relation to any Mortgage in the Cover Pool which would (taking into account the applicable Mortgage Conditions), in the reasonable opinion of the Servicer, 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 Variable Rates and discretionary rate or margin applicable in relation to any other Mortgage in the Cover Pool would take effect and at all times acting in accordance with the standards of a Prudent Lender as regards the competing interests of Borrowers with Variable Rate Mortgages, and Borrowers with Mortgages with any other discretionary rate or margin.

If the LLP notifies the Servicer that, having regard to the obligations of the LLP, the LLP Variable Rate and/or any other discretionary rate or margin applicable in relation to any Mortgages in the Cover Pool 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 Variable Rate and/or other discretionary rates or margins on the date(s) specified in such notice, but subject at all times to compliance with the relevant Mortgage Conditions.

The Servicer may not at any time, except as described above, set or maintain the LLP Variable Rate for Mortgages in the Cover Pool at a rate which is higher than the then prevailing HSBC Variable Rates for Mortgages which are beneficially owned by the Seller outside the Cover Pool.

The LLP and the Security Trustee (to the extent it has actual knowledge of the occurrence of a Servicer Event of Default) may terminate the authority of the Servicer to determine and set the LLP Variable Rate and any other discretionary rates or margins in relation to any Mortgages in the Cover Pool on or after the occurrence of a Servicer Event of Default as defined under "*Removal or resignation of the Servicer*" below, in which case the LLP shall appoint or direct the appointment of one or more successor servicer(s) to determine the LLP Variable Rates and any other discretionary rates or margins applicable to any Mortgages in the Cover Pool in accordance with the Servicing Agreement and the Servicing Procedures.

### ***Compensation***

The LLP shall pay to the Servicer a servicing fee inclusive of VAT equal to 0.04% per annum on the True Balance of all the Mortgages comprised in the Cover Pool as at the end of the Calculation Period immediately preceding the relevant Calculation Date for its services under the Servicing Agreement (or such other amount as may be agreed between the Servicer and the LLP). The servicing fee shall be calculated monthly on each Calculation Date, on the basis of the number of days elapsed since the last Calculation Date and a 365 day year and shall be paid to the Servicer on each LLP Payment Date in accordance with the applicable Priority of Payments.

If a substitute or successor servicer is appointed with respect to any of the Mortgages, the LLP shall agree the new servicing fee rate with such substitute or successor servicer at the time such substitute or successor servicer enters into such master servicing agreement.

### ***Removal or resignation of the Servicer***

The LLP may (subject to the prior written consent of the Security Trustee), 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 four events set out below, a **Servicer Event of Default**) occurs:

- the Servicer defaults in the payment of any amount due to the LLP under the Servicing Agreement and fails to remedy that default for a period of 20 Business Days after the earlier of the Servicer becoming aware of the default and receipt by the Servicer of written notice from the Security Trustee or the LLP requiring the same be remedied;
- the Servicer fails to comply with any of its other obligations under the Servicing Agreement which failure in the opinion of the Security Trustee is materially prejudicial to the Covered Bondholders and does not remedy that failure within the earlier of 20 Business Days after the earlier of the Servicer becoming aware of the failure and receipt by the Servicer of written notice from the Security Trustee or the LLP requiring the same be remedied;
- the Servicer at any time fails to obtain or maintain the necessary licence or regulatory approval required by virtue of the UK mortgage regulatory regime and which is required in order to enable it to continue servicing the Mortgages, including, without limitation, the FCA authorisations;
- an Insolvency Event occurs in relation to the Servicer; or
- the LLP resolves that the appointment of the relevant 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' notice to the Security Trustee and the LLP; provided that a substitute servicer qualified to act as such under the FSMA and with a management team with experience of servicing mortgages in the United Kingdom has been appointed and enters into a servicing agreement with the LLP substantially on the same terms as the Servicing Agreement. The resignation of the Servicer is conditional on the Rating Condition in respect of outstanding series of any Covered Bonds being satisfied, unless otherwise agreed by an Extraordinary Resolution of the holders of the relevant Series of Covered Bonds.

If the appointment of the Servicer is terminated, the Servicer must deliver the Title Information Documents and Mortgage Files relating to the Mortgages 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 Mortgages or their Related Security sold to the LLP and serviced under the Servicing Agreement that have been comprised in the Cover Pool.

#### ***Delegation by the Servicer***

The Servicer may delegate or sub-contract the performance of any of its obligations or duties under the Servicing Agreement. Upon the appointment of any such delegate or sub-contractor, the Servicer will nevertheless remain responsible for the performance of those duties to the LLP.

Neither the Bond Trustee nor the Security Trustee is obliged to act as servicer in any circumstances.

#### ***Back-up Servicing Agreement***

For as long as HSBC UK Bank plc is the Servicer, if HSBC UK Bank plc ceases to be assigned a long-term counterparty risk assessment by Moody's of at least Baa3(cr) or a long-term issuer default rating of at least BBB- by Fitch, the Seller and the LLP will use reasonable endeavours to enter, within 60 calendar days of such downgrade, into a back-up servicing agreement with a suitably experienced third party servicer acceptable to the LLP and the Security Trustee. The back-up servicing agreement will provide for such suitably experienced third party servicer to undertake the servicing obligations in relation to the Cover Pool within 60 calendar days of the LLP receiving notification of the occurrence of a Servicer Termination Event.

Disclosure in respect of compliance with the UK CRA Regulation by each of the rating agencies referred to in this section will be included in the applicable Final Terms.

The Servicing Agreement is governed by English law and will be made by way of deed.

## Asset Monitor Agreement

Under the terms of the Asset Monitor Agreement entered into on the Programme Establishment Date and as amended from time to time between the Asset Monitor, the LLP, the Servicer and the Security Trustee, the Asset Monitor has agreed, subject to due receipt of the information to be provided by the Servicer to the Asset Monitor, to report on the arithmetic accuracy of the calculations performed by the Servicer on the Calculation Date immediately prior to each anniversary of the Programme Establishment Date with a view to confirmation of compliance by the LLP with the Asset Coverage Test on that Calculation Date.

For so long as HSBC UK Bank plc is acting as Servicer, if the Servicer ceases to be assigned a long-term counterparty risk assessment by Moody's of at least Baa3(cr) or a long-term issuer default rating of at least BBB- by Fitch, or if an Asset Coverage Test Breach Notice has been served and remains outstanding, the Asset Monitor will, subject to receipt of the relevant information from the Servicer, 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 Servicer such that the Asset Coverage Test has been failed on the applicable Calculation Date (where the Servicer had recorded it as being satisfied) or the Aggregate Adjusted Cover Amount is mis-stated by an amount exceeding 1% of the Aggregate Adjusted Cover Amount (as at the date of the relevant Asset Coverage 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 Servicer 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 Servicer, the LLP, the Issuer, the Bond Trustee and the Security Trustee.

The LLP will pay to the Asset Monitor an annual fee (exclusive of VAT) in an amount equal to the fee charged by the Asset Monitor in respect of each calculation *multiplied by* the aggregate number of calculations performed by the Asset Monitor in respect of the period from (and including) the LLP Payment Date falling in December of each year (each an **Asset Monitor Payment Date**) until (and excluding) the immediately following Asset Monitor Payment Date or, in the first such period, the period from (and including) the Programme Establishment Date until (and excluding) the immediately following Asset Monitor Payment Date.

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 30 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, provided that such termination or resignation, as the case may be, shall not take effect unless and until the LLP has found a replacement approved by the Security Trustee (such replacement to be approved by the Security Trustee unless the replacement is an accountancy firm of national standing) which agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in the Asset Monitor Agreement.

If the LLP has not found a replacement Asset Monitor within 60 days of the giving of notice of resignation or termination as described above, the Asset Monitor may identify a replacement approved by the Security Trustee (such replacement to be approved by the Security Trustee unless 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 and the LLP shall be obliged to appoint that replacement.

Neither the Bond Trustee nor the Security Trustee will be obliged to act as Asset Monitor in any circumstances.

The Asset Monitor Agreement is governed by English law.

## LLP Deed

The Members of the LLP have agreed to operate the business of the LLP in accordance with the terms of a limited liability partnership deed entered into on the Programme Establishment Date and as amended from time to time between the LLP, HSBC UK Bank plc, the Liquidation Member, the Bond Trustee and the Security Trustee (the **LLP Deed**).

## **Members**

As at the date of this Base Prospectus, each of HSBC UK Bank plc 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. HSBC UK Bank plc 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 or a bank administrator or a bank liquidator is appointed to HSBC UK Bank plc, the Liquidation Member may, by written notice to the LLP, appoint another Member as a Designated Member or may, at its sole discretion (acting on behalf of itself and the other Members), admit a New Member to the LLP (in each case with the prior written consent of the Security Trustee).

No New Member may be otherwise appointed without the consent of the Security Trustee and the Rating Condition being satisfied.

## **Capital Contributions**

From time to time HSBC UK Bank plc (in its capacity as a Member of the LLP) will make Capital Contributions to the LLP. Capital Contributions may be made in cash or in kind (e.g. through a contribution of Mortgages 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 Contribution Balances 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 Collections 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.

The Liquidation Member will not make any Capital Contributions to the LLP.

Capital Contributions or returns on Capital Contributions shall only be paid to Members after the LLP has paid or, as applicable, provided for all higher ranking amounts in the relevant Priority of Payments.

## **Asset Coverage Test**

Under the terms of the LLP Deed, the LLP and HSBC UK Bank plc (in its capacity as a Member of the LLP) shall procure that, on each Calculation Date, prior to the service of a Notice to Pay or an LLP Acceleration Notice, the Aggregate Adjusted Cover 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 Aggregate Adjusted Cover Amount is less than the Sterling Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds as calculated on the relevant Calculation Date, then the Asset Coverage Test will not be satisfied and the LLP (or the Servicer on its behalf) will notify the Members, the Bond Trustee and the Security Trustee thereof, and each Member (other than the Liquidation Member) will use all reasonable endeavours to sell or procure the sale of sufficient further Mortgages and their Related Security to the LLP in accordance with the Mortgage Sale Agreement (see "*Mortgage Sale Agreement – Sale by the Seller of Mortgages and Related Security*" above), transfer in Substitution Assets or provide Cash Capital Contributions to ensure that the Asset Coverage Test is met on the next following Calculation Date. Any such Cash Capital Contributions will form part of LLP Available Principal.

If on the Calculation Date immediately following such Calculation Date, the Aggregate Adjusted Cover Amount remains less than the Sterling Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds as calculated as of the relevant Calculation Date, the Asset Coverage Test will be breached and the LLP, or the Servicer on its behalf, shall notify the Members, the Bond Trustee and the Security Trustee in writing of such breach. Following receipt of such notification (upon which the Bond Trustee may rely conclusively without liability and without further investigation), the Bond Trustee shall serve an

Asset Coverage Test Breach Notice on the LLP). The LLP or the Issuer shall send notice of such breach to the FCA pursuant to the RCB Regulations.

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, the LLP (or the Servicer on its behalf) shall notify the Members, the Bond Trustee and the Security Trustee in writing. Following receipt of such notification (upon which the Bond Trustee may rely conclusively without liability and without further investigation) and provided that neither a Notice to Pay nor an LLP Acceleration Notice has been served, the Bond Trustee shall confirm in writing to the LLP that such Asset Coverage Test Breach Notice is revoked. If an Asset Coverage Test Breach Notice has been served and remains outstanding after the third Calculation Date following the service of the Asset Coverage Test Breach Notice, then a Notice to Pay Event (and an Issuer Event of Default) shall occur and a Notice to Pay will be served promptly by the Bond Trustee on the LLP.

For the purposes hereof:

**Aggregate Adjusted Cover Amount** means the amount calculated on each Calculation Date as follows:

$$A+B+C+D- (X+Y+Z)$$

where:

**A** = in relation to the Mortgage Portfolio, the lower of (a) and (b) where:

- (a) the sum of the Adjusted True Balance of each Mortgage in the Portfolio as at the end of the immediately preceding Calculation Period (*minus* any Deemed Reductions); the Adjusted True Balance of a Mortgage being the lower of:
  - (i) the actual True Balance of that Mortgage as calculated as of the end of the immediately preceding Calculation Period; and
  - (ii) the Partially Indexed Valuation relating to that Mortgage *multiplied by* M (where for all Mortgages that are less than three months in arrears or not in arrears, M = 0.75; for all Mortgages that are three months or more in arrears and have a True Balance to Partially Indexed Valuation ratio of less than or equal to 75 per cent, M = 0.40; and for all Mortgages that are three months or more in arrears and have a True Balance to Partially Indexed Valuation ratio of more than 75 per cent, M = 0.25); and
- (b) the sum of the Arrears Adjusted True Balance of each Mortgage in the Portfolio as at the end of the immediately preceding Calculation Period (*minus* any Deemed Reductions that relate to such Mortgages), where the **Arrears Adjusted True Balance** shall be the lower of:
  - (i) the True Balance of each Mortgage in the Portfolio as at the end of the immediately preceding Calculation Period; and
  - (ii) the Partially Indexed Valuation relating to that Mortgage *multiplied by* N (where for all Mortgages that are less than three months in arrears or not in arrears, N = 1, for all Mortgages that are three months or more in arrears and have a True Balance to Partially Indexed Valuation ratio of less than or equal to 75 per cent., N = 0.40 and for all Mortgages that are three months or more in arrears and have a True Balance to Partially Indexed Valuation ratio of more than 75 per cent., N = 0.25),

the result of the calculation in this paragraph (b) *multiplied by* the Asset Percentage;

Where **Deemed Reduction** means on any Calculation Date, and calculated in relation to the immediately preceding Calculation Period:

- (a) the Adjusted True Balance or Arrears Adjusted True Balance, as applicable, of Mortgages that breached the Mortgage Warranties as of the relevant Transfer Date or any Mortgages subject to any other obligation of the Seller to repurchase those relevant Mortgages and their Related Security but which have not yet been repurchased by the Seller. In respect of each such Mortgage, the

Adjusted True Balance or Arrears Adjusted True Balance of each such Mortgage for the purposes of paragraphs (a) and (b) above shall be zero; and/or

- (b) an amount equal to the resulting financial loss incurred by the LLP in the immediately preceding Calculation Period where the Seller or the Servicer was in breach of any material warranty under the Mortgage Sale Agreement or Servicing Agreement, as applicable (such financial loss to be calculated by the Servicer without double counting and to be reduced by any amount paid (in cash or in kind) to the LLP by the Seller to indemnify the LLP for such financial loss).
- B** = the aggregate amount of all Principal Collections received in respect of the immediately preceding Calculation Period (as recorded in the LLP Principal Collections Ledger) which have not been applied as at the relevant Calculation Date together with any amounts retained in the LLP Principal Collections Ledger on the previous LLP Payment Date and any amounts credited to the LLP Principal Collections Ledger from the proceeds of a Cash Capital Contribution;
- C** = the aggregate amount of any Cash Capital Contributions made by the Members (as recorded in the Capital Account Ledger of each Member) or proceeds of Term Advances which have not been applied as at the relevant Calculation Date to acquire further Mortgages and their Related Security or otherwise applied in accordance with the LLP Deed and/or the Transaction Documents;
- D** = the aggregate outstanding principal balance of any Substitution Assets and Authorised Investments as at the relevant Calculation Date;
- X** = the Relevant Set Off Percentage *multiplied* by the aggregate True Balance of the Mortgages as calculated as of the relevant Calculation Date (and for these purposes, the LLP will procure that the Relevant Set Off Percentage will be calculated by the Servicer as zero or, if the Seller ceases to be assigned a long-term counterparty risk assessment of at least A3(cr) by Moody's or a long-term issuer default rating of at least A by Fitch or a short-term issuer default rating of at least F1 by Fitch, on at least a quarterly basis);
- Y** = 8% *multiplied* by the Additional Borrowing Capacity *multiplied* by 3; and
- Z** = the weighted average remaining maturity of all Covered Bonds then outstanding (expressed in years) *multiplied* by the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds *multiplied* by the Negative Carry Factor provided that if the weighted average remaining maturity of such outstanding Covered Bonds is less than one, the weighted average shall be deemed, for the purpose of this calculation of Z, to be one.

**FSCS Amount** means £85,000 or such other amounts as may then be guaranteed under the Financial Services Compensation Scheme.

The **Negative Carry Factor** means the sum of:

- (a) 0.25% (or such greater number from time to time specified in writing to the LLP by the Servicer and notified to the Rating Agencies); and
- (b) the average interest rate payable by the LLP (in respect of the Term Advances made under the Intercompany Loan Agreement, any amount receivable or payable by the LLP on any LLP Account(s) as a result of negative interest becoming applicable to such accounts or, as applicable, the Covered Bond Swaps expressed as a positive or negative spread to Compounded Daily SONIA), weighted by both the Sterling Equivalent of the Principal Amount Outstanding and the remaining term to maturity of the Covered Bonds.

**Relevant Set Off Percentage** is calculated as a percentage equal to  $(A / B) \times C$  where:

- A**= the sum of the set-off balances for each mortgage, where each set-off balance equals:
  - (a) in respect of each Mortgage where the aggregate amount of the relevant Borrower's deposit account balances exceeds the FSCS Amount but the True Balance of the relevant Mortgage does not exceed the FSCS Amount, the lower of:
    - (i) the True Balance of the relevant Mortgage; and

- (ii) the aggregate amount of deposit account balances of the relevant Borrower *minus* the FSCS Amount, each as calculated on the relevant Calculation Date and notified to the Rating Agencies, or
- (b) in respect of each Mortgage where the aggregate amount of the relevant Borrower's deposit account balances exceeds the FSCS Amount and the True Balance of the relevant Mortgage also exceeds the FSCS Amount, the lower of:
  - (i) the True Balance of the relevant Mortgage; and
  - (ii) the aggregate amount of deposit account balances, or
- (c) in respect of each Mortgage where the aggregate amount of the relevant Borrower's deposit account balances is below or equal to the FSCS Amount, nil; or

provided that if the aggregate amount of deposit account balances of such Borrower is not available, or is not monitored on at least a quarterly basis, the set-off balance for that Mortgage shall be 2% of the True Balance of that Mortgage on the relevant Calculation Date;

**B =** the aggregate of the True Balance of the Mortgages in the Cover Pool; and

**C =** 1, or such other factor determined by the Servicer from time to time that satisfies the Rating Condition, subject to C not being lower than the aggregate of the Set Off Amount *divided by* 'A' above;

**Set Off Amount**, in respect of each Mortgage, means the highest of:

- (a) zero; or
- (b) if the Issuer ceases to be assigned a long-term issuer default rating of at least A by Fitch or a long-term counterparty risk assessment of at least A3(cr) by Moody's or a short-term issuer default rating of at least F1 by Fitch, the amount by which the aggregate credit balance in the Borrower's relevant customer account(s) exceeds the FSCS Amount, otherwise zero,

provided that, if the credit balance of a Borrower's relevant customer account (after deducting the FSCS Amount, if applicable) is greater than the True Balance of that Borrower's Mortgage, the credit balance in that relevant customer account shall be deemed to be equal to the True Balance of the relevant Mortgage;

The **Asset Percentage** on any Calculation Date shall be the lowest of:

- (a) 92.50%;
- (b) such lesser percentage figure as determined from time to time in accordance with the terms of the LLP Deed, being the asset percentage that is necessary to ensure the Covered Bonds maintain the then current rating assigned to them by Fitch; and
- (c) such lesser percentage figure most recently selected by the LLP (or the Servicer acting on its behalf) and notified to Moody's and the Security Trustee in accordance with the LLP Deed, being the difference between 100% and the amount of credit enhancement required for the Covered Bonds to achieve an Aaa rating by Moody's using Moody's expected loss methodology (regardless of the actual Moody's rating of the Covered Bonds at the time).

The Asset Percentage may not, at any time, be greater than 92.50% unless the Rating Condition has been satisfied.

The Issuer is additionally required to ensure that the principal amount of the eligible property in the Cover Pool is greater than 108 per cent. of the Principal Amount Outstanding of the Covered Bonds in accordance with the terms of the RCB Regulations. The Issuer must also ensure that over a twelve month period the interest received on the eligible property must be equal to or greater than interest due on the Covered Bonds. See further "*Description of the UK Regulated Covered Bond Regime*".

### ***Amortisation Test***

For so long as the Covered Bonds remain outstanding, the LLP (and where HSBC UK Bank plc is a member of the LLP, HSBC UK Bank plc) shall procure 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 Asset Amount will be in an amount at least equal to the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date.

If on any Calculation Date following service of a Notice to Pay on the LLP, the Amortisation Test Aggregate Asset 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 Servicer, as the case may be, will immediately notify the Members, the Security Trustee and 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 and the Deed of Charge.

The **Amortisation Test Aggregate Asset Amount** will be calculated on each Calculation Date as follows:

$$A+B+C-Z$$

where:

**A** = the aggregate **Amortisation Test True Balance** of each Mortgage in the Cover Pool, which shall be the lower of (1) the actual True Balance of the relevant Mortgage as calculated on the last day of the immediately preceding Calculation Period *multiplied by* M and (2) 100% of the Partially Indexed Valuation *multiplied by* M,

where for all the Mortgages in the Cover Pool that are less than three months in arrears or not in arrears  $M = 1$  or for all the Mortgages in the Cover Pool that are three months or more in arrears  $M = 0.7$ ;

**B** = the aggregate amount of LLP Available Principal up to the end of the immediately preceding Calculation Period (as recorded in the LLP Principal Collections Ledger) which has not been applied as at the relevant Calculation Date in accordance with the LLP Deed and/or the other Transaction Documents;

**C** = the aggregate outstanding principal balance of any Substitution Assets and Authorised Investments; 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 (provided that if the weighted average remaining maturity of the outstanding Covered Bonds is less than one, the weighted average shall be deemed, for the purposes of this calculation, to be one).

### ***Sale of Selected Mortgages and their Related Security if the Pre-Maturity Test is failed***

The LLP Deed provides for sales of Selected Mortgages and their Related Security in circumstances where the Pre-Maturity Test has been failed. The Pre-Maturity Test will be failed if the ratings of the Issuer fall below a specified level and a Hard Bullet Covered Bond is due for repayment within a specified period of time thereafter (see further the section of this Base Prospectus entitled "*Credit Structure – Pre-Maturity Liquidity*"). The LLP will be obliged to sell the Selected Mortgages and their Related Security to Purchasers, subject to the rights of pre-emption enjoyed by the Seller to buy the Selected Mortgages and their Related Security pursuant to the terms of the Mortgage Sale Agreement, in accordance with the procedure summarised in "*Method of sale of Selected Mortgages*" below, and subject to any Cash Capital Contribution made by the Members. If the Issuer fails to repay any Series of Hard Bullet Covered Bonds on the Final Maturity Date thereof, then, following the service of a Notice to Pay on the LLP, the proceeds from any sale of Selected Mortgages or the Cash Capital Contributions standing to the credit of the Pre-Maturity Liquidity Account will be applied to repay the relevant Series of Hard Bullet Covered Bonds. Otherwise, the proceeds will be applied as set out in the section of this Base Prospectus entitled "*Credit Structure – Pre-Maturity Liquidity*".

### ***Sale of Selected Mortgages and their Related Security following service of a Notice to Pay***

After a Notice to Pay has been served on the LLP but prior to service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, the LLP will be obliged to sell Selected Mortgages and their Related Security in the Cover Pool in accordance with the LLP Deed (as described below), subject to the rights of pre-emption enjoyed by the Seller to buy the Selected Mortgages and their Related Security pursuant to the Mortgage Sale Agreement, and subject to any Cash Capital Contribution made by the Members. The proceeds from any such sale or refinancing will be credited to the Covered Bond Account and applied as set out in the Guarantee Priority of Payments.

### ***Method of sale of Selected Mortgages***

If the LLP is required to sell Selected Mortgages and their Related Security to Purchasers following the failure of the Pre-Maturity Test or service of a Notice to Pay, the LLP will be required to ensure that before offering Selected Mortgages for sale:

- (a) the Selected Mortgages have been selected from the Cover Pool on a random basis as described in the LLP Deed; and
- (b) the Selected Mortgages 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:

$$N \times \frac{\text{True Balance of all the Mortgages in the Portfolio}}{\text{the Sterling Equivalent of the Required Redemption Amount in respect of each Series of Covered Bonds then Outstanding}}$$

where "N" is an amount equal to:

- (A) in respect of Selected Mortgages and their Related Security being sold following a failure of the Pre-Maturity Test, the Sterling Equivalent of the Required Redemption Amount of the relevant Series of Hard Bullet Covered Bonds *less* amounts standing to the credit of the Pre-Maturity Liquidity Account and the Sterling Equivalent of the principal amount of Eligible Pre-Maturity Substitution Assets held in respect of such series of Hard Bullet Covered Bonds that are not otherwise required to provide liquidity for any Series of Hard Bullet Covered Bonds which mature prior to or on the same date as the relevant Series of Hard Bullet Covered Bonds; or
- (B) (in all other cases) the Sterling Equivalent of the Required Redemption Amount of the Earliest Maturing Covered Bonds *less* amounts standing to the credit of the Covered Bond Account and the principal amount of any Substitution Assets or Authorised Investments (excluding all amounts to be applied on the next following LLP Payment Date to repay higher ranking amounts in the Guarantee Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds).

The LLP will offer the Selected Mortgages and their Related Security for sale to Purchasers for the best price reasonably available but in any event for an amount at least equal to the Adjusted Required Redemption Amount, where **Adjusted Required Redemption Amount** means the Sterling Equivalent of:

- (i) the Required Redemption Amount;

*plus* (if an amount is payable by the LLP) or *minus* (if an amount is payable to the LLP)

- (ii) any swap termination amounts payable to or by the LLP under the relevant Covered Bond Swap Agreement in respect of the relevant Series of Covered Bonds;

*plus* (if an amount is payable by the LLP) or *minus* (if an amount is payable to the LLP)

- (iii) any swap termination amounts payable to or by the LLP under the Interest Rate Swap Agreement in respect of the relevant Series of Covered Bonds;

minus

- (iv) (A) in respect of a sale in connection with the Pre-Maturity Test, amounts standing to the credit of the Pre-Maturity Liquidity Account that are not otherwise required to provide liquidity for any Series of Hard Bullet Covered Bonds which mature prior to or on the same date as the relevant Series of Hard Bullet Covered Bonds; or
- (B) in respect of a sale following service of a Notice to Pay, amounts standing to the credit of the Covered Bond Account and the principal balance of any Substitution Assets and Authorised Investments (excluding all amounts to be applied on the next following LLP Payment Date to pay or repay higher ranking amounts in the Guarantee Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds).

If Selected Mortgages have not been sold (in whole or in part) in an amount at least equal to the Adjusted Required Redemption Amount by the date which is six months prior to, as applicable, (i) if the Earliest Maturing Covered Bonds are not subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee, the Final Maturity Date of the Earliest Maturing Covered Bonds, (ii) in respect of a sale in connection with the Pre-Maturity Test, the Final Maturity Date of the relevant Series of Hard Bullet Covered Bonds or (iii) if the Earliest Maturing Covered Bonds are subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee, the Extended Due for Payment Date in respect of the Earliest Maturing Covered Bonds, then the LLP will offer the Selected Mortgages for sale for the best price reasonably available notwithstanding that such amount may be less than the Adjusted Required Redemption Amount.

In addition to offering Selected Mortgages for sale to Purchasers in respect of the Earliest Maturing Covered Bonds, the LLP (subject to the right of pre-emption enjoyed by the Seller pursuant to the Mortgage Sale Agreement) is permitted to offer for sale a portfolio of Selected Mortgages, 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. Where a Notice to Pay has been served, except in circumstances where the portfolio of Selected Mortgages is being sold within six months of, as applicable, the Final Maturity Date of the Earliest Maturing Covered Bonds or, if the Earliest Maturing Covered Bonds are subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee, the Extended Due for Payment Date in respect of the Earliest Maturing Covered Bonds, or, in respect of a sale in connection with the Pre-Maturity Test, the Final Maturity Date of the relevant Series of Hard Bullet Covered Bonds the sale price of the Partial Portfolio (as a proportion of the Adjusted Required Redemption Amount) shall be at least equal to the proportion that the Partial Portfolio bears to the relevant portfolio of Selected Mortgages.

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 Mortgages (if such terms are commercially available in the market) and to advise it in relation to the sale of the Selected Mortgages to Purchasers (except where the Seller is buying the Selected Mortgages in accordance with its right of pre-emption in its 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. The Security Trustee shall approve the appointment of the Portfolio Manager if (i) the Portfolio Manager is an investment bank or accountant of recognised standing and (ii) two Authorised Signatories of the LLP have certified to the Security Trustee that such appointment is on a basis intended to incentivise the Portfolio Manager to achieve the best price for the sale of the Selected Mortgages (on terms that are commercially available in the market), which certificate shall be conclusive and binding on all parties.

In respect of any sale of Selected Mortgages and their Related Security following service of a Notice to Pay or in respect of a breach of the Pre-Maturity Test, the LLP will instruct the portfolio manager to use all reasonable endeavours to procure that Selected Mortgages 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, where relevant, 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 Mortgages (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 Mortgages 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 service of a Notice to Pay, if Purchasers accept the offer or offers from the LLP or the Portfolio Manager on its behalf so that some or all of the Selected Mortgages and their Related Security shall be sold prior to the Final Maturity Date of the Earliest Maturing Covered Bonds or the Hard Bullet Covered Bonds or, if the Earliest Maturing Covered Bonds are subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee, the Extended Due for Payment Date in respect of the Earliest Maturing Covered Bonds, then the LLP will, subject to the foregoing paragraph, enter into a sale and purchase agreement with the relevant Purchasers which will require, *inter alia*, a cash payment from the relevant Purchasers. Any such sale will not include any representations and warranties from the LLP or the Seller in respect of the Mortgages and their Related Security unless expressly agreed by the Security Trustee or otherwise agreed with the LLP and the Seller.

#### ***Covenants of the LLP and the Members***

Each of the Members covenants that, subject to the terms of the Transaction Documents, it will not sell, transfer, convey, create or permit to arise any security interest on, declare a trust over, create any beneficial interest in or otherwise dispose of its interest in the LLP without the prior written consent of the LLP and, while the Covered Bonds are outstanding, the Security 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 Deed or institute any winding-up, administration, insolvency or similar proceedings against the LLP.

The LLP covenants that it will not, save with the prior written consent of the LLP Management Committee (and, for so long as any Covered Bonds are outstanding, the consent of the Security Trustee) or as envisaged by the Transaction Documents:

- (a) create or permit to subsist any security interest over the whole or any part of its assets or undertakings, present or future (unless arising by operation of law);
- (b) transfer, sell, lend, part with or otherwise dispose of, deal with or grant any option or present or future right to acquire any of its assets or undertakings or any interest therein or thereto;
- (c) have an interest in a bank account other than as set out in the Transaction Documents;
- (d) incur any indebtedness or give any guarantee or indemnity in respect of any such indebtedness;
- (e) consolidate or merge with or transfer its properties or assets substantially as an entirety to any other person;
- (f) have any employees, premises or subsidiaries;
- (g) acquire assets other than pursuant to the Transaction Documents;
- (h) engage in any activities in the United States (directly or through agents) or derive any income from United States sources as determined under United States income tax principles or hold any property if doing so would cause it to be engaged or deemed to be engaged in a trade or business within the United States as determined under United States tax principles;
- (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;
- (l) establish any "establishment" as that term is used in the EU Insolvency Regulation and the UK Insolvency Regulation other than in England and Wales; or
- (m) be a member of any VAT Group.

The LLP and each of the Members further covenants that it will:

- (a) ensure that the Cover Pool will only comprise those assets set out in items (a) to (h) of Regulation 3(1) (Asset Pool) of the RCB Regulations;
- (b) ensure that the Mortgages and the Related Security, the Substitution Assets and the Authorised Investments contained in the Cover Pool comply with the definition of "eligible property" in Regulation 2 (Eligible Property) of the RCB Regulations;
- (c) keep a record of those assets that form part of the Cover Pool which, for the avoidance of doubt, shall not include any Swap Collateral; and
- (d) at all times comply with its obligations under the RCB Regulations and/or the RCB Sourcebook.

#### ***Limit on investing in Substitution Assets***

Prior to the service of an Asset Coverage Test Breach Notice (if it remains outstanding) or service of a Notice to Pay on the LLP, the LLP will be permitted to invest LLP Available Funds and the proceeds of Term Advances standing to the credit of the LLP Accounts in Substitution Assets, provided that such investments are made in accordance with the terms of the Servicing Agreement and the RCB Regulations, as applicable. 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 it remains outstanding) or service of a Notice to Pay on the LLP, all Substitution Assets (other than Eligible Pre-Maturity Substitution Assets held in respect of a Series of Hard Bullet Covered Bonds following a breach of the Pre-Maturity Test) must be sold by the LLP (or the Cash Manager on the written instructions of the Servicer on behalf of the LLP) as quickly as reasonably practicable and the proceeds credited to the Covered Bond Account and the LLP will be permitted to invest all available monies in Authorised Investments, provided that such investments are made in accordance with the terms of the Servicing Agreement.

#### ***Other provisions***

The allocation and distribution of Interest Collections, Principal Collections and all other amounts received by the LLP is described under the section of this Base Prospectus entitled "*Cashflows*".

The LLP Management Committee, comprised as at the date of this Base Prospectus of directors, officers and/or employees of HSBC UK Bank plc and the Liquidation Member, will act on behalf of the LLP to which (other than any decision to approve the audited accounts of the LLP or to make a resolution for the voluntary winding-up of the LLP, which require a unanimous decision of the Members) the Members delegate all matters. Any decision by the LLP Management Committee relating to the admission of a New Member, any change in the LLP's business, any change to the LLP's name and any amendment to the LLP Deed will be made, while any Covered Bonds are outstanding, with the consent of the Security Trustee.

For so long as any Covered Bonds are outstanding, each Member has agreed that it will not 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 corporate and income tax liabilities and will be required to indemnify the LLP and the other Members for any liabilities which they incur as a result of the relevant Member's non-payment of such tax.

Following the appointment of a liquidator or, in the case of HSBC UK Bank plc, any bank 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.

Disclosure in respect of compliance with the UK CRA Regulation by each of the rating agencies referred to in this section will be included in the applicable Final Terms.

The LLP Deed is governed by English law.

### **Cash Management Agreement**

The Cash Manager will provide certain cash management services to the LLP pursuant to the terms of the Cash Management Agreement entered into on the Programme Establishment Date between the LLP, HSBC Bank plc in its capacity as the Cash Manager and the Security Trustee.

The Cash Manager's services include, but are not limited to:

- (a) operating the LLP Accounts;
- (b) maintaining records of all Authorised Investments and/or Substitution Assets, as applicable;
- (c) distributing the Interest Collections and the Principal Collections in accordance with the Priorities of Payment described under "*Cashflows*";
- (d) preparation of Investor Reports for the Covered Bondholders, the Rating Agencies and the Bond Trustee; and
- (e) the establishment and operation of any Swap Collateral Account.

In relation to each Series of Covered Bonds that does not (a) have monthly Interest Payment Dates and (b) have a Covered Bond Swap in place, the Cash Manager shall maintain the Interest Accumulation Account, to which the LLP Monthly Interest Amount will be credited on each LLP Payment Date. Amounts standing to the credit of the Interest Accumulation Account which have accumulated in respect of a Series of Covered Bonds will be applied (i) prior to the service of a Notice to Pay, on the immediately following Term Advance Interest Payment Date or where the Term Advance Interest Payment Date is also an LLP Payment Date, on such LLP Payment Date in making interest payments, in accordance with the terms of the Intercompany Loan Agreement and the Cash Management Agreement or (ii) following the service of a Notice to Pay, on the immediately following Interest Payment Date, or where the Interest Payment Date is also an LLP Payment Date on that Interest Payment Date (together with any applicable LLP Available Revenue) in making payments in respect of interest due on the Covered Bonds.

In certain circumstances the LLP and the Security Trustee 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 is governed by English law.

### **Interest Rate Swap Agreements**

Sterling payments to be made by the LLP under the Covered Bond Swaps or under the Intercompany Loan Agreement (prior to the service of a Notice to Pay on the LLP) and under the Covered Bond Guarantee in respect of Covered Bonds (after the service of a Notice to Pay on the LLP) for which there are no Covered Bond Swaps are based on a compounded daily SONIA rate. Some of the Mortgages in the Mortgage Portfolio pay a variable rate of interest for a period of time that may be linked either to the Seller's Standard Variable Rate or linked to an interest rate other than the Seller's Standard Variable Rate, such as a rate that tracks the Bank of England base rate. Other Mortgages pay a fixed rate of interest for a period of time. To provide a hedge against some or all of the possible variance between:

- (i) the rates of interest payable on some or all of the Mortgages in the Mortgage Portfolio; and
- (ii) a compounded daily SONIA rate,

the LLP may enter into one or more Interest Rate Swaps with one or more Interest Rate Swap Providers from time to time, which may cover some or all of the rates of interest payable on the Mortgages in the Mortgage Portfolio.

On the Programme Establishment Date, the LLP and HSBC UK Bank plc (in its capacity as an Interest Rate Swap Provider) entered into an Interest Rate Swap Agreement and an Interest Rate Swap which has a notional amount which covers the fixed rate assets. As at the date of this Base Prospectus, the LLP will not enter into interest rate swaps referencing Variable Rate Mortgages in the Cover Pool. On each LLP Payment Date (subject to the amounts being paid net of one another), the LLP will pay an amount equal to the product of:

- (i) the principal balance of the Performing Mortgage Loans in the Mortgage Portfolio which are hedged by an Interest Rate Swap for the related Calculation Period; and
- (ii) the weighted average interest rate in respect of the Performing Mortgage Loans which are hedged by an Interest Rate Swap for the related Calculation Period,

and the relevant Interest Rate Swap Provider will pay an amount equal to the product of:

- (i) the principal balance of the Performing Mortgage Loans in the Mortgage Portfolio which are hedged by an Interest Rate Swap for the related Calculation Period; and
- (ii) GBP\_SONIA\_COMPOUND (as defined in the relevant Interest Rate Swap Agreement) *plus* a spread,

in each case *multiplied by* a day count fraction.

Each of the Interest Rate Swaps is scheduled to terminate on the earliest of:

- (i) the date on which the notional amount of the relevant Interest Rate Swap reduces to zero;
- (ii) the fifth Business Day following the date on which the proceeds of enforcement are distributed in full in accordance with the Post-Enforcement Priority of Payments; and
- (iii) such other date as may be specified from time to time in the relevant Interest Rate Swap Agreement.

If the ratings of an Interest Rate Swap Provider fall below a specified ratings level, such Interest Rate Swap Provider may be required to post collateral for its obligations under the relevant Interest Rate Swap Agreement, transfer its obligations under the relevant Interest Rate Swap Agreement to an appropriately rated entity, obtain a guarantee of its obligations under the relevant Interest Rate Swap Agreement from an appropriately rated guarantor and/or take such other action (which may include no action) which will result in the ratings assigned to the Covered Bonds being maintained at, or restored to, the level at which the Covered Bonds were rated immediately prior to the date on which the relevant downgrade occurred. A failure to take such steps will allow the LLP to terminate the Interest Rate Swaps entered into under that Interest Rate Swap Agreement.

The Interest Rate Swaps may be terminated early in certain circumstances (each referred to as an **Interest Rate Swap Early Termination Event**), as more fully set out in the relevant Interest Rate Swap Agreement, including:

- (i) if there is a failure by a party to pay any amounts due by that party under such Interest Rate Swap Agreement;
- (ii) upon the occurrence of the insolvency of the Interest Rate Swap Provider, or any credit support provider of the Interest Rate Swap Provider, and certain insolvency-related events in respect of the LLP, or the merger of the Interest Rate Swap Provider without an assumption of the obligations under the Interest Rate Swap Agreement;
- (iii) if an LLP Acceleration Notice has been served on the LLP in accordance with the terms and conditions of the Covered Bonds; and
- (iv) if an amendment to or waiver under the Transaction Documents is made that materially and adversely affects the rights of an Interest Rate Swap Provider without such Interest Rate Swap Provider's consent.

The Interest Rate Swap Early Termination Events described in paragraphs (i) and (ii) above will constitute Events of Default under (and as defined in) the relevant Interest Rate Swap.

Upon the termination of an Interest Rate Swap pursuant to an Interest Rate Swap Early Termination Event, the LLP or the Interest Rate Swap Provider may be liable to make a termination payment to the other in accordance with the provisions of the Interest Rate Swap Agreement.

If there is a default by an Interest Rate Swap Provider under an Interest Rate Swap Agreement or an Interest Rate Swap is terminated early, the LLP shall use its reasonable efforts to enter into a replacement Interest Rate Swap in respect of the rates of interest payable on the relevant Mortgages in the Mortgage Portfolio. Any such replacement swap must be entered into after termination of the relevant Interest Rate Swap(s) and on terms acceptable to the LLP and the Security Trustee and subject to the Rating Condition being satisfied.

Any Swap Collateral Excluded Amounts will be paid to the Interest Rate Swap Provider directly and not via the Priorities of Payments.

If withholding taxes are imposed on payments made by the Interest Rate Swap Provider under the Interest Rate Swap Agreement, the Interest Rate Swap Provider shall always be obliged to gross up these payments. If withholding taxes are imposed on payments made by the LLP to the Interest Rate Swap Provider under the Interest Rate Swap Agreement, the LLP shall not be obliged to gross up those payments.

If the LLP is required to sell Selected Mortgages in the Mortgage Portfolio in order to provide liquidity in respect of the Earliest Maturing Covered Bonds following an Issuer Event of Default and service of a Notice to Pay on the LLP, then, to the extent practicable and desirable, either:

- (a) the Interest Rate Swap in respect of such Mortgages 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 Mortgages; or
- (b) such Interest Rate Swap will be partially novated to the purchaser of such Mortgages, and such purchaser will thereby become party to a separate interest rate swap transaction with the relevant Interest Rate Swap Provider.

Under the Interest Rate Swap Agreements, the LLP's obligations are limited in recourse to the Charged Property.

The Interest Rate Swap Agreements and any non-contractual obligation arising in, out of or in relation to the Interest Rate Swap Agreements are governed by English law.

### **Covered Bond Swap Agreements**

Where Covered Bonds are issued in a currency and/or on an interest rate basis different from the Interest Rate Swap, the LLP may enter into one or more Covered Bond Swaps with one or more Covered Bond Swap Providers. Each Covered Bond Swap may either be a **Forward Starting Covered Bond Swap** or a **Non-Forward Starting Covered Bond Swap** and will be governed by a Covered Bond Swap Agreement with each such Covered Bond Swap Provider that only governs Covered Bond Swaps related to the relevant Series of Covered Bonds (such Covered Bond Swap Agreements, together, the **Covered Bond Swap Agreements**). Where the LLP enters into a Forward Starting Covered Bond Swap, the Term Advances made under the Intercompany Loan will be made in Sterling, regardless of the currency of the relevant Series or Tranche, as applicable, of Covered Bonds.

Each Forward Starting Covered Bond Swap will provide a hedge (after service of a Notice to Pay on the LLP or service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security) against certain interest rate, currency and/or other risks in respect of amounts received by the LLP under the Mortgages and the Interest Rate Swap and amounts payable by the LLP under the Covered Bond Guarantee in respect of the Covered Bonds.

Each Non-Forward Starting Covered Bond Swap will provide a hedge against certain interest rate, currency and/or other risks in respect of amounts received by the LLP under the Mortgages and the relevant Interest Rate Swap and amounts payable by the LLP under the Intercompany Loan Agreement (prior to the service

of a Notice to Pay on the LLP or an LLP Acceleration Notice) and under the Covered Bond Guarantee in respect of Covered Bonds (after the service of a Notice to Pay on the LLP or an LLP Acceleration Notice).

Where required to hedge such risks, there will be one (or more) Covered Bond Swap Agreement(s) in relation to each Series or Tranche, as applicable, of Covered Bonds.

Under the Forward Starting Covered Bond Swaps, the relevant Covered Bond Swap Provider will pay to the LLP on each Interest Payment Date, after service of a Notice to Pay on the LLP or service of an LLP Acceleration Notice, an amount equal to the relevant portion of the amounts that are payable by the LLP under the Covered Bond Guarantee in respect of interest and principal payable under the relevant Series or Tranche of Covered Bonds. In return, the LLP will periodically pay to that Covered Bond Swap Provider on each Interest Payment Date, after service of a Notice to Pay on the LLP or service of an LLP Acceleration Notice, an amount in Sterling calculated by reference to SONIA plus a spread.

Under the Non-Forward Starting Covered Bond Swaps on the relevant Issue Date, the LLP will (where the relevant Series or Tranche is denominated in a currency other than Sterling) pay to the relevant Covered Bond Swap Provider an amount equal to the gross proceeds of the issue of such Series or Tranche, as applicable, of Covered Bonds) and in return that Covered Bond Swap Provider will pay to the LLP the Sterling Equivalent of that amount. Thereafter, the relevant Covered Bond Swap Provider will pay to the LLP on each Interest Payment Date an amount equal to the relevant portion of the amounts that would be payable by the LLP under either the applicable Term Advance in accordance with the terms of the Intercompany Loan Agreement or the Covered Bond Guarantee in respect of interest and principal payable under the relevant Series or Tranche of Covered Bonds. In return, the LLP will periodically pay to the relevant Covered Bond Swap Provider an amount in Sterling calculated by reference to SONIA *plus* a spread and, where relevant, the Sterling Equivalent of the relevant portion of any principal due to be repaid in respect of the relevant Term Advance in accordance with the Intercompany Loan Agreement.

However, under the terms of each Forward Starting Covered Bond Swap Agreement and each Non-Forward Starting Covered Bond Swap Agreement, in the event that the Issuer fails to pay the principal amount payable to the Covered Bondholders in respect of a Series of Covered Bonds on the Final Maturity Date of such Series and the Series has a period of extension (whereby the principal amount due on such series of Covered Bonds is deferred for up to one year), then the LLP will pay an amount to the Covered Bond Swap Provider by reference to SONIA payable on the monthly Interest Payment Date and the Covered Bond Swap Provider will pay to the LLP on each monthly Interest Payment Date an amount equal to the relevant portion of the amounts that would be payable by the LLP under either the applicable Term Advance in accordance with the terms of the Intercompany Loan Agreement or the Covered Bond Guarantee in respect of interest and principal payable under the relevant Series of Covered Bonds.

Under the terms of each Forward Starting Covered Bond Swap Agreement and each Non-Forward Starting Covered Bond Swap Agreement, in the event that the relevant rating of the relevant Covered Bond Swap Provider or any guarantor of that Covered Bond Swap Provider's obligation is downgraded by a Rating Agency below the rating specified in the relevant Covered Bond Swap Agreement (in accordance with the criteria of that Rating Agency) for the relevant Covered Bond Swap Provider or any guarantor of that Covered Bond Swap Provider's obligations, the Covered Bond Swap Provider will, in accordance with the relevant Covered Bond Swap Agreement, be required to take certain remedial measures which may include providing collateral for its obligations under the Covered Bond Swap Agreement, arranging for its obligations under the Covered Bond Swap Agreement to be transferred to an entity with the ratings set out in the criteria of the relevant Rating Agency, procuring another entity with the ratings set out in the criteria of the relevant Rating Agency to become co-obligor or guarantor in respect of its obligations under the Covered Bond Swap Agreement, or taking such other action (which may include taking no action) as will result in the rating of the Covered Bonds then outstanding following the taking of such action being maintained at, or restored to, the level it was at immediately prior to such ratings downgrade. In addition, if the net exposure of the LLP against the Covered Bond Swap Provider under the relevant Covered Bond Swap exceeds the threshold specified in the relevant Covered Bond Swap Agreement, the Covered Bond Swap Provider may be required to provide collateral for its obligations. A failure to take such steps will, subject to certain conditions, allow the LLP to terminate the Covered Bond Swap Agreement.

A Covered Bond Swap Agreement may also be terminated in certain other circumstances, including (without limitation) pursuant to any other events of default and termination events set out in the relevant

Covered Bond Swap Agreement (each referred to as a **Covered Bond Swap Early Termination Event**), including:

- if there is a failure by a party to pay any amounts due by that party under such Covered Bond Swap Agreement; and
- upon the occurrence of the insolvency of the relevant Covered Bond Swap Provider or any credit support provider of the relevant Covered Bond Swap Provider, and certain insolvency-related events in respect of the LLP or upon 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 the termination currency specified in the relevant Covered Bond Swap Agreement.

Any termination payment made by the Covered Bond Swap Provider to the LLP in respect of a Covered Bond Swap will first be used (prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security) to pay a replacement Covered Bond Swap Provider to enter into a replacement Covered Bond Swap with the LLP, unless a replacement Covered Bond Swap has already been entered into on behalf of the LLP. Any premium received by the LLP from a replacement Covered Bond Swap Provider in respect of a replacement Covered Bond Swap will first be used to make any termination payment due and payable by the LLP with respect to the previous Covered Bond Swap, unless such termination payment has already been made on behalf of the LLP. If the LLP or a Member of the LLP receives any Tax Credits in respect of a Covered Bond Swap, payments in respect of such Tax Credits will be used, to the extent provided for in the relevant Covered Bond Swap Agreement, to reimburse the relevant Covered Bond Swap Provider for any gross up in respect of any withholding or deduction made under the relevant Covered Bond Swap Agreement.

Any Swap Collateral Excluded Amounts in respect of Covered Bond Swap Agreement will be paid to the Covered Bond Swap Provider subject to the terms of the relevant Covered Bond Swap Agreement.

If a withholding or deduction for or on account of taxes is imposed on payments made by the Covered Bond Swap Provider to the LLP under a Covered Bond Swap, the Covered Bond Swap Provider shall always be obliged to gross up those payments so that the amount received by the LLP is equal to the amount which would have been received in the absence of such withholding or deduction. If a withholding or deduction for or on account of taxes is imposed on payments made by the LLP to the Covered Bond Swap Provider under a Covered Bond Swap, the LLP shall not be obliged to gross up those payments.

The Covered Bond Swap Provider may transfer all its interest and obligations in and under the relevant Covered Bond Swap Agreement to a transferee with the minimum ratings required by each of the Rating Agencies, without any prior written consent of the Security Trustee, subject to certain conditions, including, in certain circumstances, confirmation from the Rating Agencies that the then current ratings of the relevant Series of the Covered Bonds will not be adversely affected.

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 Adjustment Required Redemption Amount for the Sale of Selected Mortgages; and
- (ii) the purchase price to be paid for the relevant Covered Bonds purchased by the LLP in accordance with Condition 6(f) (*Purchases*).

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 will be governed by English law.

### ***Account Bank Agreement***

Pursuant to the terms of the Account Bank Agreement entered into on the Programme Establishment Date and as amended from time to time between the LLP, the Account Bank, the Cash Manager and the Security Trustee, the LLP will maintain the Covered Bond Account with the Account Bank, which will be operated in accordance with the Account Bank Agreement, the Cash Management Agreement, the LLP Deed and the Deed of Charge. On each LLP Payment Date as applicable, amounts required to meet the LLP's various creditors and amounts to be distributed to the Members under the LLP Deed will be applied by the Cash Manager in accordance with the Priorities of Payments described below under the section of this Base Prospectus entitled "*Cashflows*".

If the Account Bank ceases to be assigned (i) a short-term, unsecured, unsubordinated and unguaranteed debt obligation rating by Moody's of at least P-1 or (ii) a short-term issuer default rating of at least F1 by Fitch and a long-term issuer default rating of at least A by Fitch, or, in each case, such other lower ratings as required to maintain the then current ratings of the Covered Bonds (the **Account Bank Required Ratings**), then within 60 calendar days either:

- the Covered Bond Account will be closed and all amounts standing to the credit thereof shall be transferred to an account held with a bank being an authorised institution under FSMA 2000 and having the Account Bank Required Ratings; or
- the Account Bank will obtain an unconditional and unlimited guarantee of its obligations under the Account Bank Agreement from a financial institution which is assigned at least the Account Bank Required Ratings,

provided that, in either case, the Rating Condition is satisfied.

Disclosure in respect of compliance with the UK CRA Regulation by each of the rating agencies referred to in this section will be included in the applicable Final Terms.

The Account Bank Agreement is governed by English law.

### **Swap Collateral Account Bank Agreement**

Pursuant to the terms of the Swap Collateral Account Bank Agreement, the LLP will maintain with the Swap Collateral Account Bank the Swap Collateral Accounts, which will be operated in accordance with the Swap Collateral Account Bank Agreement, the LLP Deed and the Deed of Charge.

The LLP or the Cash Manager (acting on the instructions of the Servicer) on its behalf may terminate the Swap Collateral Account Bank Agreement and close the Swap Collateral Accounts if, among other things, the rating of the relevant Swap Collateral Account Bank falls below the Account Bank Required Ratings and one of the events set out in paragraphs (a) to (d) below has not occurred within 60 calendar days of such downgrade (provided that such event shall not occur earlier than 33 calendar days from the date of such downgrade), or if the Swap Collateral Account Bank has elected to apply the Account Bank Remedial Ratings and has not revoked the application of the Account Bank Remedial Ratings and applied the Account Bank Required Ratings in accordance with the Swap Collateral Account Bank Agreement, the rating of the Swap Collateral Account Bank falls below the Account Bank Remedial Ratings and one of the events set out in paragraphs (a) to (c) below has not occurred within 33 calendar days of such downgrade:

- (a) the relevant Swap Collateral Account has been closed and relevant replacement accounts opened in accordance with the provisions of this Agreement with a replacement financial institution or institutions which has at least the Account Bank Remedial Ratings; or
- (b) such other action has been taken in relation to the relevant Swap Collateral Account which the LLP (or the Cash Manager on its behalf for so long as the Seller is the Cash Manager) has confirmed in writing will not, in its opinion formed on the basis of due consideration (with reference to the then current rating criteria of Fitch or Moody's (as applicable)), result in the then current ratings of any Covered Bonds being downgraded, withdrawn or qualified by any of the Rating Agencies; or
- (c) such other action has been taken in relation to the relevant Swap Collateral Account as is directed by an Extraordinary Resolution of the Covered Bondholders; or

- (d) for so long as the Swap Collateral Account Bank has not elected to apply the Account Bank Remedial Ratings (or if any such election made by the Swap Collateral Account Bank has been revoked), the Swap Collateral Account Bank elects (or re-elects as the case may be) to apply the Account Bank Remedial Ratings and has provided notice of such election (or re-election as the case may be) to the Cash Manager and the LLP in accordance with the Swap Collateral Account Bank Agreement. The Swap Collateral Account Bank Agreement and any non-contractual obligations arising out of or in relation to the Swap Collateral Account Bank Agreement are governed by English law.

### **Corporate Services Agreement**

The LLP, Holdings and the Liquidation Member have entered into a corporate services agreement with CSC Capital Markets UK Limited (as Corporate Services Provider) dated 26 March 2021, pursuant to which the Corporate Services Provider has agreed to provide corporate services to the LLP and the Liquidation Member.

The Corporate Services Agreement is governed by English law.

### **Deed of Charge**

Pursuant to the terms of the Deed of Charge entered into on the Programme Establishment Date as supplemented 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 Mortgages and their Related Security and other related rights comprised in the Cover Pool;
- (b) an assignment by way of first fixed charge over the rights of the LLP in and to the Insurance Policies;
- (c) an assignment by way of first fixed security over all of the LLP's interests, rights and entitlements under and in respect of any Transaction Document to which it is a party (and, in respect of the Interest Rate Swap Agreements and Covered Bond Swap Agreements, after giving effect to all applicable netting provisions therein);
- (d) a first fixed charge (which may take effect as a floating charge) over the rights and benefits of the LLP in the LLP Accounts (including any Excess Proceeds) and any other account of the LLP and all amounts standing to the credit of the LLP Accounts and such other accounts;
- (e) a first fixed charge (which may take effect as a floating charge) over the rights and benefits of the LLP in respect of all Authorised Investments and Substitution Assets purchased from time to time from amounts standing to the credit of the LLP Accounts; and
- (f) a first floating charge over all the assets and undertaking of the LLP.

### **Release of Security**

In the event of any sale of Mortgages (including Selected Mortgages) and their Related Security by the LLP pursuant to and in accordance with the Transaction Documents (other than any repurchase by the Seller), the Security Trustee will release those Mortgages from the Security created by and pursuant to the Deed of Charge on the date of such sale but only if:

- (a) in the case of the sale of Selected Mortgages, the Security Trustee provides its prior written consent to the terms of such sale as described under "*LLP Deed – Method of sale of Selected Mortgages*" above; and
- (b) in the case of the sale of Selected Mortgages, the LLP provides to the Security Trustee a certificate confirming that the Selected Mortgages being sold have been selected on a random basis.

In the event of the repurchase of a Mortgage and its Related Security by the Seller pursuant to and in accordance with the Transaction Documents, that Mortgage will be automatically released from the Security created by and pursuant to the Deed of Charge on the date of the repurchase or payment by the Seller of the relevant purchase price.

### ***Enforcement***

If an LLP Acceleration Notice is served on the LLP, the Bond Trustee will be entitled to direct the Security Trustee to appoint a Receiver, and/or enforce the Security constituted by the Deed of Charge (including selling all or part of the Cover Pool), and/or take such steps as it shall deem necessary, subject in each case to the Bond Trustee and the Security Trustee each being indemnified and/or secured and/or prefunded 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 is governed by English law.

## CREDIT STRUCTURE

The Covered Bonds will be direct, unsecured, unconditional and unsubordinated obligations of the Issuer. The LLP has no obligation to pay the Guaranteed Amounts under the Covered Bond Guarantee until the occurrence of a Notice to Pay Event 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 Issuer will not be relying on payments by the LLP in respect of the Term Advances or receipt of Interest Collections or Principal Collections from the Cover Pool in order to pay interest or repay principal under the Covered Bonds.

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

- the Covered Bond Guarantee provides credit support to the Issuer;
- the Asset Coverage Test is intended to test the asset coverage of the LLP's assets in respect of the Covered Bonds outstanding at all times;
- the Pre-Maturity Test is intended to provide liquidity to the LLP in respect of principal due on the Final Maturity Date of Hard Bullet Covered Bonds;
- 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 Notice to Pay Event and service of a Notice to Pay on the LLP;
- a Reserve Fund will be established in the Covered Bond Account (if HSBC UK Bank plc ceases to be assigned a short-term issuer default rating of at least F1+ by Fitch or a short-term counterparty risk assessment of at least P-1(cr) by Moody's) to trap LLP Available Funds; and
- under the terms of the Cash Management Agreement and the Servicing Agreement, the Cash Manager will, on the instructions of the Servicer, invest funds standing to the credit of the Covered Bond Account (except to the extent required for payment of any amount pursuant to the Priorities of Payment) in Authorised Investments in accordance with the Cash Management Agreement and the Servicing Agreement with a view to earning a rate of return on such funds at least equal to Compounded Daily SONIA.

Certain of these factors are considered more fully in the remainder of this section.

Disclosure in respect of compliance with the UK CRA Regulation by each of the rating agencies referred to in this section will be included in the applicable Final Terms.

### Covered Bond Guarantee

The Covered Bond Guarantee provided by the LLP under the Trust Deed guarantees payment of Guaranteed Amounts when the same become Due for Payment in respect of all Covered Bonds issued under the Programme. The Covered Bond Guarantee will not guarantee any amount becoming payable for any other reason, including any accelerated payment pursuant to Condition 9(a) (*Issuer Events of Default*) 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 the section of this Base Prospectus entitled "*Summary of the Principal Documents – Trust Deed*" as regards the terms of the Covered Bond Guarantee. See further "*Cashflows – Guarantee Priority of Payments*" as regards the payment of amounts payable by the LLP to the Covered Bondholders and other Secured Creditors following the service of a Notice to Pay.

### Pre-Maturity Liquidity

Certain Series of Covered Bonds are scheduled to be redeemed in full on the Final Maturity Date therefor without any provision for scheduled redemption other than on the Final Maturity Date (the **Hard Bullet Covered Bonds**). The applicable Final Terms will identify whether any Series of Covered Bonds is a Series of Hard Bullet Covered Bonds. The **Pre-Maturity Test** is intended to provide liquidity for the Hard Bullet

Covered Bonds when the Issuer's credit ratings fall below a certain level. On each London Business Day (each a **Pre-Maturity Test Date**) prior to the occurrence of an Issuer Event of Default or the occurrence of an LLP Event of Default, the LLP or the Servicer on its behalf will determine if the Pre-Maturity Test has been failed, and if so, shall immediately notify the Members, the Seller, the LLP, the Cash Manager, the Servicer and the Security Trustee thereof in writing.

The Issuer will fail and be in breach of the Pre-Maturity Test on a Pre-Maturity Test Date if:

- (a) HSBC UK Bank plc ceases to be assigned a short-term counterparty risk assessment of at least P-1(cr) by Moody's and the Final Maturity Date of relevant Series of Hard Bullet Covered Bonds is six months or less from the relevant Pre-Maturity Test Date; or
- (b) HSBC UK Bank plc ceases to be assigned a short-term issuer default rating of at least F1+ by Fitch and the Final Maturity Date of any Series of Hard Bullet Covered Bonds) is 12 months or less (or such other period as may be specified in the applicable Final Terms, subject to the Rating Condition being satisfied) from the relevant Pre-Maturity Test Date.

HSBC UK Bank plc must, following a breach of the Pre-Maturity Test in respect of a Series of Hard Bullet Covered Bonds, either make a Cash Capital Contribution to the LLP or make a Capital Contribution in Kind to the LLP of Eligible Pre-Maturity Substitution Assets in an amount equal to the Sterling Equivalent of the Required Redemption Amount for the relevant Series of Hard Bullet Covered Bonds; less any amounts standing to the credit of the Pre-Maturity Liquidity Account and less the value of any Eligible Pre-Maturity Substitution Assets that have been identified for such Series of Covered Bonds that are not otherwise required to repay any other Series of Hard Bullet Covered Bonds which mature prior to or on the same date as the relevant Series of Hard Bullet Covered Bonds.

Following a failure of the Pre-Maturity Test in respect of a Series of Hard Bullet Covered Bonds, if HSBC UK Bank plc has not made a Cash Capital Contribution or a Capital Contribution in Kind to the LLP as contemplated above within 20 Business Days of such failure (such failure being an **Unremedied Breach of the Pre-Maturity Test**), the LLP shall offer to sell Selected Mortgages and their Related Security to Purchasers (subject to any right of pre-emption enjoyed by the Seller pursuant to the Mortgage Sale Agreement and to any Cash Capital Contributions made by HSBC UK Bank plc (in its capacity as a member of the LLP)) with the intention that there will be in aggregate:

- (i) an amount standing to the credit of the Pre-Maturity Liquidity Account; and
- (ii) the Sterling Equivalent of the principal amount outstanding of Substitution Assets (provided that such Substitution Assets are Eligible Pre-Maturity Substitution Assets) at least equal to the Sterling Equivalent of the Required Redemption Amount of that Series of Hard Bullet Covered Bonds (taking into account the Required Redemption Amount of all other Series of Hard Bullet Covered Bonds which mature prior to or on the same date as the relevant Series of Hard Bullet Covered Bonds).

In certain circumstances, Interest Collections will also be available to repay a Hard Bullet Covered Bond, as described in "*Cashflows – Pre-Acceleration Priorities of Payments*".

Failure by the Issuer to pay the full amount due in respect of a Series of Hard Bullet Covered Bonds on the Final Maturity Date thereof will constitute an Issuer Event of Default. Following service of a Notice to Pay on the LLP, the LLP shall apply funds standing to the Pre-Maturity Liquidity Account to repay the relevant Series of Hard Bullet Covered Bonds.

If the Issuer and/or the Guarantor fully repay the relevant Series of Hard Bullet Covered Bonds on the Final Maturity Date thereof, amounts standing to the credit of the Pre-Maturity Liquidity Account and any amounts received in respect of any Eligible Pre-Maturity Substitution Assets held for the benefits of such Series of Hard Bullet Covered Bonds shall be applied by the LLP in accordance with the Pre-Acceleration Priorities of Payments, unless:

- (a) the Issuer is failing the Pre-Maturity Test in respect of any other Series of Hard Bullet Covered Bonds, in which case amounts shall remain credited on the Pre-Maturity Liquidity Account to the extent required to provide liquidity for that other Series of Hard Bullet Covered Bonds; or

- (b) the Issuer is not failing the Pre-Maturity Test, but the LLP Management Committee elects to retain the amounts on the Pre-Maturity Liquidity Account in order to provide liquidity for any future Series of Hard Bullet Covered Bonds.

Amounts standing to the credit of the Pre-Maturity Liquidity Account following the repayment of the Hard Bullet Covered Bonds as described above may, except where the LLP Management Committee has elected or is required to retain such amounts on the Pre-Maturity Liquidity Account, also be used to repay the corresponding Term Advance and distribute any excess LLP Available Funds back to the Members on dates other than LLP Payment Dates, subject to the LLP retaining sufficient LLP Available Funds to satisfy in full all higher ranking items in the Pre-Acceleration Priorities of Payments on the relevant following LLP Payment Date.

### **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 Cover Pool while the Covered Bonds are outstanding. Under the LLP Deed, the LLP and HSBC UK Bank plc (in its capacity as a Member of the LLP) must ensure that on each Calculation Date the Aggregate Adjusted Cover Amount will be in an amount equal to or in excess of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date. If on any Calculation Date the Asset Coverage Test is not satisfied and such failure is not remedied on or before the next following Calculation Date, the Asset Coverage Test will be breached and the LLP, or the Servicer on its behalf, shall notify the Members, the Bond Trustee and the Security Trustee in writing of such breach. Following receipt of such notification (upon which the Bond Trustee may rely conclusively without liability and without further investigation), the Bond Trustee shall serve an Asset Coverage Test Breach Notice on the LLP. The Asset Coverage Test is a formula which adjusts the True Balance of each Mortgage in the Cover Pool and has further adjustments to take account of:

- (i) other assets owned by the LLP;
- (ii) set-off on a Borrower's savings accounts held with HSBC UK Bank plc;
- (iii) set-off associated with drawings made by Borrowers subject to Additional Borrowing Capacity;
- (iv) the potential carry cost if the Mortgages were sold and cash proceeds thereof were invested in the Covered Bond Account until the maturity of the relevant Covered Bonds; and
- (v) failure by the Seller, in accordance with the Mortgage Sale Agreement, to repurchase Mortgages that do not materially comply with the Mortgage Warranties on the relevant Transfer Date.

See further the section of this Base Prospectus entitled "*Summary of the Principal Documents – LLP Deed – Asset Coverage Test*".

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, the LLP (or the Servicer on its behalf) shall notify the members, the Bond Trustee and the Security Trustee in writing. Following receipt of such notification (upon which the Bond Trustee may rely conclusively without liability and without further investigation) and provided that neither a Notice to Pay nor an LLP Acceleration Notice has been served, the Bond Trustee shall confirm in writing to the LLP that such Asset Coverage Test Breach Notice is revoked.

If an Asset Coverage Test Breach Notice has been served and remains outstanding after the third Calculation Date following the service of the Asset Coverage Test Breach Notice, then a Notice to Pay Event shall occur and a Notice to Pay will be served promptly by the Bond Trustee on the LLP.

### **Amortisation Test**

The Amortisation Test is intended to ensure that if, following a Notice to Pay Event 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 shall procure 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 Asset Amount will be in an amount at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date. The Amortisation Test is a formula which adjusts the True Balance of each Mortgage in the Cover Pool and has further adjustments to take account of Mortgages in arrears, other assets held by the LLP and the potential carry cost if the Mortgages were sold and cash proceeds thereof were invested in the Covered Bond Account until the maturity of the relevant Covered Bonds. See further "*Summary of the Principal Documents – LLP Deed – Amortisation Test*".

### **Reserve Fund**

The LLP will be required to establish the Reserve Fund on the Covered Bond Account (if HSBC UK Bank plc ceases to be assigned a short-term issuer default rating of at least F1+ by Fitch or a short-term counterparty risk assessment of at least P-1(cr) by Moody's), which will be credited with LLP Available Funds up to an amount equal to the Reserve Fund Required Amount. The LLP will not be required to maintain the Reserve Fund following the occurrence of an Issuer Event of Default.

The Reserve Fund will be funded from LLP Available Revenue after the LLP has paid all of its obligations in respect of items ranking higher than the Reserve Account in the Pre-Acceleration Revenue Priority of Payments on each LLP Payment Date.

A Reserve Account will be maintained by the Cash Manager to record the balance from time to time of the Reserve Fund. Following the occurrence of a Notice to Pay Event 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 LLP Available Revenue.

Disclosure in respect of compliance with the UK CRA Regulation by each of the rating agencies referred to in this section will be included in the applicable Final Terms.

### **Interest Accumulation Account**

In relation to each Series of Covered Bonds that (a) does not have a Covered Bond Swap in place and (b) does not have monthly Interest Payment Dates (each such Series, an **Accumulation Series of Covered Bonds**), the Cash Manager shall maintain an Interest Accumulation Account, to which the LLP Monthly Interest Amount will be credited on each LLP Payment Date. Amounts standing to the credit of the Interest Accumulation Account in respect of each such Accumulation Series of Covered Bonds will be applied on the relevant Term Advance Interest Payment Date, together with LLP Available Revenue (applied in accordance with the relevant Priorities of Payments), to make payments under the Term Advances or Covered Bonds, as applicable.

## CASHFLOWS

As described above under "*Credit Structure*", until a Notice to Pay or LLP Acceleration Notice is served on the LLP, the Covered Bonds will be obligations of the Issuer only. The Issuer is liable to make payments when due on the Covered Bonds, whether or not it has received any corresponding payment from the LLP.

This section summarises the Priorities of Payments of the LLP, as to the allocation and distribution of amounts standing to the credit of the LLP Accounts (other than any Swap Collateral Account) and their order of priority:

- (a) prior to service of an Asset Coverage Test Breach Notice which remains outstanding, or service on the LLP of a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security;
- (b) following service of an Asset Coverage Test Breach Notice (and for so long as it remains outstanding) but prior to service of a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security;
- (c) following service of a Notice to Pay but prior to service of an LLP Acceleration Notice and/or the realisation of the Security and/or the commencement of winding-up proceedings in respect of the LLP; and
- (d) following service of an LLP Acceleration Notice, realisation of the Security and/or the commencement of winding-up proceedings against the LLP.

If the Covered Bond Account is closed in accordance with the terms of the Account Bank Agreement, any payment to be made to or from the Covered Bond Account shall, as applicable, be made to or from the replacement Covered Bond Account.

LLP Payment Dates will occur monthly.

### **Allocation and distribution of LLP Available Funds prior to the service of an Asset Coverage Test Breach Notice which remains outstanding, a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security**

Prior to service of an Asset Coverage Test Breach Notice which remains outstanding, service of 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, LLP Available Funds will be allocated and distributed as described below.

On the Calculation Date immediately preceding each LLP Payment Date, the LLP or the Servicer on its behalf shall calculate the amount of LLP Available Funds available for distribution on the immediately following LLP Payment Date and the Reserve Fund Required Amount, if applicable.

If the Pre-Maturity Test has been breached in respect of a Series of Hard Bullet Covered Bonds, on each Calculation Date prior to the Final Maturity Date of the relevant Series of Hard Bullet Covered Bonds, the LLP or the Cash Manager on its behalf shall calculate whether or not the amount standing to the credit of the Pre-Maturity Liquidity Account together with the Sterling Equivalent of the principal amount of any Eligible Pre-Maturity Substitution Assets held for the benefit of the relevant Series of Hard Bullet Covered Bonds is less than the Required Redemption Amount for that Series of Hard Bullet Covered Bonds (taking into account the Required Redemption Amount of any other Series of Hard Bullet Covered Bonds which mature prior to or on the same date as the relevant Series of Hard Bullet Covered Bonds).

### **Pre-Acceleration Priorities of Payments**

#### *Pre-Acceleration Revenue Priority of Payments*

Where an Asset Coverage Test Breach Notice is not outstanding and prior to service on the LLP of a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, LLP Available Revenue (as calculated on the immediately preceding Calculation Date) shall be applied by or on behalf of the LLP in making the following payments or provisions or credits in the following order of priority (the **Pre-Acceleration Revenue Priority of**

**Payments**) 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 items (a), (b) and (c) below or Third Party Amounts, which shall be paid when due), provided that each item set out in the Pre- Acceleration Revenue Priority of Payments shall be paid only if and to the extent that payments or provisions of a higher priority to be made from LLP Available Revenue have been paid or provided for in full:

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) all amounts then due and payable or to become due and payable to the Bond Trustee or any Appointee in the immediately succeeding LLP Payment Period (including, without limitation, remuneration, interest, costs, charges, liabilities and expenses payable to them and amounts due under any indemnity) under the provisions of the Trust Deed together with interest and any applicable VAT thereon (where the payment is not inclusive of VAT) as provided therein; and
  - (ii) all amounts then due and payable or to become due and payable to the Security Trustee or any Appointee in the immediately succeeding LLP Payment Period (including, without limitation, remuneration, interest, costs, charges, liabilities and expenses payable to them and amounts due under any indemnity) under the provisions of the Deed of Charge together with interest and any applicable VAT thereon (where the payment is not inclusive of VAT) as provided therein;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) any remuneration then due and payable or to become due and payable to the Agents in the immediately succeeding LLP Payment Period (including, without limitation, remuneration, interest, costs, charges, liabilities and expenses payable to them and amounts due under any indemnity) under the provisions of the Agency Agreement together with any applicable VAT thereon (where the payment is not inclusive of VAT) as provided therein;
  - (ii) *pro rata* and *pari passu*, amounts (if any) due and payable or to become due and payable to the Account Bank and the Swap Collateral Account Bank (including costs) in the immediately succeeding LLP Payment Period pursuant to the terms of the Account Bank Agreement or the Swap Collateral Account Bank Agreement, as applicable, together with any applicable VAT thereon (where the payment is not inclusive of VAT) to the extent provided therein;
  - (iii) amounts then due and payable or to become due and payable to the Corporate Services Provider in the immediately succeeding LLP Payment Period pursuant to the terms of the Corporate Services Agreement together with any applicable VAT thereon (where the payment is not inclusive of VAT) as provided therein; and
  - (iv) any remuneration then due and payable or to become 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 any applicable VAT thereon (where the payment is not inclusive of VAT) to the extent provided therein;
- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any amounts due and payable by the LLP to third parties and incurred without breach by the LLP of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere in the relevant Priorities of Payments) and to provide for any such amounts expected to become due and payable by the LLP in the immediately succeeding LLP Payment Period and to pay and discharge any liability of the LLP for taxes;
- (d) *fourth*, 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 any applicable VAT thereon (where the payment is not inclusive of VAT) to the extent provided therein; and

- (ii) any remuneration then due and payable to the Asset Monitor and any costs, charges, liabilities and expenses then due or to become due and payable to the Asset Monitor under the provisions of the Asset Monitor Agreement in the immediately succeeding LLP Payment Period, together with any applicable VAT thereon (where the payment is not inclusive of VAT) to the extent provided therein (other than any indemnity payments referred to in item (k) below);
- (e) *fifth, pro rata and pari passu* according to the respective amounts thereof, in or towards payment on the LLP Payment Date or to provide for payment on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine of any amounts due and payable to an Interest Rate Swap Provider in respect of each relevant Interest Rate Swap (including any termination payment due and payable by the LLP under the relevant Interest Rate Swap Agreement, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from any relevant replacement Interest Rate Swap Providers) pursuant to the terms of the relevant Interest Rate Swap Agreements;
- (f) *sixth, pro rata and pari passu* according to the respective amounts thereof, 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 received or receivable from an Interest Rate Swap Provider under the Interest Rate Swap Agreement and, if applicable, any amounts (other than principal received or receivable from a Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement on the LLP Payment Date or such date in the future as the Cash Manager may reasonably determine), other than Swap Collateral Excluded Amounts and Swap Provider Tax Payments), of:
  - (i) in respect of any Term Advance with a Covered Bond Swap in place, any amounts due and payable or to become due and payable to the Covered Bond Swap Providers (other than in respect of principal) *pro rata and pari passu* in respect of each relevant Covered Bond Swap (including any termination payment (other than 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 any 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, in respect of any Term Advance that relates to an Accumulation Series of Covered Bonds, any amount credited to the Interest Accumulation Account in respect of that Term Advance, any amounts due or to become due and payable (excluding principal amounts), *pro rata and pari passu* in respect of each relevant Term Advance to the Issuer pursuant to the 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 Account in respect of that Term Advance in an amount equal to the LLP Monthly Interest Amount;
- (g) *seventh*, (only if and to the extent that there would be any shortfall following the application of all LLP Available Principal to credit the required amount to the Pre-Maturity Liquidity Account on the relevant LLP Payment Date in accordance with the LLP Deed) if the LLP is required to make a credit to the Pre-Maturity Liquidity Account in accordance with the LLP Deed, in or towards a debit to the Covered Bond Account (with a corresponding credit to the Pre-Maturity Liquidity Account maintained in respect of that account) of an amount up to but not exceeding the difference between:

- (i) the Sterling Equivalent of the Required Redemption Amount as calculated on the immediately preceding Calculation Date for each relevant Series of Hard Bullet Covered Bonds; and
- (ii) any amounts standing to the credit of the Pre-Maturity Liquidity Account on the immediately preceding Calculation Date after deducting from that Ledger the Sterling Equivalent of the Required Redemption Amounts of all other Series of Hard Bullet Covered Bonds as calculated on that Calculation Date which mature prior to or on the same date as the relevant Series of Hard Bullet Covered Bonds,

in each case, after taking into account any Substitution Assets which have a final maturity date earlier than the relevant Series of Hard Bullet Covered Bonds;

- (h) *eighth*, in or towards a debit to the Covered Bond Account, with a corresponding credit to the Reserve Account of an amount up to but not exceeding the amount by which the Reserve Fund Required Amount exceeds the existing balance on the Reserve Account as calculated on the immediately preceding Calculation Date;
- (i) *ninth*, if a Servicer Event of Default has occurred an amount equal to LLP Available Revenue on such LLP Payment Date less the aggregate of amounts paid or provided for under items (a) to (h) above shall be credited to the Covered Bond Account (with a corresponding credit to the LLP Interest Collections Ledger maintained in respect of that account) until such Servicer Event of Default is either remedied by the relevant Servicer or waived by the Security Trustee or a new servicer is appointed to service the Mortgage Portfolio;
- (j) *tenth*, 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 the Interest Rate Swap Agreement;
- (k) *eleventh*, 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 and/or any member of the LLP Management Committee pursuant to the LLP Deed;
- (l) *twelfth*, in or towards payment *pari passu* and *pro rata* of the Deferred Consideration to the Seller in an amount equal to LLP Available Revenue on such LLP Payment Date less the aggregate of amounts paid or provided for under items (a) to (k) above, and (m) below; and
- (m) *thirteenth*, towards payment *pro rata* and *pari passu* to the Members of the sum of £3,000 per annum (or such other sum as may be agreed by the Members from time to time) in aggregate, to be allocated and paid to each Member in proportion to their respective Capital Contribution Balances as at the relevant Calculation Date subject to a minimum of £1 per annum each, as their profit for their respective interests as Members of the LLP.

#### *Pre-Acceleration Principal Priority of Payments*

Where an Asset Coverage Test Breach Notice is not outstanding and prior to service on the LLP of a Notice to Pay or an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or realisation of the Security, LLP Available Principal (as calculated on the immediately preceding Calculation Date) shall be applied by or on behalf of the LLP in making the following payments or provisions or credits in the following order of priority (the **Pre-Acceleration Principal Priority of Payments**) on each LLP Payment Date, provided that each LLP Available Principal item shall be paid only if and to the extent that payments or provisions of a higher priority to be made from LLP Available Principal have been paid or provided for in full:

- (a) *first*, (except where there would be any shortfall following the application of all LLP Available Principal to credit the required amount to the Pre-Maturity Liquidity Account on the relevant LLP Payment Date in accordance with the LLP Deed) if the LLP is required to make a credit to the Pre-Maturity Liquidity Account in accordance with the LLP Deed, in or towards a debit to the Covered Bond Account (with a corresponding credit to the Pre-Maturity Liquidity Account maintained in respect of that account) of an amount up to but not exceeding the difference between:

- (i) the Sterling Equivalent of the Required Redemption Amount as calculated on the immediately preceding Calculation Date for each relevant Series of Hard Bullet Covered Bonds; and
- (ii) any amounts standing to the credit of the Pre-Maturity Liquidity Account on the immediately preceding Calculation Date after deducting from that Ledger the Sterling Equivalent of the Required Redemption Amounts of all other Series of Hard Bullet Covered Bonds as calculated on that Calculation Date which mature prior to or on the same date as the relevant Series of Hard Bullet Covered Bonds,

in each case, after taking into account any Substitution Assets which have a final maturity date earlier than the relevant Series of Hard Bullet Covered Bonds;

- (b) *second*, to acquire New Mortgages offered to the LLP by the Seller in accordance with the terms of the Mortgage Sale Agreement and/or Substitution Assets and/or to credit the Covered Bond Account (with a corresponding credit to the LLP Principal Collections Ledger) in an aggregate amount at least 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, pro rata and pari passu* according to the respective amounts thereof, 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, if applicable, any principal amounts received or receivable from a Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement on the LLP Payment Date or such date in the future as the Cash Manager may reasonably determine)) of:
  - (i) the amounts due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the Covered Bond Swap Providers in respect of principal under the relevant Covered Bond Swap Agreements, but excluding any Excluded Swap Termination Amount *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap pursuant to the terms of the relevant Covered Bond Swap Agreements; and
  - (ii) 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, and at the option of the relevant Member to make a Capital Distribution to each Member (other than the Liquidation Member) by way of distribution of its equity in the LLP in accordance with the LLP Deed in an amount equal to LLP Available Principal on such LLP Payment Date remaining after paying or providing for the amounts to be paid under items (a) to (c) above in proportion to each such Member's Capital Contribution as calculated on the relevant Calculation Date (or, if HSBC UK Bank plc is not then a Member, towards repayment of the Subordinated Loan).

Any amounts (other than Swap Collateral Excluded Amounts) received by the LLP under the Interest Rate Swap Agreements on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payments made on any preceding LLP Payment Date, to make payments (other than in respect of principal) due and payable *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap to each relevant Covered Bond Swap Provider under each relevant Covered Bond Swap Agreement or, as the case may be, in respect of each relevant Term Advance under the Intercompany Loan Agreement unless an Asset Coverage Test Breach Notice has been served and remains outstanding 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 Servicer may reasonably determine.

Any amounts (other than in respect of principal and other than Swap Collateral Excluded Amounts) received by the LLP under a Covered Bond Swap on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payments made on any preceding LLP Payment Date, to make payments (other than principal) due and payable *pro rata* and *pari passu* in respect of each relevant Term Advance under the Intercompany Loan Agreement or otherwise to make provision for such payments on such date in the future of such proportion of the relevant payment

falling due in the future as the Servicer may reasonably determine unless an Asset Coverage Test Breach Notice has been served and remains outstanding.

Any amounts (other than Swap Collateral Excluded Amounts) received under an Interest Rate Swap Agreement and any amounts (other than in respect of principal and other than Swap Collateral Excluded Amounts) received under the Covered Bond Swap Agreements, in each case on the LLP Payment Date or on any date prior to the relevant next succeeding LLP Payment Date which are not put towards a payment or provision in accordance with item (f) of the Pre-Acceleration Revenue Priority of Payments or the preceding two paragraphs will be credited to the LLP Interest Collections Ledger and applied as LLP Available Funds on the next succeeding LLP Payment Date.

Any amounts in respect of principal received by the LLP under a Covered Bond Swap on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payments made on any preceding LLP Payment Date, to make payments in accordance with 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), 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 Servicer may reasonably determine, unless an Asset Coverage Test Breach Notice has been served on the LLP and remains outstanding.

Any amounts in respect of principal (other than Swap Collateral Excluded Amounts and Swap Provider Tax Payments) received by the LLP under the Covered Bond Swaps on or after the LLP Payment Date but prior to the next succeeding LLP Payment Date which are not put towards a payment or provision in accordance with item (c) of the Pre-Acceleration Principal Priority of Payments or the preceding paragraph will be credited to the LLP Principal Collections Ledger and applied as LLP Available Principal on the next succeeding LLP Payment Date.

Pursuant to the Intercompany Loan Agreement and the LLP Deed, the Issuer requires the LLP to direct each Covered Bond Swap Provider to pay any amounts due to the LLP under a Covered Bond Swap, the proceeds of which would otherwise (prior to the service of an Asset Coverage Test Breach Notice which remains outstanding, service of 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) be applied by the LLP in repayment of the relevant Term Advance to the Issuer in each case, directly to the Bond Trustee or (if so directed by the Bond Trustee) to the Principal Paying Agent, unless the Issuer has paid or discharged the corresponding payment under the relevant Series of Covered Bonds. In addition, subject to the Deed of Charge and the LLP Deed, and while any amounts remain outstanding under the Covered Bonds, the Issuer may direct that all amounts to be paid to the Issuer under the Intercompany Loan Agreement in relation to a Term Advance shall be paid on the due date thereof in the currency of that Term Advance for value by the LLP to such account of the Principal Paying Agent or the Registrar as is notified to the LLP in writing by the Principal Paying Agent or the Registrar pursuant to the Agency Agreement.

**Allocation and distribution of LLP Available Funds following service of an Asset Coverage Test Breach Notice which remains outstanding and prior to service on the LLP of a Notice to Pay, LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or the realisation of the Security**

At any time after service of an Asset Coverage Test Breach Notice which remains outstanding, 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 LLP Available Funds will continue to be applied in accordance with the Pre-Acceleration Priorities of Payments as described above, save that, while any Covered Bonds remain outstanding, no monies (including, for the avoidance of doubt, any monies then standing to the credit of the Interest Accumulation Account) will be applied under items (b), (c)(ii) (unless such amounts are to be paid directly to the Principal Paying Agent) and (d) of the Pre-Acceleration Principal Priority of Payments or items (f)(ii) (unless such amounts are to be paid directly to the Principal Paying Agent), (k) (to the extent such amounts are payable to the Members), (l) and (m) of the Pre-Acceleration Revenue Priority of Payments above. For the avoidance of doubt, after service of an Asset Coverage Test Breach Notice but prior to service of a Notice to Pay, any amounts due from the Covered Bond Swap Provider shall be paid directly to the Principal Paying Agent.

**Allocation and distribution of LLP Available Revenue and LLP Available Principal following service of a Notice to Pay but prior to service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings in respect of the LLP and/or the realisation of the Security**

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 and/or realisation of the Security, LLP Available Revenue and LLP Available Principal standing to the credit of the Covered Bond Account will be applied as described below under "*Guarantee Priority of Payments*".

If a Notice to Pay is served on the LLP, the LLP shall on the relevant Final Maturity Date apply (to the extent required) all monies standing to the credit of the Pre-Maturity Liquidity Account to repay the relevant Series of Hard Bullet Covered Bonds. Thereafter, any remaining monies standing to the credit of the Pre-Maturity Liquidity Account shall be debited from that account and shall be available for distribution in accordance with the Guarantee Priority of Payments. The LLP will create and maintain (or procure the creation and maintenance by the Servicer of) 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(s) in respect of the relevant Series of Covered Bonds on the scheduled repayment dates thereof.

**Guarantee Priority of Payments**

On each LLP Payment Date after the service on the LLP of a Notice to Pay (but prior to service on the LLP of an LLP Acceleration Notice and/or the commencement of winding-up proceedings in respect of the LLP and/or realisation of the Security) the LLP (or the Cash Manager on its behalf) will apply LLP Available Revenue and LLP Available Principal (excluding, for the avoidance of doubt, Swap Collateral Excluded Amounts) as calculated on the immediately preceding Calculation Date to make the following payments and provisions in the following order of priority (the **Guarantee Priority of Payments**) (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof, of:
  - (i) all amounts then due and payable or to become due and payable to the Bond Trustee or any Appointee during the immediately succeeding LLP Payment Period (including, without limitation, remuneration, interest, costs, charges, liabilities and expenses payable to them and amounts due under any indemnity) under the provisions of the Trust Deed together with interest and any applicable VAT thereon (where the payment is not inclusive of VAT) as provided therein; and
  - (ii) all amounts then due and payable or to become due and payable to the Security Trustee or any Appointee during the immediately succeeding LLP Payment Period (including, without limitation, remuneration, interest, costs, charges, liabilities and expenses payable to them and amounts due under any indemnity) under the provisions of the Deed of Charge together with interest and any applicable VAT thereon (where the payment is not inclusive of VAT) as provided therein;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
  - (i) any remuneration then due and payable or to become due and payable to the Agents in the immediately succeeding LLP Payment Period under the provisions of the Agency Agreement together with any applicable VAT thereon (where the payment is not inclusive of VAT) as provided therein;
  - (ii) amounts (if any) due and payable to the Account Bank and the Swap Collateral Account Bank (including costs) pursuant to the terms of the Account Bank Agreement or the Swap Collateral Account Bank Agreement, as applicable, together with any applicable VAT thereon (where the payment is not inclusive of VAT) to the extent provided therein;

- (iii) any amounts then due and payable to the Corporate Services Provider or to become due and payable pursuant to the Corporate Services Agreement during the immediately succeeding LLP Payment Period together with any applicable VAT thereon (where the payment is not inclusive of VAT) as provided therein;
  - (iv) any remuneration then due and payable or to become due and payable to the Cash Manager during the immediately succeeding LLP Payment Period 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 any applicable VAT thereon (where the payment is not inclusive of VAT) as provided therein; and
  - (v) any amounts then due and payable by the LLP to third parties and incurred without breach by the LLP of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and to provide for any such amounts expected to become due and payable by the LLP in the immediately succeeding LLP Payment Period and to pay or discharge any liability of the LLP for taxes;
- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) any remuneration then due and payable to the Servicer and any 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 any applicable VAT thereon (where the payment is not inclusive of VAT) to the extent provided therein;
  - (ii) amounts (if any) due and payable to the FCA under the RCB Regulations (other than the initial registration fees) together with any applicable VAT thereon (where the payment is not inclusive of VAT); and
  - (iii) amounts due and payable or to become due and payable to the Asset Monitor in the immediately succeeding LLP Payment Period (other than the amounts referred to in item (l) below) pursuant to the terms of the Asset Monitor Agreement, together with any applicable VAT thereon (where the payment is not inclusive of VAT) to the extent provided therein;
- (d) *fourth*, in or towards satisfaction *pro rata* and *pari passu* and according to the respective amounts thereof, of any amounts due and payable to an Interest Rate Swap Provider pursuant to the terms of the Interest Rate Swap Agreement to which it is a party (including any termination payment due or to become due and payable by the LLP under the Interest Rate Swap Agreement but excluding any Excluded Swap Termination Amount);
- (e) *fifth*, to pay *pro rata* and *pari passu* according to the respective amounts thereof, 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 the Interest Rate Swap Provider under the Interest Rate Swap Agreements) of:
- (i) any amounts due and payable or to become due and payable in the immediately succeeding LLP Payment Period to the relevant Covered Bond Swap Providers (other than in relation to principal) *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (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 except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Covered Bond Swap Provider) pursuant to the terms of the relevant Covered Bond Swap Agreements; and
  - (ii) taking into account, in respect of any Term Advance that related to an Accumulation Series of Covered Bonds, any amount credited to the Interest Accumulation Account in respect

of that Series of Covered Bonds, in each case in respect of any Term Advance without a Covered Bond Swap in place, any amounts due and payable to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the Covered Bondholders *pro rata* and *pari passu* 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 which does not have a Covered Bond Swap in place; 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 Account in respect of that Series of Covered Bonds in an amount equal to the LLP Monthly Interest Amount,

but, in the case of any such payment or provision, after taking into account any amounts received or receivable from the Interest Rate Swap Provider in respect of the Interest Rate Swap Agreement and, if applicable, any amounts (other than in respect of principal) received or receivable from a Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement on the LLP Payment Date or in the immediately succeeding LLP Payment Period, provided that if the amount available for distribution under this item (e) (excluding any amounts received (or to be received) from the relevant Covered Bond Swap Provider) would be insufficient to pay the Sterling Equivalent of the Scheduled Interest that is Due for Payment in respect of each Series of Covered Bonds under item (ii) above, the shortfall shall *first* be divided among all Series of Covered Bonds on a *pro rata* basis in relation to which a credit to the Interest Accumulation Account under item (iii) above is scheduled to be made on such LLP Payment Date and the amount to be credited to the Interest Accumulation Account in respect of each relevant series of Covered Bonds shall be reduced by the amount of the shortfall applicable to the Series of Covered Bonds in respect of which such payment is to be made and, *second*, if there is any shortfall remaining, such shortfall shall be divided among all such Series of Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider in respect of each relevant Covered Bond Swap under item (i) above shall be reduced by the amount of the shortfall applicable to the Series of Covered Bonds in respect of which such payment is to be made;

- (f) *sixth*, to pay or provide for *pro rata* and *pari passu* according to the respective amounts thereof, in or towards payment on the LLP Payment Date (or to provide for payment on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine) of:
  - (i) the amounts (in respect of principal) due and payable to the relevant Covered Bond Swap Provider (or to become due and payable in the immediately succeeding LLP Payment Period) *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap due and payable by the LLP under the relevant Covered Bond Swap Agreements (but, for the avoidance of doubt, excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from the relevant replacement Covered Bond Swap Providers); 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 to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the Covered Bondholders *pro rata* and *pari passu* in respect of 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 on the Final Maturity Date or, if the applicable Final Terms specified that an Extended Due for Payment Date is applicable to the relevant Series of Covered Bonds, the Extended Due for Payment Date,

but, in the case of any payment or provision, after taking into account any principal amounts received or receivable from a Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement on the LLP Payment Date or in the immediately succeeding LLP Payment Period, provided that if the amount available for distribution under this item (f) (excluding any amounts received or to be received from the relevant Covered Bond Swap Provider) would be insufficient to pay the Sterling Equivalent of the Scheduled Principal that is Due for Payment in respect of each relevant Series of Covered Bonds under

item (f)(ii) above, the shortfall shall be divided amongst all such Series of Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider in respect of each relevant Covered Bond Swap under item (f)(i) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

- (g) *seventh*, in respect of any Series of Covered Bonds to which an Extended Due for Payment Date applies and where the relevant Final Redemption Amount has not been paid in full by the relevant 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 thereof 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):
- (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); 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, 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 Covered Bond Guarantee in respect of each relevant Series of Extended Covered Bonds,

but, in the case of any such payment, after taking into account any amounts (in respect of principal) received or receivable from the relevant Covered Bond Swap Provider in respect of the relevant Covered Bond Swap corresponding to the Extended Covered Bonds on the LLP Payment Date or in the immediately succeeding LLP Payment Period, provided that if the amount available for distribution under this item (g) (excluding any amounts received or to be received from the relevant Covered Bond Swap Provider) would be insufficient to pay the Sterling Equivalent of the Final Redemption Amount in respect of each relevant Series of Extended Covered Bonds under item (g)(ii) above, the shortfall shall be divided among all such Series of Extended Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider under each relevant Covered Bond Swap Agreement in respect of each relevant Series of Extended Covered Bonds under item (g)(i) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

- (h) *eighth*, 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, on a *pro rata* and *pari passu* basis according to the respective amounts thereof 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):
- (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 Date *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (but, for the avoidance of doubt, excluding any Excluded Swap Termination Amount except to the extent that such amounts have been paid out of any premia received from the relevant replacement Covered Bond Swap Provider) pursuant to 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, 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,

provided that if the amount available for distribution under this item (h) (excluding any amounts received or to be received from the relevant Covered Bond Swap Provider) would be insufficient to pay the Sterling Equivalent of the Final Redemption Amount in respect of each relevant Series of Extended Covered Bonds under item (h)(ii) above, the shortfall shall be divided amongst all such Series of Extended Covered Bonds on a *pro rata* basis and the amount payable by the LLP to the relevant Covered Bond Swap Provider under each relevant Covered Bond Swap Agreement in respect of each relevant Series of Extended Covered Bonds under item (h)(i) above shall be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

- (i) *ninth*, to credit the remaining monies in the Covered Bond Account for application on the next following LLP Payment Date in accordance with the priority of payments described in items (a) to (h) 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* in accordance with 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;
- (k) *eleventh*, after the Covered Bonds have been fully repaid or provided for (such that the Sterling Equivalent of 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; and
- (l) *twelfth*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of any indemnity amount due to the Members pursuant to the LLP Deed (and, if HSBC UK Bank plc is not then a Member of the LLP, towards repayment of the Subordinated Loan), any indemnity amount due to any members of the LLP Management Committee pursuant to the LLP Deed and certain costs, expenses and indemnity amounts due by the LLP to the Asset Monitor pursuant to the Asset Monitor Agreement;
- (m) *thirteenth*, thereafter any remaining monies will be applied in or toward payment to the Members in accordance with the LLP Deed.

On each Interest Payment Date, any amount standing to the credit of the Interest Accumulation Account and (without double counting) any amount credited to the Interest Accumulation Account 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.

Any amounts (other than Swap Collateral Excluded Amounts and Swap Provider Tax Payments) received by the LLP under the Interest Rate Swap Agreements on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payment made on any preceding LLP Payment Date, to make payments (other than in respect of principal) due and payable *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap to the relevant Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement or, as the case may be, to the Bond Trustee (or at the direction of the Bond Trustee to the Principal Paying Agent) in respect of Scheduled Interest that is Due for Payment (or will become Due for Payment) under the Covered Bond Guarantee in respect of each relevant Series of Covered Bonds.

Any amounts (other than Swap Collateral Excluded Amounts and Swap Provider Tax Payments) received by the LLP under a Covered Bond Swap Agreement (whether or not in respect of principal) on or after the LLP Payment Date but prior to the next following LLP Payment Date will be applied, together with any provision for such payment made on any preceding LLP Payment Date, to make payments of interest or principal, as the case may be, in respect of the relevant Series of Covered Bonds under the Covered Bond Guarantee.

Any amounts (other than Swap Collateral Excluded Amounts and Swap Provider Tax Payments) received under the Interest Rate Swap Agreements or any Covered Bond Swap Agreement on or after the LLP Payment Date but prior to the next following LLP Payment Date which are not put towards a payment or

provision in accordance with the LLP Deed and items (e) to (h) of the Guarantee Priority of Payments will be credited to the LLP Interest Collections Ledger and applied as LLP Available Revenue, as the case may be, on the next succeeding LLP Payment Date.

**Termination payments received in respect of Swaps, premiums received in respect of replacement Swaps**

If the LLP receives any termination payment from a Swap Provider in respect of a Swap Agreement, such termination payment will first be used, to the extent necessary (prior to the occurrence of an LLP Event of Default and service of an LLP Acceleration Notice and/or the commencement of winding-up proceedings against the LLP and/or the realisation of the Security) to pay a replacement Swap Provider(s) to enter into a replacement Swap Agreement with the LLP, unless a replacement Swap Agreement 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, unless such termination payment has already been made on behalf of the LLP.

Any termination payments received by the LLP which are not applied to pay a premium to a replacement Swap Provider(s) to enter into a replacement Swap Agreement(s) will be credited to the LLP Interest Collections Ledger and applied as LLP Available Funds on the next succeeding LLP Payment Date.

Any premium received by the LLP from a replacement Swap Provider(s) to enter into a replacement Swap Agreement(s) which is not applied to pay a termination payment to the replaced Swap Provider(s) will be credited to the LLP Principal Collections Ledger and applied as LLP Available Funds 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**

From and including the time when the Bond Trustee serves an LLP Acceleration Notice on the LLP and/or realisation of the Security and/or the commencement of winding-up proceedings against the LLP, no amount may be withdrawn from the LLP Accounts without the prior written consent of the Security Trustee.

Under the terms of the LLP Deed and the Deed of Charge and subject to Regulations 28 and 29 of the RCB Regulations, all monies received or recovered by the Security Trustee (or a receiver appointed by it) (excluding all amounts due or to become due in respect of Tax Credits, Third Party Amounts, Swap Collateral Excluded Amounts and Swap Provider Tax Payments) 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 Covered Bond Account on trust to be applied (save to the extent required otherwise by law) in the following order of priority (the **Post-Enforcement Priority of Payments**) (in each case only if and to the extent that payments of a higher order of priority have been made or provided for 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 or any Appointee under or in connection with the Transaction Documents (including, without limitation, remuneration, interest, costs, charges, liabilities and expenses payable to them and amounts due under any indemnity), together with interest and any applicable VAT thereon (where the payment is not inclusive of VAT) as provided therein; and
  - (ii) all amounts due and payable or to become due and payable to the Security Trustee or any receiver appointed by the Security Trustee or any Appointee under or in connection with the Transaction Documents (including, without limitation, remuneration, interest, costs, charges, liabilities and expenses payable to them and amounts due under any indemnity), together with interest and any applicable VAT thereon (where the payment is not inclusive of VAT) to the extent provided therein;

- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) all amounts due and payable to the Agents under or pursuant to the Agency Agreement together with any applicable VAT thereon (where the payment is not inclusive of VAT) 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, together with any applicable VAT thereon (where the payment is not inclusive of VAT) to the extent provided therein; and
  - (iii) amounts (including costs and expenses) then due and payable to the Corporate Services Provider pursuant to the terms of the Corporate Services Agreement together with any applicable VAT thereon (where the payment is not inclusive of VAT) to the extent provided therein;
  - (iv) 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 any applicable VAT thereon (where the payment is not inclusive of VAT) to the extent provided therein;
  - (v) any remuneration then due and payable to the Account Bank and any costs, charges, liabilities and expenses then due or to become due and payable to the Account Bank under the provisions of the Account Bank Agreement, as applicable, together with any applicable VAT thereon (where the payment is not inclusive of VAT) to the extent provided therein; and
  - (vi) any remuneration then due and payable to the Asset Monitor and any costs, charges, liabilities and expenses then due or to become due and payable to the Asset Monitor under the provisions of the Asset Monitor Agreement, together with any applicable VAT thereon (where the payment is not inclusive of VAT) to the extent provided therein;
  - (vii) any amounts due and payable to the Interest Rate Swap Provider (including any termination payment (but excluding any Excluded Swap Termination Amounts)) pursuant to the terms of the Interest Rate Swap Agreement to which it is a party;
  - (viii) all 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 or to the order of 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 item (b)(viii)(B) above (excluding any amounts received from any Covered Bond Swap Provider in respect of amounts referred to in item (b)(viii)(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 item (b)(viii)(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 item (b)(viii)(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;

- (c) *third*, 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;

- (d) *fourth*, 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;
- (e) *fifth*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of any indemnity amount due to the Members and/or any member of the LLP Management Committee pursuant to the LLP Deed and certain costs, expenses and indemnity amounts due by the LLP to the Asset Monitor pursuant to the Asset Monitor Agreement; and
- (f) *sixth*, thereafter any remaining monies shall be applied in or towards payment to the Members (and, if HSBC UK Bank plc is not then a Member of the LLP, towards repayment of the Subordinated Loan) pursuant to the LLP Deed.

Pursuant to Regulation 14 of the RCB Regulations, the above Post-Enforcement Priority of Payments will be subject to the provisions of Regulations 28 and 29 of the RCB Regulations. In particular, costs properly incurred by an administrator, administrative receiver, a receiver, liquidator, provisional liquidator or manager of the LLP in relation to:

- (a) persons providing services for the benefit of Covered Bondholders (which pursuant to the RCB Regulations shall include the persons listed in items (a) and (b) of the Post-Enforcement Priority of Payments (excluding the Swap Providers));
- (b) the Swap Providers in respect of amounts due to them under item (b) of the Post-Enforcement Priority of Payments; and
- (c) any other persons (other than the Issuer) providing a loan to the LLP to enable it to meet the claims of Covered Bondholders or the costs of the people described in paragraphs (a) and (b) above (e.g. liquidity loans),

will be expenses which will be payable out of the proceeds of realisation of the Security (in the case of a receivership) or the assets of the LLP (in the case of an administration, winding-up or provisional liquidation), and shall rank equally among themselves in priority to all other expenses (including the claims of Covered Bondholders).

## THE COVER POOL

The principal assets comprised in the Cover Pool will be all the assets of the LLP from time to time including but not limited to the Mortgage Portfolio, any Substitution Assets, any Authorised Investments, the rights of the LLP under the Transaction Documents, the LLP Accounts (apart from the Swap Collateral Accounts) and all amounts standing to the credit thereof and any other assets referred to in Regulation 3(1) (Asset Pool) 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.

The Mortgage Portfolio will comprise the Initial Portfolio and each portfolio of New Mortgages (other than any New Mortgages which have been redeemed in full prior to the relevant Transfer Date or which do not otherwise comply with the terms of the Mortgage Sale Agreement as at the Transfer Date), particulars of which are set out in the relevant Mortgage Notice or in a document stored upon electronic media (including, but not limited to, a CD-ROM)), and including all right, title, interest and benefit of the Seller in and to:

- (a) all payments of principal and interest (including, for the avoidance of doubt, all Accrued Interest, Arrears of Interest, Capitalised Interest and Capitalised Expenses) and other sums due or to become due in respect of such Mortgages including, without limitation, the right to demand, sue for, recover and give receipts for all principal monies, interest and costs and the right to sue on all covenants and any undertakings made or expressed to be made in favour of the Seller under the applicable Mortgage Conditions;
- (b) subject where applicable to the subsisting rights of redemption of Borrowers, all Deeds of Consent, Deeds of Postponement or any collateral security for the repayment of the relevant Mortgages;
- (c) the right to exercise all the powers of the Seller in relation thereto;
- (d) all the estate and interest in the Properties vested in the Seller; 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 Seller against any solicitor, licensed 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 Mortgages, or any part thereof or affecting the decision of the Seller to make or offer to make any such Mortgage or part thereof.

The Issuer or the Cash Manager (on behalf of the Issuer) will publish monthly Investor Reports containing information on the Cover Pool. See "*General Information – Post-issuance information*".

## INFORMATION RELATING TO THE REGULATION OF MORTGAGES IN THE UK

### *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 as a lender, arranging or advising in respect of, and administering regulated mortgage contracts and agreeing to do any of those activities are each (subject to applicable exemptions) regulated activities under the FSMA and the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) (as amended) (the **RAO**) requiring authorisation and permission from the FCA.

There have been incremental changes to the definition of "Regulated Mortgage Contract" over time, including the removal of the requirement for the security to be first ranking.

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 would be a "Regulated Mortgage Contract" under the RAO if: (a) the lender provided credit to an individual or to trustees; (b) the obligation of the borrower to repay was secured by a first ranking legal mortgage on land (other than timeshare accommodation) in the UK; and (c) at least 40% 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 is a beneficiary of the trust, or by a related person.

A related person (in relation to a borrower, or in the case of credit provided to trustees, a beneficiary of the trust is: (1) that person's spouse or civil partner; (2) a person (whether or not of the opposite sex) whose relationship with that person has the characteristics of the relationship between husband and wife; or (3) that person's parent, brother, sister, child, grandparent or grandchild (a **Related Person**).

The current definition of a regulated mortgage contract is such that if the mortgage contract was entered into on or after 21 March 2016, it will be a **Regulated Mortgage Contract** if at the time it is entered into it meets the following conditions (when read in conjunction with and subject to certain relevant exclusions): (a) the borrower is an individual or trustee; and (b) the obligation of the borrower to repay is secured by a mortgage on land; (c) at least 40% of that land is used, or is intended to be used (i) in the case of credit provided to an individual, as or in connection with a dwelling or (ii) in the case of credit provided to a trustee who is not an individual, as or in connection with a dwelling by an individual who is a beneficiary of the trust, or by a Related Person. In relation to a contract entered into before 23:00 on 31 December 2020, 'land' means land in the United Kingdom or within the territory of an EEA state and in relation to a contract entered into on or after 23:00 on 31 December 2020, 'land' means land in the United Kingdom.

On and from the Regulation Effective Date, subject to any exemption, persons carrying on any specified regulated mortgage-related activities by way of business must be authorised under the FSMA. The specified activities currently are: (a) entering into a Regulated Mortgage Contract as lender; (b) administering a Regulated Mortgage Contract (administering in this context broadly means notifying borrowers of changes in mortgage payments and/or taking any necessary steps for the purposes of collecting payments due under the mortgage loan); (c) advising in respect of Regulated Mortgage Contracts; and (d) arranging Regulated Mortgage Contracts. Agreeing to carry on any of these activities is also a regulated activity. If requirements as to the authorisation of lenders and brokers are not complied with, a Regulated Mortgage Contract will be unenforceable against the borrower except with the approval of a court and the unauthorised person may commit a criminal offence. An unauthorised person who carries on the regulated mortgage activity of administering a Regulated Mortgage Contract that has been validly entered into may commit an offence, although this will not render the contract unenforceable against the borrower. The regime under the FSMA regulating financial promotions covers the content and manner of the promotion of agreements relating to qualifying credit and who can issue or approve financial promotions. In this respect, the FSMA regime not only covers financial promotions of Regulated Mortgage Contracts but also promotions of certain other types of secured credit agreements under which the lender is a person (such as an originator) who carries on the regulated activity of entering into a Regulated Mortgage Contract. Failure to comply with the financial promotion regime (as regards who can issue or approve financial promotions) is a criminal offence and will render the Regulated Mortgage Contract or other secured credit agreement in question unenforceable against the borrower except with the approval of a court.

The Servicer is required to hold and does hold authorisation and permission to enter into and to administer Regulated Mortgage Contracts. Brokers are in certain circumstances required to hold authorisation and

permission to arrange and, where applicable, to advise in respect of Regulated Mortgage Contracts. The LLP is not, and does not propose to be, an authorised person under the FSMA. Under the RAO, the LLP does not require authorisation in order to acquire legal or beneficial title to a Regulated Mortgage Contract. The LLP does not carry on the regulated activity of administering Regulated Mortgage Contracts by having them administered pursuant to a servicing agreement by an entity having the required authorisation and permission under the FSMA. If such an administration 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 Mortgages 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 – Perfection of legal title to the Mortgages in the Cover Pool*", the LLP will have arranged for a servicer to administer these Mortgages and is not expected to enter into any new Regulated Mortgage Contracts as lender under Article 61(1) of the RAO. However, in the event that a mortgage is varied, such that a new contract is entered into and that contract constitutes a Regulated Mortgage Contract, then the arrangement of, advice on, administration of and entering into of such variation would need to be carried out by an appropriately authorised entity.

The FCA's Mortgages and Home Finance: Conduct of Business sourcebook (**MCOB**), which sets out the FCA's rules for regulated mortgage activities, came into force on 31 October 2004. MCOB covers, amongst other things, certain pre-origination matters such as financial promotion and pre-application illustrations, pre-contract and start-of-contract and post-contract disclosure, contract changes, charges and arrears and repossessions. Further rules for prudential and authorisation requirements for mortgage firms, and for extending the appointed representatives regime to mortgages, came into force on 31 October 2004.

A Borrower who is a private person may be entitled to claim damages for loss suffered as a result of any contravention by an authorised person of the FCA or PRA rules, and may set off the amount of the claim against the amount owing by the Borrower under the loan or any other loan that the Borrower has taken with that authorised person.

#### ***Regulation of residential secured lending (other than Regulated Mortgage Contracts)***

The UK government had a policy commitment to move second charge lending into the regulatory regime for mortgage lending rather than the regime for consumer credit under which second charge lending previously fell. The UK government concluded there was a strong case for regulating lending secured on a borrower's home consistently, regardless of whether it is secured by a first or subsequent charge. The UK government also proposed to move the regulation of second (and subsequent) charge loans already in existence before 21 March 2016 to the Regulated Mortgage Contract regime rather than keeping them within the consumer credit regime. The policy of regulating lending secured on a borrower's home consistently also meant that the UK government decided to change the regulatory regime for pre-2004 first charge loans regulated by the CCA. Mortgage regulation under FSMA began on 31 October 2004. Mortgages entered into before that date were regulated by the CCA, provided they did not exceed the financial threshold in place when they were entered into and were not otherwise exempt. Consequently, in November 2015, the UK government made legislation, the effect of which was that the administration of and other activities relating to those pre-October 2004 first charge mortgages which at that time were regulated by the CCA became regulated mortgage activities from 21 March 2017, although firms could have adopted the new rules from 21 March 2016 if they chose. The move of CCA regulated mortgages to the FSMA regime was implemented by the Mortgage Credit Directive Order 2015 (the **Mortgage Credit Directive Order**) on 21 March 2016. The government has put in place transitional provisions for existing loans so that some of the CCA protections in place when the loans were originally taken out were not removed retrospectively.

On 16 June 2022, the UK government announced that it plans to reform and modernise the CCA. On 9 December 2022, the UK government reaffirmed its intention to reform the CCA as part of a set of reforms to existing financial services regulation in order to boost growth and encourage competition in the financial services sector (the so-called **Edinburgh Reforms**) and on the same day, the UK government also published its first consultation paper on reforming the CCA outlining the government's proposals and seeking views from stakeholders. The UK government published its response to the consultation on 10 July 2023, indicating that responses were generally supportive of the government's reform plans. The UK

government is developing more detailed reform proposals and intends to undertake a second consultation in 2024.

### ***FCA Consumer Duty***

The FCA has published final rules on the introduction of a new consumer duty on regulated firms (Consumer Duty), which aims to set a higher level of consumer protection in retail financial markets. The FCA published its final rules on the Consumer Duty in July 2022, which provide that the Consumer Duty came into effect from 31 July 2023 for products and services that remain open to sale or renewal and from 31 July 2024 for closed products and services.

The Consumer Duty applies to the regulated activities and ancillary activities of all firms authorised under FSMA.

There are three elements to the Consumer Duty, comprising a new consumer principle, that "a firm must act to deliver good outcomes for the retail consumers of its products", cross-cutting rules supporting the consumer principle, and four outcomes, relating to the quality of firms' products and services, price and value, consumer understanding and consumer support.

The Consumer Duty applies in respect of Regulated Mortgage Contracts. It applies to the manufacture, distribution, administration and servicing of in-scope mortgages and loans, who have direct contact with customers. Although the Consumer Duty does not apply retrospectively, the FCA requires firms to apply the Consumer Duty to existing products on a forward-looking basis and in that respect the FCA has set out rules and guidance on how to assess contracts held by existing customers.

The Consumer Duty applies not only at origination of a product but throughout its duration (in the case of a mortgage loan, throughout the period the mortgage loan is outstanding). The cross-cutting rules include a requirement to avoid causing foreseeable harm to the retail customer and the outcomes include a requirement to ensure that a product (for example, a mortgage loan) provides fair value for the retail customers. These requirements (as with the remainder of the Consumer Duty) must be assessed on a regular basis throughout the life of a product. This may increase the type and extent of remedial activity which the Servicer is expected to undertake. It is not yet possible to predict the precise effect of the Consumer Duty on the Loans with any certainty.

### ***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 as defined in the CCA, except Regulated Mortgage Contracts under the FSMA. 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 (including the FCA's PRIN) 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 significant commission payments, 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.

### ***Distance marketing***

In the UK, the Financial Services (Distance Marketing) Regulations 2004 (the **DM Regulations**) apply to, amongst other things, 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 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 for the supply of the financial services in question and includes, but is not limited to, general information in respect of the supplier and the financial service, the contractual terms and conditions, and whether or not there is a right of cancellation.

A Regulated Mortgage Contract under the FSMA, if originated by a UK lender (who is authorised by the FCA) from an establishment in the UK, will not be cancellable under the DM Regulations but will be subject to related pre-contract disclosure requirements in MCOB. Failure to comply with MCOB pre-contract disclosure rules could result in, amongst other things, enforcement action by the FCA and claims for damages under Section 138D of the FSMA.

Certain other credit agreements may be cancellable under the DM Regulations if the borrower does not receive 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 the 14 days beginning with (i) the day after the day on which the contract is made (where all of the prescribed information has been provided prior to the contract being entered into); or (ii) the day after the day on which the last of the prescribed information is provided (where all of the prescribed information was not provided prior to the contract being entered into).

Compliance with the DM Regulations may be secured by way of injunction 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:

- (a) the borrower is liable to repay the principal and any other sums paid by or on behalf of the originator to the borrower under or in relation to the contract, within 30 calendar days of cancellation;
- (b) the borrower is liable to pay interest, early repayment charges and other charges for services actually provided in accordance with the contract only if: (i) the amount is in proportion to the extent of the service provided (in comparison with the full coverage of the contract) and is not such that it could be construed as a penalty; (ii) the borrower received certain prescribed information at the prescribed time about the amounts payable; and (iii) the originator did not commence performance of the contract before the expiry of the relevant cancellation period (unless requested to do so by the borrower); and
- (c) any security provided in relation to the contract is to be treated as never having had effect.

### ***Unfair Terms in Consumer Contracts Regulations 1994 and 1999 and the Consumer Rights Act 2015***

In the UK, the Unfair Terms in Consumer Contracts Regulations 1999 as amended (the **1999 Regulations**), and (insofar as applicable) the Unfair Terms in Consumer Contracts Regulations 1994 (together with the 1999 Regulations, the **UTCCR**), apply to agreements made on or after 1 July 1995 and before 1 October 2015 by a "consumer" within the meaning of the UTCCR, where the terms have not been individually negotiated (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.

The FCA has stated that the finalised FCA guidance "Fairness of variation terms in financial services consumer contracts under the Consumer Rights Act 2015" applies equally to factors that firms should consider to achieve fairness under the UTCCR.

The UTCCR and the CRA provide that a consumer (which would include a Borrower under all or almost all of the Mortgages) may challenge a term in an agreement on the basis that it is "unfair" within the UTCCR or the CRA, as applicable, and, therefore, not binding on the consumer (although the rest of the agreement will remain enforceable if it is capable of continuing in existence without the unfair term) and provide that a regulator may take action to stop the use of terms which are considered to be unfair.

The UTCCR will not generally affect terms which define the main subject matter of the contract, such as the borrower's obligation to repay the principal, provided that these terms are written in plain and intelligible language and are drawn adequately to the consumer's attention. The UTCCR may affect terms that are not considered to be terms which define the main subject matter of the contract, such as the lender's power to vary the interest rate and certain terms imposing early repayment charges and mortgage exit administration fees.

For example, if a term permitting the lender to vary the interest rate (as the originator is permitted to do) is found to be unfair, the borrower will not be liable to pay interest at the increased rate or, to the extent that the borrower has paid it, will be able, as against the lender, or any assignee (such as the LLP), to claim repayment of the extra interest amounts paid or seek 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.

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 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.

The FCA's consideration of fairness under the CRA, UTCCR and CPUTR will include contracts for mortgages and the selling of mortgages, consumer credit and other credit-related activities.

MCOB rules for Regulated Mortgage Contracts require that: (a) charges for a payment shortfall can be objectively justified as equal to or lower than a reasonable calculation of the cost of the additional administration required as a result of the customer having a payment shortfall, and (b) from 15 December 2016, when a payment is made which is not sufficient to cover a payment shortfall and the firm is deciding how to allocate the payment between (i) the current month's periodic instalment of capital or interest (or both); (ii) the payment shortfall; and (iii) interest or charges resulting from the payment shortfall, the firm must set the order of priority in a way that will minimise the amount of the payment shortfall once the payment has been allocated.

Historically the OFT, the FSA and the 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 22 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 19 December 2018, the FCA published finalised guidance: "Fairness of variation terms in financial services consumer contracts under the Consumer Rights Act 2015" (FG 18/7), outlining factors the FCA considers firms should have regard to when drafting and reviewing variation terms in consumer contracts. This follows developments in case law, including at the Court of Justice of the EU (the **CJEU**). The finalised guidance relates to all financial services consumer contracts entered into since 1 July 1995. The FCA stated that firms should consider both this guidance and other rules that apply when they draft and use variation terms in their consumer contracts. The FCA stated that the finalised guidance will apply to FCA authorised persons and their appointed representative in relation to any consumer contracts which contain variation terms.

The Unfair Contract Terms and Consumer Notices Regulation Guide (UNFCOG in the FCA handbook) explains the FCA's policy on how it uses its formal powers under the CRA and the CMA published guidance on the unfair terms provisions in the CRA on 31 July 2015 (the **CMA Guidance**). The CMA indicated in the CMA Guidance that the fairness and transparency provisions of the CRA are regarded as "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 EU particularly, is for the most part as relevant to the Act as it was to the UTCRs".

In general, the interpretation of the UTCCR and/or the CRA and the interpretation of each is open to some doubt, particularly in the light of sometimes conflicting reported case law between the English courts and the CJEU. The broad and general wording of the CRA makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any loans which have been made to Borrowers covered by the UTCCR and/or CRA may contain unfair terms which may result in the possible unenforceability of those terms of the underlying loans. It also remains to be seen whether the introduction of the new consumer duty will impact the FCA's views on unfair terms as they relate to mortgages in future.

### ***Financial Ombudsman Service***

Under the FSMA, the Ombudsman (an independent adjudicator) 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 making determinations 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.

### ***Consumer Protection From Unfair Trading Regulations***

The Consumer Protection from Unfair Trading Regulations 2008 (the **CPUTR**) came into force on 26 May 2008.

The CPUTR 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.

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. Most of the Consumer Protection (Amendment) Regulations 2014 came into force on 1 October 2014 and amended the CPUTR. In certain circumstances these amendments to the CPUTR give consumers a right to redress for misleading or aggressive commercial practices (as defined in the CPUTR), including a right to unwind agreements.

### ***Mortgage repossessions***

A protocol for mortgage repossession cases 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 who is an owner-occupier is in arrears. In addition, under the Pre-Action Protocol the lender must consider whether to postpone the start of a possession claim where the borrower has made a genuine complaint to the Ombudsman about the potential possession claim. The application of such 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.

### ***Assured Shorthold Tenancy***

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

A tenancy or lease in England and Wales will be an AT if granted after 15 January 1989 and:

- (a) the tenant or, as the case may be, each of the joint tenants is an individual;
- (b) the tenant or, as the case may be, at least one of the joint tenants occupies the dwelling-house as their only or principal home; and
- (c) if entered into before 1 April 1990:
  - (a) the property had a rateable value at 31 March 1990 lower than £1,500 in Greater London or £750 elsewhere; and
  - (b) 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);

- (e) in Wales, if granted after 15 January 1989 and before 1 December 2022, an AT or AST converted to a standard occupation contract on 1 December 2022.

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 give the landlord a right to forfeit the lease if rent is unpaid for a certain period of time but the courts normally have power to grant relief, cancelling the forfeiture as long as the arrears are paid off. There are also statutory protections in place to protect long leaseholders from unjustified forfeiture action. However, an action for possession under Ground 8 is not the same as a forfeiture action and the court's power to grant relief does not apply to Ground 8. In order to obtain possession, the landlord will have to follow the notice procedure in section 8 of the HA 1988 and, if the tenant does not leave on expiry of the notice, apply for a court order. However, as Ground 8 is a mandatory ground, the court will have no discretion and will be obliged to grant the order if the relevant conditions are satisfied. ***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 (the Mortgages Tailored Support Guidance). 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 announced on 25 May 2023 its plans to incorporate aspects of the Mortgages Tailored Support Guidance into its MCOB and Consumer Credit (CONC) sourcebooks 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

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 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 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 restating the scope of the above guidance.

### **Mortgage Charter**

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

With the effect on and from 30 June 2023, the FCA has amended MCOB to allow (rather than require) lenders to give effect to the MC Interest-only Agreement and the MC Extension Agreement. The amendments made by the FCA do not apply to second ranking mortgages or bridging loans. The FCA announced that it 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 above Mortgage Charter or related rules.

### **The Breathing Space Regulations**

The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020 (SI 2020/1311) (**Breathing Space Regulations**) (which came into force on 4 May 2021) gives eligible individuals in England and Wales the right to legal protection from their creditors, including almost all enforcement action, during a period of "breathing space". A standard breathing space will give an individual in England and Wales with problem debt legal protection from creditor action for up to 60 days; and a mental health crisis breathing space will give an individual in England and Wales protection from creditor action for the duration of their mental health crisis treatment (which is not limited in duration) plus an additional 30 days.

However, the Breathing Space Regulations do not apply to mortgages, except for arrears which are uncapitalised at the date of the application under the Breathing Space Regulations. Interest can still be charged on the principal secured debt during the breathing space period, but not on the arrears. Any mortgage arrears incurred during any breathing space period are not protected from creditor action. The Borrower must continue to make mortgage payments in respect of any mortgage secured against 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 they confirm that no changes are currently being made to the rules under MCOB, in relation to how mortgage lenders should treat a "breathing space" as an indicator of payment difficulties. The FCA's view is that this is something that firms should take into account, but should not be treated more specifically than other potential indicators of payment difficulties.

## 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 the information contained in this document, including the information set out below, before making any investment decision.*

The Regulated Covered Bond Regulations 2008 (SI 2008/346), as amended by the Regulated Covered Bonds (Amendments) Regulations 2008 (SI 2008/1714), the Regulated Covered Bonds (Amendment) Regulations 2011 (SI 2011/2859) and the Regulated Covered Bonds (Amendment) Regulations 2012 (SI 2012/2977) (the **RCB Regulations**) and the corresponding implementation provisions, set out in the Regulated Covered Bonds Sourcebook published under the FSMA (as may be amended from time to time, the **RCB Sourcebook**), came into force in the UK on 6 March 2008. In summary, the RCB Regulations implement a legislative framework for UK covered bonds. The RCB Regulations and the RCB Sourcebook include various requirements related to 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).

### ***Supervision and registration***

The FCA performs certain supervision and enforcement related tasks in respect of the regime, including admitting issuers and covered bonds to the relevant registers and monitoring compliance with ongoing requirements. To assist it with these tasks, the FCA has certain powers under the RCB Regulations. In particular, in certain circumstances the FCA may direct the winding-up of an owner, remove an issuer from the register of issuers and/or impose a financial penalty of such amount as it considers appropriate in respect of an issuer or owner and direct an issuer to publish information given to the FCA under the RCB Regulations. Moreover, as a body that regulates the financial services industry in the United Kingdom, the FCA may take certain actions in respect of issuers using its general powers under the UK regulatory regime (including restricting an issuer's ability to transfer further assets to the asset pool).

The Issuer was admitted to the register of issuers and the Programme was admitted to the register of regulated covered bonds under the RCB Regulations on 25 March 2021.

### ***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 senior management of an issuer are also required to provide annual attestations that the relevant programme complies with the RCB Regulations.

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:

1. Single asset pool designation – issuers are required to designate their programme as being a single asset pool (consisting of either class one assets – public sector debt, class two assets – residential mortgage loans or class three assets – commercial loans and, in each case, liquid assets) or a mixed asset pool (consisting of all eligible property for the purposes of the RCB Regulations). The Issuer has provided the necessary certifications for the Programme to be registered as a single asset pool programme, falling in class two. As a result, the asset pool will consist solely of residential mortgage loans and certain liquid assets, being UK government securities and cash deposits, all of which comply with section 2 of the RCB Regulations. In keeping with the new requirements under the RCB Regulations, the asset pool will not include any asset backed securities.
2. Fixed minimum over-collateralisation requirement for principal and fixed minimum coverage requirement for interest – the total principal amount outstanding on the loans constituting eligible property in the asset pool is required to be more than the total principal amounts outstanding in relation to the regulated covered bonds by at least 8% 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% of those covered bonds that have a maturity date of one year or more and 100% of those covered bonds that have a maturity date of less than one year.
3. Investor reporting, including loan-level data – issuers are required to make available detailed loan-level information relating to the asset pool following an issuance of regulated covered bonds. 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 (website: [www.hsbc.com](http://www.hsbc.com) (please follow links to 'Investors', 'Fixed income investors', 'Covered Bonds')). The information set out in the website and the contents thereof do not form part of this Base Prospectus.
4. 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). The Issuer has appointed an asset pool monitor for the purposes of the RCB Regulations.

Under the RCB Regulations, an issuer may be removed from the register of issuers in certain limited circumstances but the FCA is restricted from removing a regulated covered bond from the register of regulated covered bonds before the expiry of the whole period of validity of the relevant bond.

See also "*Risk Factors – Legal and Regulatory Risks – 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, Wales and Scotland (but not Northern Ireland) under the Limited Liability Partnership Act 2000 (the **LLPA 2000**). Limited liability partnerships are legal entities that provide limited liability to the members of a limited liability partnership, combined with the benefits of the flexibility afforded to partnerships and the legal personality afforded to companies.

### **Corporate characteristics**

A limited liability partnership is more like a company than a partnership. A limited liability partnership is a body corporate with its own property and liabilities, separate from its members. Like shareholders in a limited company, the liability of the members of a limited liability partnership is limited to the amount of their capital contribution because it is a separate legal entity, and when the members decide to enter into a contract on behalf of a limited liability partnership, 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 as amended from time to time including by the Limited Liability Partnerships (Amendment) Regulations 2005 so as to apply most of the insolvency and winding-up procedures for companies equally to a limited liability partnership and its members. As a distinct legal entity, a limited liability partnership can grant fixed and floating security over its assets and a limited liability partnership will survive the insolvency of any of its members. An administrator or liquidator of an insolvent member would be subject to the terms of the members' agreement relating to the limited liability partnership but a liquidator of an insolvent member may not take part in the administration of the limited liability partnership or its business.

Limited liability partnerships must file annual returns and audited annual accounts at Companies House for each financial year in the same way as companies.

### **Partnership characteristics**

A limited liability partnership retains certain characteristics of a partnership. It has no share capital and there are no capital maintenance requirements. The members are free to agree how to share profits, who is responsible for management and how decisions are made, when and how new members are appointed and the circumstances in which its members retire. The members' agreement is a private document and there is no obligation to file it at Companies House.

### **Taxation**

A limited liability partnership which carries on a trade or business with a view to profit (and which is not the subject of certain insolvency proceedings) is, generally speaking, treated as a partnership for corporation tax purposes. As such, the corporate 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 or any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the LLP nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Covered Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

### **Book-entry systems**

#### ***Euroclear and Clearstream, Luxembourg***

Each of Euroclear and Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

### **Transfers of Covered Bonds represented by Registered Global Covered Bonds**

Transfers of any interests in Covered Bonds represented by a Registered Global Covered Bond within Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Covered Bonds represented by a Registered Global Covered Bond to such persons may depend upon the ability to exchange such Covered Bonds for Covered Bonds in definitive form.

Subject to compliance with the transfer restrictions applicable to the Registered Covered Bonds described under "*Subscription and Sale and Transfer and Selling Restrictions*", cross-market transfers directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian (**Custodian**) with whom the relevant Registered Global Covered Bonds have been deposited.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between Clearstream, Luxembourg and Euroclear, transfers of interests in the relevant Registered Global Covered Bonds will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Covered Bonds among participants and accountholders of Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at

any time. None of the Bond Trustee, the Security Trustee, the Issuer, the LLP, the Agents, the Arranger or any Dealer(s) will be responsible for any performance by Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Covered Bonds represented by Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial interests.

## TAXATION

### UNITED KINGDOM TAXATION

*The following is a summary of the Issuer's understanding of the United Kingdom withholding tax treatment as at the date hereof of payments of interest (as that term is understood for United Kingdom tax purposes) by the Issuer in respect of Covered Bonds and payments by the LLP under the terms of the Covered Bond Guarantee. It is based on current United Kingdom tax law and the published practice of His Majesty's Revenue & Customs (HMRC), which may be subject to change, sometimes with retrospective effect, in each case as at the date of this Base Prospectus. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Covered Bonds. The United Kingdom tax treatment of prospective holders of Covered Bonds depends on their individual circumstances and may be subject to change in the future. Any holders of Covered Bonds who are in doubt as to their tax position should consult their professional advisors. 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. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and does not purport to describe all the tax considerations which may be relevant to a prospective holder of Covered Bonds. In particular, holders of Covered Bonds should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Covered Bonds even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom. Prospective holders of Covered Bonds who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.*

#### **Payment of interest by the Issuer on the Covered Bonds**

Payments of interest on the Covered Bonds may be paid without withholding or deduction for or on account of United Kingdom income tax while the Covered Bonds are and continue to be "quoted Eurobonds". Covered Bonds which carry a right to interest will constitute quoted Eurobonds, provided that the Covered Bonds are and continue to be listed on a "recognised stock exchange", within the meaning of section 1005 of the Income Tax Act 2007 (ITA 2007) for the purposes of section 987 ITA 2007. The London Stock Exchange is a recognised stock exchange for this purpose. Securities will be treated as listed on the London Stock Exchange if they are included in the United Kingdom Official List (within the meaning of and in accordance with the provisions of Part 6 of FSMA) and admitted to trading on the Main Market (excluding the High Growth Segment) of the London Stock Exchange. Provided, therefore, that the Covered Bonds are and remain so listed, interest on the Covered Bonds will be payable without withholding or deduction for or on account of United Kingdom income tax.

In addition, the Issuer will be entitled to make payments of interest on the Covered Bonds without withholding or deduction for or on account of United Kingdom income tax, so long as:

- (a) the Issuer is and continues to be a "bank" within the meaning of section 991 of the ITA 2007; and
- (b) the interest on the Covered Bonds is and continues to be paid in the "ordinary course of the Issuer's business" within the meaning of section 878 ITA 2007.

Interest on the Covered Bonds may also be paid without withholding or deduction for or on account of United Kingdom income tax where the maturity of the Covered Bonds is less than one year from the date of issue and where the Covered Bonds are not issued under arrangements the effect of which is to render such Covered Bonds part of a borrowing with a total term of a year or more.

In all other cases, falling outside the above, interest on the Covered Bonds may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20%), 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 may issue a direction to the Issuer to pay interest to the Covered Bondholder without withholding or deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

#### **Payments by the LLP**

The United Kingdom withholding tax treatment of payments by the LLP under the Covered Bond Guarantee in respect of interest on the Covered Bonds which have a United Kingdom source is uncertain.

In particular, such payments by the LLP may not be eligible for the exemptions described above in relation to payments of interest or to any other exemption which may apply. Accordingly, if the LLP makes any such payments, these may be subject to United Kingdom withholding tax at the basic rate (currently 20%). 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. If relief is available under an applicable double tax treaty, and the applicable conditions in the relevant treaty are satisfied, a holder of the Covered Bonds should be entitled to a refund of tax withheld, provided it complies with the applicable formalities relating to such claim within the relevant limitation period.

#### **FOREIGN ACCOUNT TAX COMPLIANCE ACT**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA (**FATCA**), a **foreign financial institution** (as defined by FATCA, and including any intermediary through which Covered Bonds are held) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. The term "foreign passthru payments" is not yet defined. The Issuer will be a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of 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, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Covered Bonds issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published 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 expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Covered Bonds, including the Covered Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders of the Covered Bonds should consult their own tax advisors 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.

## ERISA AND CERTAIN OTHER CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended (**ERISA**), and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the **Code**), impose certain restrictions on: (i) "employee benefit plans" (as defined in Section 3(3) of ERISA) that are subject to Part 4 of Subtitle B of Title I of ERISA; (ii) "plans" (as defined in Section 4975(e)(1) of the Code) that are subject to Section 4975 of the Code, including individual retirement accounts, health savings accounts and Keogh plans (together with (i), **Plans**); (iii) persons or entities whose underlying assets include, or are deemed to include under the U.S. Department of Labor (the **DOL**) regulation at 29 C.F.R. § 2510.3-101, as modified by Section 3(42) of ERISA (the **ERISA Plan Asset Regulation**), for the purposes of Part 4 of Subtitle B of Title I of ERISA or Section 4975 of the Code, "plan assets" by reason of a Plan's investment in such persons or entities (each of (i)-(iii), a **Benefit Plan Investor**); and (iv) persons who have certain specified relationships to a Plan, including the Plan's fiduciaries and other service providers (**parties in interest** under Section 3(14) of ERISA and **disqualified persons** under Section 4975(e)(2) of the Code; collectively, **Parties in Interest**). ERISA also imposes certain duties on persons who are fiduciaries of Plans that are subject to Part 4 of Subtitle B of Title I of ERISA, and Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions between a Plan and Parties in Interest. Violations of these rules may result in the imposition of excise taxes and other penalties and liabilities under ERISA and the Code.

Section 406 of ERISA and Section 4975 of the Code prohibit a broad range of transactions involving the assets of a Benefit Plan Investor and Parties in Interest, unless a statutory or administrative exemption is available. Parties in Interest that participate in a non-exempt prohibited transaction may be subject to penalties imposed under ERISA and/or excise taxes imposed pursuant to Section 4975 of the Code, unless a statutory or administrative exemption is available. In addition, the fiduciary of the Benefit Plan Investor that is engaged in such a non-exempt prohibited transaction may be subject to penalties under ERISA and the Code.

"Governmental plans" (as defined in Section 3(32) of ERISA), "church plans" (as defined in Section 3(33) of ERISA) that have made no election under Section 410(d) of the Code, and non-U.S. plans (as described in Section 4(b)(4) of ERISA), while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code, may nevertheless be subject to federal, state, local or non-U.S. laws or regulations that are substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code (**Similar Law**). Accordingly, fiduciaries on any such plans should consult with their counsel before purchasing the Covered Bonds (or any interest therein).

Each initial purchaser and subsequent transferee of the Covered Bonds (or any interest therein) and each subsequent transferee will be deemed to have represented, warranted and agreed, by its purchase or holding of Covered Bonds (or any interest therein), that: (A) it is not, and is not acting on behalf of (and for so long as it holds Covered Bonds (or any interest therein) will not be, and will not be acting on behalf of): (i) a Benefit Plan Investor; or (ii) a governmental, church or non-U.S. plan that is subject to Similar Law, unless, under this subsection (ii), its acquisition, holding and disposition of the Covered Bonds (or any interest therein) do not and will not constitute or result in a violation of any Similar Law; and (B) it and any person causing it to acquire any of the Covered Bonds (or any interest therein) agrees to indemnify and hold harmless the Issuer, the Trustee, the Guarantor, the Arrangers and the Dealers and their respective affiliates from any cost, damage or loss incurred by them as a result of it being or being deemed to be a Benefit Plan Investor or a plan subject to any Similar Law. Each fiduciary of a Similar Law plan should consult with its legal or other advisors concerning the potential consequences to the plan under any applicable Similar Law of an investment in the Covered Bonds (or any interest therein). This Base Prospectus is not directed to any particular investor, nor does it address the needs of any particular investor.

## CERTAIN INVESTMENT COMPANY ACT CONSIDERATIONS

Section 13 of the Bank Holding Company Act of 1956, as amended, and Regulation VV (12 C.F.R. Section 248) promulgated thereunder by the Board of Governors of the Federal Reserve System (such statutory provision together with such implementing regulations, the **Volcker Rule**) generally prohibits "banking entities" (which term is broadly defined to include any U.S. bank or savings association whose deposits are insured by the Federal Deposit Insurance Corporation, any company that controls any such bank or savings association, any foreign bank treated as a bank holding company for purposes of Section 8 of the International Banking Act of 1978, as amended, and any affiliate or subsidiary of any of the foregoing entities) from (i) engaging in proprietary trading as defined in the Volcker Rule, (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund" and (iii) entering into certain relationships with such funds. The Volcker Rule became effective on 21 July 2012, and final regulations implementing the Volcker Rule were adopted on 10 December 2013 and became effective on 1 April 2014. Conformance with the Volcker Rule and its implementing regulations has been required since 21 July 2017. Under the Volcker Rule, unless jointly determined otherwise by specified federal regulators, a "covered fund" does not include an issuer that may rely on an exclusion or exemption from the definition of "investment company" under the Investment Company Act other than those contained in Sections 3(c)(1) and 3(c)(7) of the Investment Company Act.

The LLP is not, and will not be, even after giving effect to any offering and sale of Covered Bonds pursuant to the Trust Deed, a "covered fund" for the purposes of regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended, commonly known as the "Volcker Rule". In reaching this conclusion, although other statutory or regulatory exemptions under the Investment Company Act of 1940, as amended (the **Investment Company Act**), and under the Volcker Rule and its related regulations may be available, the LLP 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)(C) thereunder, and accordingly the LLP does not rely on Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act for its exemption from registration under the Investment Company Act and may rely on the exemption from the definition of a "covered fund" under the Volcker Rule made available to entities that do not rely solely on Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act for their exemption from registration under the Investment Company Act.

Although the LLP has conducted careful analysis to determine the availability of the exemption provided by Section 3(c)(5)(C) of the Investment Company Act, there is no assurance that the U.S. Securities and Exchange Commission will not take a contrary position. 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.

## EU CRA REGULATION AND UK CRA REGULATION CONSIDERATIONS

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

## 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 26 March 2021, 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 the sections of this Base Prospectus entitled "*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.

In order to facilitate the offering of any Tranche of the Covered Bonds, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Covered Bonds during and after the offering of the Tranche. Specifically, such persons may over-allot or create a short position in the Covered Bonds for their own account by selling more Covered Bonds than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Covered Bonds in the open market. In addition, such persons may stabilise or maintain the price of the Covered Bonds by bidding for or purchasing Covered Bonds in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Covered Bonds are reclaimed if Covered Bonds previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Covered Bonds at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Covered Bonds to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Under UK laws and regulations stabilising activities may only be carried on by the stabilising manager named in the applicable Final Terms and only for a period ending on the earlier of 30 days following the Issue Date of the relevant Tranche of Covered Bonds and 60 days after the allotment of the relevant Tranche of Covered Bonds.

This Base Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Covered Bonds outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Covered Bonds, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States or to any U.S. person. Distribution of this Base Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, other than those persons, if any, retained to advise such non-U.S. person with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than those persons, if any, retained to advise such non-U.S. person, is prohibited.

### Transfer Restrictions

*As a result of the following restrictions, purchasers of Covered Bonds are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Covered Bonds.*

Each purchaser of Registered Covered Bonds or person wishing to transfer an interest from one Registered Global Covered Bond to another, or from global to definitive form or *vice versa*, will be deemed to or will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

- (a) that it is outside the United States and is not a U.S. person and it is not purchasing (or holding) the Covered Bonds for the account or benefit of a U.S. person except pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act and in compliance with any applicable state securities laws;
- (b) that the Covered Bonds and the related Guarantee are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that

the Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act or 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 pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act and in compliance with any applicable state securities laws as set forth in this section;

- (c) that neither the Issuer nor the Guarantor has any obligation to register the Covered Bonds or the Covered Bond Guarantee under the Securities Act;
- (d) that, (1) it is not, and it is not acting on behalf of (and for so long as it holds the Covered Bonds (or any interest herein) will not be, and will not be acting on behalf of): (i) a Benefit Plan Investor, or (ii) a governmental, church or non U.S. plan that is subject to any Similar Law, unless, under this subsection (ii), its acquisition, holding and disposition of the Covered Bonds (or any interest herein) do not and will not constitute or result in a violation of any Similar Law; and (2) it and any person causing it to acquire the Covered Bonds (or any interest herein) shall indemnify and hold harmless the Issuer, the Trustee, the Guarantor, the Arrangers and the Dealers and their respective affiliates from any cost, damage or loss incurred by them as a result of it being or being deemed to be a Benefit Plan Investor or a plan subject to any Similar Law. no purchase by or transfer to a Benefit Plan Investor of the Covered Bonds (or any interest herein) will be effective, and the Trustee will not recognise any such acquisition or transfer; 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 paragraphs (a), (b), (c) and (f), if then applicable;
- (e) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Covered Bonds prior to the expiration of the Distribution Compliance Period, it will do so only (a) outside the United States in compliance with Rule 903 or 904 of Regulation S and (b) in accordance with all applicable U.S. State securities laws; it acknowledges that the Covered Bonds represented by a Registered Global Covered Bond and Definitive Registered Covered Bonds will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY AND ANY GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE SECURITIES LAWS OR "BLUE SKY" LAWS OF ANY STATE OR JURISDICTION OF THE UNITED STATES AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (1) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (2) OTHERWISE PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF THE TRANCHE OF COVERED BONDS OF WHICH THIS SECURITY IS A PART, ANY TRANSFER OF THIS SECURITY MAY ONLY BE MADE TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION MEETING EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT (**REGULATION S**). ANY PURPORTED TRANSFER OF THIS SECURITY THAT DOES COMPLY WITH THE FOREGOING REQUIREMENTS SHALL BE NULL AND VOID *AB INITIO*.

THE LLP HAS NOT BEEN REGISTERED AND DOES NOT INTEND TO REGISTER AS AN INVESTMENT COMPANY UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED.

THE PURCHASER OR ACQUIROR ACKNOWLEDGES THAT THE ISSUER RESERVES THE RIGHT PRIOR TO ANY SALE OR OTHER TRANSFER TO REQUIRE THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS AND OTHER INFORMATION AS THE ISSUER MAY REASONABLY REQUIRE TO CONFIRM THAT THE PROPOSED SALE OR OTHER TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

- (f) BY ITS ACQUISITION AND HOLDING OF THIS SECURITY (OR ANY INTEREST HEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND AGREED THAT: (A) IT IS NOT, AND IT IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THE COVERED BONDS (OR ANY INTEREST HEREIN) WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF): (I) AN

"EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (**ERISA**)) THAT IS SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, (II) A "PLAN" (AS DEFINED IN SECTION 4975(e)(1) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (**CODE**)), THAT IS SUBJECT TO SECTION 4975 OF THE CODE, OR (III) A PERSON OR ENTITY WHOSE UNDERLYING ASSETS INCLUDE, OR ARE DEEMED TO INCLUDE UNDER THE U.S. DEPARTMENT OF LABOR REGULATION AT 29 C.F.R. § 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA, FOR THE PURPOSES OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE, "PLAN ASSETS" BY REASON OF AN EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE PERSON OR ENTITY (EACH OF (I)-(III), A **BENEFIT PLAN INVESTOR**), OR (IV) A GOVERNMENTAL, CHURCH OR NON U.S. PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (**SIMILAR LAW**), UNLESS, UNDER THIS SUBSECTION (IV), ITS ACQUISITION, HOLDING AND DISPOSITION OF THE COVERED BONDS (OR ANY INTEREST HEREIN) DO NOT AND WILL NOT CONSTITUTE OR RESULT IN A VIOLATION OF ANY SIMILAR LAW; AND (B) IT AND ANY PERSON CAUSING IT TO ACQUIRE THE COVERED BONDS (OR ANY INTEREST HEREIN) SHALL INDEMNIFY AND HOLD HARMLESS THE ISSUER, THE TRUSTEE, THE GUARANTOR, THE ARRANGERS AND THE DEALERS AND THEIR RESPECTIVE AFFILIATES FROM ANY COST, DAMAGE OR LOSS INCURRED BY THEM AS A RESULT OF IT BEING OR BEING DEEMED TO BE A BENEFIT PLAN INVESTOR OR A PLAN SUBJECT TO ANY SIMILAR LAW. NO PURCHASE BY OR TRANSFER TO A BENEFIT PLAN INVESTOR OF THE COVERED BONDS (OR ANY INTEREST HEREIN) WILL BE EFFECTIVE, AND THE TRUSTEE WILL NOT RECOGNISE ANY SUCH ACQUISITION OR TRANSFER."; and that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and it agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Covered Bonds as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

## **Selling Restrictions**

### ***United States***

The Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act or the securities laws or "blue sky" laws of any state or other jurisdiction of the United States, and Covered Bonds may not be offered, sold or delivered directly or indirectly 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 state or local securities laws. Accordingly, the Covered Bonds are being offered and sold in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S.

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. Each Dealer has agreed that it will not offer, sell or deliver a Covered Bond in bearer form within the United States or to U.S. persons except as permitted by the Programme Agreement. 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.

In connection with any Covered Bond which is represented by Registered Global Covered Bond or any Definitive Registered Covered Bond (**Registered Covered Bonds**), each Dealer has represented and agreed that it will not offer, sell or deliver any such Registered Covered Bond within the United States or to, or for the account or benefit of, U.S. persons (i) as part of its distribution at any time or (ii) during the Distribution Compliance Period, and except in either case in accordance with Regulation S. 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 Registered Covered Bond during the Distribution Compliance Period a

confirmation or other notice setting forth the restrictions on offers and sales of such Registered Covered Bond within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

Until 40 days after the completion of the distribution of the relevant Tranche of Covered Bonds, an offer or sale of any Registered Covered Bond 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.

### ***United Kingdom***

Each Dealer has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the LLP; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any such Covered Bonds in, from or otherwise involving the United Kingdom; and
- (c) in relation to Covered Bonds which have a maturity of less than one year (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Covered Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Covered Bonds would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer.

### ***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 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 Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) the expression **retail investor** means a person who is one (or more) of the following:
  - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law in the UK by virtue of the European Union (Withdrawal) Act 2018, as amended (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 domestic law in the UK by virtue of the EUWA; and
- (b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds.

### ***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 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 Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. 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 EU MiFID II; or
  - (ii) a customer within the meaning of the EU Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; 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.

### ***Japan***

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the **FIEA**) and each Dealer has represented and agreed that it will not offer or sell any Covered Bonds, directly or indirectly, in Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

### ***Hong Kong***

Each Dealer has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Covered Bonds (except for Covered Bonds which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (the **SFO**) other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **CWUMPO**) or which do not constitute an offer to the public within the meaning of the CWUMPO; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Covered Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Covered Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

### ***Important Notice to CMIs (including private banks) pursuant to Paragraph 21 of The Hong Kong SFC Code of Conduct***

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have

any Association when submitting orders for the relevant Covered Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the relevant Dealers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the relevant CMI Offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Base Prospectus and/or the applicable Final Terms.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the relevant Covered Bonds (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the relevant Covered Bonds. CMIs are informed that a private bank rebate may be payable as stated in the applicable Final Terms, or otherwise notified to prospective investors.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Dealers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the relevant Covered Bonds, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Manager(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected).

Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);

- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus orders should be sent to the Dealers/Managers named in the relevant Final Terms.

To the extent information being disclosed by CMI and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant CMI Offering. The relevant Dealers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Dealer with such evidence within the timeline requested.

## **General**

Each Dealer has represented, warranted and agreed that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Covered Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the LLP, the Seller, the Bond Trustee, the Security Trustee or any of the other Dealers has any responsibility therefor. Furthermore, they will not directly or indirectly offer, sell or deliver any Covered Bonds or distribute or publish any form of application, prospectus, advertisement or other offering material except under circumstances that will, to the best of their knowledge and belief, result in compliance with any applicable laws and regulations, and all offers, sales and deliveries of Covered Bonds by them will be made on the same terms.

None of the Issuer, the LLP, the Seller, the Bond Trustee, the Security Trustee or any of the Dealers have made any representation that any action will be taken in any jurisdiction by any dealers or the Issuer that would permit a public offering of the Covered Bonds, or possession or distribution of the Base Prospectus in any country or jurisdiction where action for that purpose is required.

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 it offers or sells Covered Bonds a copy of this Base Prospectus as then amended or supplemented or, unless delivery of the Base Prospectus is required by applicable law, inform each such person that a copy will be made available upon request. The Dealers are not authorised to give any information or to make any representation not contained in the Base Prospectus in connection with the offer and sale of Covered Bonds to which this Base Prospectus relates.

This Base Prospectus may be used by the Dealers for offers and sales related to market-making transactions in the Covered Bonds. Any or each of the Dealers may act as principal or agent in these transactions. These sales will be made at prices relating to prevailing market prices at the time of sale. None of the Dealers has any obligation to make a market in the Covered Bonds, and any market-making may be discontinued at any time without notice. The Dealers are participating in the initial distribution of the Covered Bonds.

## GENERAL INFORMATION

### *Authorisation*

The establishment of the Programme was duly authorised by and pursuant to a resolution of the board of directors of the Issuer dated 22 October 2019 and a resolution of a committee (the **Committee**) established by the board of directors of the Issuer dated 9 March 2021. The update of this Base Prospectus has been duly authorised by and pursuant to a resolution of the board of directors dated 24 April 2024 and a resolution of the Committee dated 13 June 2024. The giving of the Covered Bond Guarantee was duly authorised by a resolution of the LLP Management Committee dated 12 March 2021.

### **Listing of Covered Bonds**

It is expected that each Tranche of Covered Bonds which is to be admitted to the Official List and to trading on the Main Market of the London Stock Exchange will be admitted separately as and when issued, subject only to the issue of a Temporary Global Covered Bond, a Permanent Global Covered Bond, or a Registered Global Covered Bond, as the case may be, initially representing the Covered Bonds of such Tranche.

The Issuer has been admitted to the register of issuers and the Programme has been admitted to the register of regulated covered bonds. Any Covered Bonds issued or to be issued under the Programme have been or will consequently be admitted (as the case may be) to the register of regulated covered bonds.

### **Documents Available**

So long as Covered Bonds are capable of being issued under the Programme, the following documents may be inspected during normal business hours at the registered office of the Issuer (or where a website link is provided at the website set out by each relevant document listed below) for 12 months from the date of this Base Prospectus:

- (i) the up to date memorandum and articles of the Issuer and the constitutive documents of the LLP;
- (ii) a copy of this Base Prospectus and all documents incorporated by reference herein (website: [www.hsbc.com](http://www.hsbc.com) (please follow links to 'Investors', 'Fixed income investors', 'Covered Bonds'));
- (iii) each Transaction Document, including the Final Terms and the Trust Deed (including the forms of the Global Covered Bonds, the Definitive Covered Bonds, the Receipts, the Coupons and the Talons) (website: [www.hsbc.com](http://www.hsbc.com) (please follow links to 'Investors', 'Fixed income investors', 'Covered Bonds'));
- (iv) the 2023 Annual Report and Accounts and the 2022 Annual Report and Accounts (website: [www.hsbc.com](http://www.hsbc.com) (please follow links to 'Investors', 'Results and announcements', 'All reporting' and 'Subsidiaries'));
- (v) the 2023 LLP Members' Report and Financial Statements and the 2022 LLP Members' Report and Financial Statements (website: [www.about.hsbc.co.uk](http://www.about.hsbc.co.uk) (please follow links to 'HSBC UK', 'Regulated Covered Bond Programme' and 'Issuer and LLP financial statements')).

For the avoidance of doubt, any websites and pages referred to in this Base Prospectus or any information appearing on such websites and pages do not form part of this Base Prospectus.

### **Clearing Systems**

The Covered Bonds to be issued under the Programme have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code and ISIN for each Tranche of Covered Bonds allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Covered Bonds are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Final Terms.

### **No Significant Change and No Material Adverse Change**

There has been no significant change in the financial performance or the financial position of the Group nor any material adverse change in the prospects of the Issuer since 31 December 2023.

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 last published and audited financial statements for the LLP).

### **Litigation**

Save as disclosed in Note 26 (*Legal proceedings and regulatory matters*) on pages 120-121 of the 2023 Annual Report and Accounts, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened against the Issuer or any of its subsidiary undertakings of which the Issuer is aware) during the 12 month period prior to the date of this Base Prospectus, which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer and/or the Group.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened against the LLP of which the LLP is aware) which may have, or have had during the 12 month period prior to the date of this Base Prospectus, which may have, or have had in the recent past significant effects on the financial position or profitability of the LLP.

### **Independent Auditors**

PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, of One Chamberlain Square, Birmingham, B3 3AX, United Kingdom have audited without qualification the financial statements contained in the 2022 Annual Report and Accounts and 2023 Annual Report and Accounts. PricewaterhouseCoopers LLP is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

### **Reports**

The Trust Deed provides that the Bond Trustee may rely on reports or other information from professional advisors or other experts in accordance with the provisions of the Trust Deed, whether or not any such report or other information, or engagement letter or other document entered into by the Bond Trustee and the relevant person in connection therewith, contains any monetary or other limit on the liability of the relevant person.

### **Legal Entity Identifier**

The Legal Entity Identifier of the Issuer (LEI) is 21380081EP12LC86CB82.

### **Post-issuance information**

The Issuer will provide a monthly Investor Report which will be made available to Covered Bondholders at website: [www.hsbc.com](http://www.hsbc.com) (please follow links to 'Investors', 'Fixed income investors', 'Covered Bonds', detailing, among other things, compliance with the Asset Coverage Test). The website and the contents thereof do not form part of this Base Prospectus.

In addition, the Issuer is required, pursuant to the terms of the RCB Regulations, to provide loan level information relating to the Mortgages in the Cover Pool and to display the Transaction Documents related to the Programme.

## GLOSSARY

<b>2006 ISDA Definitions</b>	in relation to a Series of Covered Bonds, the 2006 ISDA Definitions (as supplemented, amended and updated as at the date of issue of the first Tranche of the Covered Bonds of such Series) as published by ISDA (copies of which may be obtained from ISDA at <a href="http://www.isda.org">www.isda.org</a> );
<b>2021 ISDA Definitions</b>	in relation to a Series of Covered Bonds, the latest version of the 2021 ISDA Interest Rate Derivatives Definitions (including each Matrix (and any successor Matrix thereto), as defined in such 2021 ISDA Interest Rate Derivatives Definitions) as at the date of issue of the first Tranche of Covered Bonds of such Series, as published by ISDA on its website ( <a href="http://www.isda.org">www.isda.org</a> );
<b>2022 Annual Report and Accounts</b>	the Issuer's Annual Report and Accounts 2022 submitted to and filed with the FCA;
<b>2022 LLP Members' Report and Financial Statements</b>	the LLP's members' report and audited financial statements 2022 submitted to and filed with the FCA;
<b>2023 LLP Members' Report and Financial Statements</b>	the LLP's members' report and audited financial statements 2023 submitted to and filed with the FCA;
<b>2023 Annual Report and Accounts</b>	the Issuer's Annual Report and Accounts 2023 submitted to and filed with the FCA;
<b>30/360, 360/360, or Bond Basis</b>	the meaning given in Condition 4(b)(iv)(E) ( <i>Determination of Rate of Interest and calculation of Interest Amounts</i> );
<b>30E/360 (ISDA)</b>	the meaning given in Condition 4(b)(iv)(G) ( <i>Determination of Rate of Interest and calculation of Interest Amounts</i> );
<b>30E/360 or Eurobond Basis</b>	the meaning given in Condition 4(b)(iv)(F) ( <i>Determination of Rate of Interest and calculation of Interest Amounts</i> );
<b>€, EUR and euro</b>	the lawful currency for the time being of the member states of the European Union that have adopted or may adopt the single currency in accordance with the Treaty on the Functioning of the European Union, as amended;
<b>£, pounds, Pounds Sterling and Sterling</b>	the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland;
<b>US\$, USD and U.S. Dollars</b>	the lawful currency for the time being of the United States of America;
<b>¥, Yen and JPY</b>	the lawful currency for the time being of Japan;
<b>Account Bank</b>	HSBC UK Bank plc, in its capacity as such under the Account Bank Agreement together with any custodian, successor, additional or replacement account bank appointed from time to time;
<b>Account Bank Agreement</b>	the account bank agreement entered into on the Programme Establishment Date between the LLP, the Account Bank, the Cash Manager and the Security Trustee;
<b>Account Bank Remedial Ratings</b>	(a) a long-term issuer default rating by Fitch of A or a short-term issuer default rating by Fitch of F1; or (b) in each case, such other short-term or long-term rating (or, in the case of

	Fitch, short-term or long-term issuer default rating) which will not have an adverse effect on the ratings of the Covered Bonds;
<b>Account Bank Required Ratings</b>	(a) a long-term issuer default rating by Fitch of at least A and a short-term issuer default rating by Fitch of at least F1; and (b) a short-term, unsecured, unsubordinated and unguaranteed debt obligation rating by Moody's of at least P-1; or such other short-term or long-term rating (or, in the case of Fitch, short-term or long-term issuer default rating) which will not have an adverse effect on the ratings of the Covered Bonds;
<b>Accrual Period</b>	in accordance with Condition 4(a) ( <i>Interest on Fixed Rate Covered Bonds</i> ), 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;
<b>Accrued Interest</b>	in respect of a Mortgage as at any date, the aggregate of all interest accrued but not yet due and payable on the Mortgage from (and including) the Monthly Payment Date immediately preceding the relevant date to (but excluding) the relevant date;
<b>Accumulation Series of Covered Bonds</b>	the meaning given in the section in this Base Prospectus entitled " <i>Structure Overview</i> " on page 13;
<b>Actual/360</b>	the meaning given in Condition 4(b)(iv)(D) ( <i>Interest – Determination of Rate of Interest and calculation of Interest Amounts</i> );
<b>Actual/365 (Fixed)</b>	the meaning given in Condition 4(b)(iv)(B) ( <i>Interest – Determination of Rate of Interest and calculation of Interest Amounts</i> );
<b>Actual/365 (Sterling)</b>	the meaning given in Condition 4(b)(iv)(C) ( <i>Interest – Determination of Rate of Interest and calculation of Interest Amounts</i> );
<b>Actual/Actual (ICMA)</b>	the meaning given in Condition 4(a)(i) ( <i>Interest – Interest on Fixed Rate Covered Bonds</i> );
<b>Actual/Actual or Actual/Actual (ISDA)</b>	the meaning given to it in Condition 4(b)(iv)(A) ( <i>Interest – Determination of Rate of Interest and calculation of Interest Amounts</i> );
<b>Additional Borrowing</b>	in relation to a Mortgage, 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>Additional Borrowing Capacity</b>	at any time, the aggregate of the amounts (excluding amounts that have already been drawn) that may be drawn by each Borrower under a Mortgage at that time;
<b>Adjusted Required Redemption Amount</b>	the meaning given in the section in this Base Prospectus entitled " <i>Summary of the Principal Documents – Mortgage Sale Agreement</i> " on page 148;
<b>Adjusted True Balance</b>	the meaning given in the section in this Base Prospectus entitled " <i>Summary of the Principal Documents – LLP Deed</i> " on page 159;

<b>Agency Agreement</b>	the agency agreement dated the Programme Establishment Date and made between the Issuer, the LLP, the Bond Trustee, the Security Trustee, the Principal Paying Agent, the Registrar and the Transfer Agent;
<b>Agent</b>	each of the Paying Agents, the Registrar and the Transfer Agent;
<b>Aggregate Adjusted Cover Amount</b>	the meaning given in the section in this Base Prospectus entitled " <i>Summary of the Principal Documents – LLP Deed</i> " on page 159;
<b>Amortisation Test</b>	the test as to whether the Amortisation Test Aggregate Asset 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 Asset Amount</b>	the meaning given in the section in this Base Prospectus entitled " <i>Summary of the Principal Documents – LLP Deed</i> " on page 159;
<b>Amortisation Test True Balance</b>	the meaning given in the section in this Base Prospectus entitled " <i>Summary of the Principal Documents – LLP Deed</i> " on page 159;
<b>Amortised Face Amount</b>	the meaning given in Condition 6(e) ( <i>Early Redemption Amounts</i> );
<b>applicable Final Terms</b>	the Final Terms applicable to any Series or Tranche of Covered Bonds;
<b>Appointee</b>	any attorney, manager, agent, delegate, nominee, custodian or other person appointed by the Bond Trustee under the Trust Presents or by the Security Trustee under the Deed of Charge;
<b>Approved Product Types</b>	the meaning given in the section in this Base Prospectus entitled " <i>Summary of the Principal Documents – Mortgage Sale Agreement</i> " on page 148;
<b>Arranger</b>	HSBC Bank plc, and any other entity appointed as an arranger for the Programme or in respect of any particular issue of Covered Bonds under the Programme;
<b>Arrears of Interest</b>	as at any date in respect of any Mortgage, the aggregate of all interest (other than Capitalised Interest or Accrued Interest) on that Mortgage which is currently due and payable and unpaid on that date;
<b>Asset Coverage Test</b>	the test as to whether the Aggregate Adjusted Cover 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>	a notice delivered to the LLP by the Bond Trustee pursuant to Clause 11.3 of the LLP Deed, acknowledging that the Asset Coverage Test has been breached;
<b>Asset Monitor</b>	Deloitte LLP, appointed as such under the Asset Monitor Agreement;

<b>Asset Monitor Agreement</b>	the asset monitor agreement entered into on the Programme Establishment Date between the Asset Monitor, the LLP, the Servicer, the Issuer 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 Servicer, the LLP, the Issuer, the Bond Trustee and the Security Trustee;
<b>Asset Percentage</b>	The meaning given in the section in this Base Prospectus entitled " <i>Summary of the Principal Documents – LLP Deed</i> " on page 159;
<b>Associated Debt</b>	any indebtedness a Borrower owes or may owe to HSBC UK Bank plc, from time to time, other than its relevant Mortgage which is not assigned to the LLP;
<b>Associated Debt Amount</b>	any amount paid to HSBC UK Bank plc by a Borrower and received by the LLP, which is referable to the Associated Debt;
<b>Authorised Investments</b>	<ul style="list-style-type: none"> <li>(a) Sterling gilt-edged securities; provided that no United Kingdom stamp duty or stamp duty reserve tax would be payable on a transfer or an agreement to transfer of such Sterling gilt-edged securities; and</li> <li>(b) Sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper) (which may include deposits with an authorised institution under the FSMA); provided that in all cases: <ul style="list-style-type: none"> <li>(i) such investments have a maturity date of 30 days or less and mature on or before the next following LLP Payment Date;</li> <li>(ii) the issuing or guaranteeing entity or the entity with which the demand or time deposits are made is assigned a short-term issuer default rating of at least F1+ by Fitch and its short-term unsecured, unguaranteed and unsubordinated debt obligations are rated at least P-1 by Moody's or such other lower ratings as required to maintain the then current ratings of the Covered Bonds;</li> <li>(iii) no United Kingdom stamp duty or stamp duty reserve tax would be payable on a transfer or an agreement to transfer such Sterling demand or time deposits, certificates of deposit and short-term debt obligations; and</li> <li>(iv) such investments are "eligible property" as defined in Regulation 2 of the RCB Regulations;</li> </ul> </li> </ul>
<b>Authorised Signatory</b>	<ul style="list-style-type: none"> <li>(a) in relation to the Account Bank Agreement, any authorised signatory referred to in the Covered Bond Account Mandate or any other mandate in relation to an LLP Account as applicable;</li> <li>(b) in relation to the Swap Collateral Account Bank Agreement, any authorised signatory referred to in the</li> </ul>

	Swap Collateral Account Mandate or any other mandate in relation to a Swap Collateral Account as applicable;
	(c) in relation to the Mortgage Sale Agreement, an officer or officers of the Seller authorised to act as an authorised signatory on behalf of such company; and
	(d) in all other cases, an officer of the Issuer or the LLP (as applicable), or such other person appointed by the Issuer or the LLP to act as authorised signatory and in respect of whom a certificate has been provided, signed by the Issuer or a Designated Member of the LLP (as the case may be) setting out the name and signature of that person and confirming such person's authority to sign;
<b>Banking Act</b>	Banking Act 2009 (as amended);
<b>Base Prospectus</b>	this base prospectus;
<b>Bearer Covered Bonds</b>	Covered Bonds in bearer form;
<b>Bearer Definitive Covered Bonds</b>	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 (Form of Bearer Definitive Covered Bond) of Schedule 2 (Forms of Global and Definitive Covered Bonds, Receipts, Coupons and Talons) 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, Receipts and/or Talons attached thereto on issue;
<b>Bearer Global Covered Bond</b>	The meaning given in the section in this Base Prospectus entitled " <i>Form of the Covered Bonds</i> " on page 66;
<b>BoE Base Rate</b>	the Bank of England base rate advised by the Monetary Policy Committee of the Bank of England as displayed on the Bank of England website from time to time;
<b>Bond Trustee</b>	CSC Trustees Limited, in its capacity as bond trustee under the Trust Deed together with any successor bond trustee or additional bond trustees appointed from time to time thereunder;

<b>Borrower</b>	in relation to a Mortgage, 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 Mortgage or any part of it;
<b>Business Day</b>	the meaning given in Condition 4(b) on page 92;
<b>Business Day Convention</b>	in respect of a Tranche of Covered Bonds and the Interest Payment Dates, the business day convention specified in the applicable Final Terms and determined in accordance with Condition 4(b)(i);
<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 a Calculation 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 Agency Agreement</b>	in relation to any Series of Covered Bonds means an agreement in or substantially in the form of Schedule 1 (Form of Calculation Agency Agreement) to the Agency Agreement;
<b>Calculation Date</b>	the date five London Business Days prior to each LLP Payment Date;
<b>Calculation Period</b>	the period from, and including, the 11 <sup>th</sup> day of a calendar month to, and including, the tenth day of the following calendar month;
<b>Capital Account Ledger</b>	the ledger maintained by the Servicer 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 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 Contribution in Kind</b>	<p>(a) a contribution of Mortgages to the LLP in an amount equal to (i) the aggregate of the True Balance of those Mortgages (as at the end of the immediately preceding Calculation Period in respect of the Initial Contribution Date and otherwise in respect of the relevant Transfer Date) <i>minus</i> (ii) any cash payment paid by the LLP for such Mortgages and their Related Security on that Transfer Date; or</p> <p>(b) any increase in the True Balance of any Mortgage due to Capitalised Expenses, Capitalised Arrears or Capitalised Interest accruing on a Mortgage or the relevant Member making an Additional Borrowing to a Borrower; or</p> <p>(c) a sale of Substitution Assets by HSBC UK Bank plc to the LLP in an amount equal to (i) the aggregate of the outstanding principal balance of Substitution Assets as</p>

	at the relevant Transfer Date <i>minus</i> (ii) the cash payment made by or on behalf of the LLP to HSBC UK Bank plc in respect of those Substitution Assets on that Transfer Date in accordance with Clause 9 (Capital Contributions in Kind) of the LLP Deed;
<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 Mortgage at any date, interest or other amounts which are overdue in respect of that Mortgage and which as at that date have been added to the True Balance of the Mortgage in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower;
<b>Capitalised Expenses</b>	in relation to a Mortgage, at any date, the amount of any expense, charge, fee, premium or payment (excluding any Arrears of Interest) capitalised and added to the True Balance of the Mortgage in accordance with the relevant Mortgage Conditions or otherwise by arrangement with the relevant Borrower;
<b>Capitalised Interest</b>	for any Mortgage at any date, Arrears of Interest which as at that date have been added to the True Balance of the Mortgage 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>Cash Capital Contribution</b>	a Capital Contribution made in cash;
<b>Cash Management Agreement</b>	the cash management agreement entered into on the Programme Establishment Date between the LLP, HSBC Bank plc in its capacity as the Cash Manager, the Seller, the Servicer and the Security Trustee;
<b>Cash Manager</b>	HSBC Bank plc, in its capacity as cash manager under the Cash Management Agreement, together with any successor cash manager appointed from time to time;
<b>Cash Swap Collateral Account Bank</b>	HSBC Bank plc in its capacity as such under the Swap Collateral Account Bank Agreement together with any successor, additional or replacement account bank or any additional or alternative account bank appointed by the LLP from time to time pursuant to a relevant bank account agreement entered into by (amongst others) the LLP, the relevant successor, additional, replacement or alternative account bank and the Security Trustee;
<b>CCA</b>	the Consumer Credit Act 1974, as amended, or the Consumer Credit Act 2006 as the context may require;
<b>Certificate of Title</b>	a solicitor's or licensed conveyancer's report or certificate of title obtained by or on behalf of the Seller in respect of each Property substantially in the form of the <i>pro forma</i> set out in the Standard Documentation;
<b>CGCB</b>	the meaning given in Condition 2(g) ( <i>Definitions</i> ) on page 89;

<b>Charged Property</b>	the property secured by the LLP pursuant to the Deed of Charge;
<b>Clearing Systems</b>	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, SA;
<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 (Terms and Conditions of the Covered Bonds) to the Trust Deed) as modified and/or supplemented by the Final Terms in relation to a particular Series of Covered Bonds, as the same may from time to time be modified in accordance with the Trust Deed;
<b>Corporate Services Agreement</b>	the corporate services agreement entered into between the Corporate Services Provider, the Liquidation Member, Holdings, the LLP and the Security Trustee, in each case, dated the Programme Establishment Date;
<b>Corporate Services Provider</b>	CSC Capital Markets 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 the 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 the section in this Base Prospectus entitled " <i>Terms and Conditions of the Covered Bonds</i> " on page 85;
<b>Cover Pool</b>	all assets of the LLP from time to time including, but not limited to, the Mortgage Portfolio, any Substitution Assets, any Authorised Investments, the rights of the LLP under the Transaction Documents, the LLP Accounts (apart from the Swap Collateral 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>Covered Bond</b>	each covered bond 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 for a Covered Bond issued pursuant to Condition 10 ( <i>Replacement of Covered Bonds, Receipts, Coupons and Talons</i> );
<b>Covered Bond Account</b>	the account designated as such in the name of the LLP held with the Account Bank and maintained subject to the terms of the Account Bank Agreement and the Deed of Charge 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 and where the context requires. In the Account Bank Agreement,

	references to <b>Covered Bond Account</b> shall be deemed to be references to any additional or replacement account in the name of the LLP held with the Account Bank (in such capacity);
<b>Covered Bond Account Mandate</b>	the bank account mandate between the LLP and the Account Bank relating to the operation of the Covered Bond Account;
<b>Covered Bond Guarantee</b>	an unconditional and irrevocable guarantee by the LLP pursuant to the terms of 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>	each swap transaction which is intended to hedge against certain interest rate and currency risks in respect of any mismatch between (a) amounts received by the LLP under the Mortgages and the relevant Interest Rate Swaps and (b) 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);
<b>Covered Bond Swap Agreement</b>	each ISDA Master Agreement including a schedule and credit support annex thereto and each confirmation thereunder entered into between the LLP and a Covered Bond Swap Provider;
<b>Covered Bond Swap Early Termination Event</b>	the meaning given in the section in this Base Prospectus entitled " <i>Summary of the Principal Documents – Covered Bond Swap Agreements</i> " on page 171;
<b>Covered Bond Swap Observation Period</b>	an Interest Rate Swap Observation Period as defined in the relevant Covered Bond Swap Agreement;
<b>Covered Bond Swap Provider</b>	each provider of a Covered Bond Swap under a Covered Bond Swap Agreement;
<b>Covered Bond Swap Rate</b>	in relation to a Covered Bond or Series of Covered Bonds, the exchange rate specified in the Covered Bond Swap Agreement(s) relating to such Covered Bond or Series of Covered Bonds or, if the Covered Bond Swap Agreement has terminated and no replacement Covered Bond Swap Agreement has been entered into, the applicable spot rate of exchange offered by a bank selected by the Servicer for the purchase of the applicable Specified Currency with Sterling, provided that in no event shall the Servicer be liable to the LLP or any other person for the spot rate of exchange so obtained (including if a spot rate of exchange more favourable to the LLP could have been obtained from another bank);
<b>Covered Bondholders</b>	the meaning given in the section in this Base Prospectus entitled " <i>Terms and Conditions of the Covered Bonds</i> " on page 85;
<b>Custodian</b>	any custodian with whom the relevant Registered Global Covered Bonds have been deposited;
<b>Day Count Fraction</b>	in the case of a Fixed Rate Covered Bond, the meaning given in Condition 4(a) ( <i>Interest on Fixed Rate Covered Bonds</i> ) 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> );
<b>Dealer</b>	HSBC Bank plc and any new Dealer which the Issuer and the LLP may appoint from time to time in accordance with the Programme Agreement, which appointment may be for a

	specific issue or on an ongoing basis, but excluding any entity whose appointment has been terminated in accordance with the Programme Agreement where 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. References in this Base Prospectus to the <b>relevant Dealer(s)</b> 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;
<b>Deed of Charge</b>	the deed of charge dated the Programme Establishment Date and made between the LLP, the Bond Trustee, the Security Trustee and certain other Secured Creditors;
<b>Deed of Consent</b>	a deed whereby a person in or intended to be in occupation of a Property agrees with the Seller to postpone his or her interest (if any) in the Property so that it ranks after the interest created by the relevant Mortgage;
<b>Deed of Postponement</b>	a deed or agreement whereby a mortgagee of a Property located in England and Wales agrees with the Seller to postpone its mortgage or standard security (as appropriate) over such Property so that the sums secured by it will rank for repayment after the sums secured by the relevant Mortgage;
<b>Defaulted Mortgage</b>	any Mortgage in the Cover Pool which is greater than or equal to three months in arrears in relation to its Monthly Payment;
<b>Deferred Consideration</b>	all remaining LLP Available Funds after payment of items (a) to (k) of the Pre-Acceleration Revenue Priority of Payments, less the aggregate of the profit payable to the Members under item (m) of the Pre-Acceleration Revenue Priority of Payments;
<b>Definitive Covered Bond</b>	a Bearer Definitive Covered Bond and/or, as the context may require, a Registered Definitive Covered Bond;
<b>Definitive Registered Covered Bond</b>	a Registered Covered Bond in definitive form;
<b>Designated Account</b>	the meaning given in Condition 5(d) ( <i>Payments in respect of Registered Covered Bonds</i> );
<b>Designated Bank</b>	the meaning given in Condition 5(d) ( <i>Payments in respect of Registered Covered Bonds</i> );
<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 Establishment Date, HSBC UK Bank plc 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> );
<b>Direct Debiting Scheme</b>	the scheme for the manual or automated debiting of bank accounts operated in accordance with the detailed rules of

	certain members of the Association for Payment Clearing Services;
<b>Directors</b>	the Board of Directors for the time being of the Issuer or other relevant entity;
<b>Distribution Compliance Period</b>	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);
<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 which is two London Business Days following service of a Notice to Pay on the LLP in respect of such Guaranteed Amounts or if the applicable Final Terms specified that an Extended Due for Payment Date is applicable to the relevant Series of Covered Bonds, the Interest Payment Dates that would have applied if the Final Maturity Date of such Series of Covered Bonds had been the Extended Due for Payment Date (the <b>Original Due for Payment Date</b>); and</p> <p>(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 (A) if in respect of the relevant Series of Covered Bonds the Covered Bond Guarantee is subject to an Extended Due for Payment Date pursuant to the terms of the applicable Final Terms and (B) 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 the date which falls two London Business Days after service of such Notice to Pay on the LLP and, if later, the Final Maturity Date (or, in each case, after the expiry of the grace period set out in Condition 9(b)(i) or 9(b)(ii) or 9(b)(iii), 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</p>

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 Condition 6(e) ( <i>Early Redemption Amounts</i> );
<b>Early Repayment Charge</b>	any charge (other than a redemption fee) which a Borrower may be required to pay in the event that the Borrower repays all or any part of the relevant Mortgage before a specified date;
<b>Eligible Pre-Maturity Substitution Assets Ledger</b>	the ledger on the Pre-Maturity Liquidity Account opened in the name of the LLP pursuant to the Account Bank Agreement to record the credits and debits of Eligible Pre-Maturity Substitution Assets available to repay any Series of Hard Bullet Covered Bonds on the Final Maturity Date thereof if the Pre-Maturity Test has been breached;
<b>EU</b>	the European Union;
<b>EU CRA Regulation</b>	Regulation (EC) No. 1060/2009, as amended;
<b>EURIBOR</b>	Eurozone interbank offered rate;
<b>Euroclear</b>	Euroclear Bank SA/NV;
<b>Excess Proceeds</b>	monies received (following the service of a Notice to Pay) by the Bond Trustee from the Issuer or any administrator, administrative receiver, receiver, liquidator, trustee in sequestration, bank administrator, bank liquidator or other similar official appointed in relation to the Issuer;
<b>Exchange Act</b>	U.S. Securities Exchange Act 1934, as amended;
<b>Exchange Date</b>	the date 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 66 and, in the case of Registered Covered Bonds, the meaning given in " <i>Form of the Covered Bonds</i> " on page 66;
<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 to the relevant Swap Provider as a result of (a) a Swap Provider Default with respect to such Swap Provider or (b) a Swap Provider Downgrade Event with respect to such Swap Provider;

<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 (or by) the Extension Determination Date in accordance with Condition 6(a) ( <i>Final redemption</i> );
<b>Extension Determination Date</b>	in respect of a Series of Covered Bonds, the date falling two London Business Days after the expiry of seven days starting on (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>FATCA</b>	Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, any regulations or agreements thereunder, any official interpretations thereof, any intergovernmental agreement, or any implementing legislation adopted by another jurisdiction in connection with these provisions;
<b>FCA</b>	Financial Conduct Authority, known before 1 April 2013 as the Financial Services Authority (FSA);
<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 Programme 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 pursuant to the Conditions and the relevant Final Terms;
<b>Final Terms</b>	means with respect to Covered Bonds to be admitted to the Official List and to be admitted to trading by the London Stock Exchange, the final terms document substantially in the form attached as Schedule 3 (Form of Final Terms) to the Agency Agreement which will constitute final terms for the purposes of the UK Prospectus Regulation;
<b>Fitch</b>	Fitch Ratings Ltd. and its successors;
<b>Fixed Interest Period</b>	the meaning given in Condition 4(a) ( <i>Interest on Fixed Rate Covered Bonds</i> );
<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) identified in the relevant Final Terms and on redemption calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms);
<b>Fixed Rate Mortgages</b>	HSBC Home Buyer Fixed Rate Mortgages and HSBC Fixed Rate Mortgages;
<b>Floating Rate</b>	the meaning given in the ISDA Definitions;
<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</li> </ul>

	Currency governed by an agreement incorporating the ISDA Definitions; or
	(b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
	(c) on such other basis as may be agreed between the Issuer and the relevant Dealer(s), as set out in the applicable Final Terms;
<b>Floating Rate Option</b>	the meaning given in the ISDA Definitions;
<b>Following Business Day Convention</b>	the meaning given in Condition 4(b) ( <i>Interest on Floating Rate Covered Bonds</i> );
<b>Forward Starting Covered Bond Swap</b>	Each covered bond swap transaction described in a Forward Starting Covered Bond Swap Agreement.
<b>Forward Starting Covered Bond Swap Agreement</b>	Each agreement between the LLP, the relevant Covered Bond Swap Provider and the Security Trustee in respect of a Series or Tranche, as applicable, of Covered Bonds which provides a hedge against certain interest rate, currency and/or other risks in respect of amounts received by the LLP under the Mortgages in the Mortgage Portfolio and the Interest Rate Swap and amounts payable by the LLP under the Covered Bond Guarantee in respect of Covered Bonds (after service of a Notice to Pay or an LLP Acceleration Notice) in the form of an ISDA Master Agreement, including a Schedule, one confirmation in relation to one transaction and a credit support annex;
<b>FSMA</b>	Financial Services and Markets Act 2000, as amended from time to time;
<b>Global Covered Bond</b>	a Bearer Global Covered Bond and/or Registered Global Covered Bond, as the context may require;
<b>Guarantee</b>	the Covered Bond Guarantee;
<b>Guarantee Priority of Payments</b>	the meaning given in " <i>Cashflows – Guarantee Priority of Payments</i> " on page 187;
<b>Guaranteed Amounts</b>	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 <i>plus</i> all accrued and unpaid interest and all other amounts due and payable in respect of the Covered Bonds, including all Excluded Scheduled Interest Amounts, all Excluded Scheduled Principal Amounts (whenever the same arose) and all amounts payable by the LLP under the Trust Deed;
<b>Group</b>	HSBC UK Bank plc and its subsidiary undertakings;
<b>Hard Bullet Covered Bond</b>	any Covered Bond issued by the Issuer in respect of which the principal is due to be redeemed in full in one amount on the

	Final Maturity Date of that Covered Bond and which is identified as such in the applicable Final Terms;
<b>HMRC</b>	HM Revenue & Customs;
<b>Holdings</b>	HSBC UK Covered Bonds (Holdings) Limited, a special purpose vehicle incorporated under the laws of England and Wales on 17 April 2020 as a private company with limited liability (registered number 12561208);
<b>HSBC Group</b>	HSBC Holdings plc and its subsidiary undertakings;
<b>HSBC Home Buyer Mortgage Variable Rate</b>	the variable rate of interest set by the Seller in respect of certain Mortgages, which rate the Seller is required to restrict to be no more than 1% above the BoE Base Rate;
<b>HSBC Fixed Rate Mortgages</b>	mortgages subject to a fixed interest rate for a specified period of time and at the end of such period, the interest rate shall revert to the HSBC Variable Rate;
<b>HSBC Home Buyer Fixed Rate Mortgages</b>	mortgages subject to a fixed interest rate for a specified period of time and at the end of such period, the interest rate shall revert to the HSBC Home Buyer Mortgage Variable Rate;
<b>HSBC Tracker Rate Mortgage</b>	mortgages to the extent that and for such period that the relevant Mortgage Conditions provide that they are subject to an interest rate which is linked to a variable interest rate other than the HSBC Variable Rate;
<b>HSBC Trigger</b>	will occur if: <ul style="list-style-type: none"> <li>(a) <b>Issuer Acceleration Notice:</b> the Bond Trustee delivers to HSBC UK Bank plc an Issuer Acceleration Notice in respect of an Issuer Event of Default;</li> <li>(b) <b>Breach of Asset Coverage Test:</b> the LLP (or the Servicer on its behalf) notifies, among others, the Bond Trustee that: (i) the Asset Coverage Tests is breached on the last day of any Calculation Period and the same is not remedied by the last day of the next Calculation Period; or (ii) an Unremedied Breach of the Pre-Maturity Test occurs;</li> <li>(c) <b>Breach of Transaction Document:</b> HSBC UK Bank plc defaults in the performance or observance of any of its obligations under the Transaction Documents (excluding any default referred to in paragraph (b)(i) or (b)(ii) above) which is certified by the Bond Trustee, in its opinion, to be incapable of remedy, or otherwise continues for more than 30 days (or such longer period as the Bond Trustee may permit) after written notification requiring such default to be remedied (and indicating that an HSBC Trigger will occur if it is not so remedied) shall have been given to HSBC UK Bank plc by the Bond Trustee in accordance with the Transaction Documents;</li> <li>(d) <b>Insolvency or other proceedings:</b> proceedings are initiated against HSBC UK Bank plc under any applicable liquidation, winding-up, insolvency, bankruptcy, composition, reorganisation or other similar laws (except in connection with a</li> </ul>

reconstruction, amalgamation, merger or following the transfer of all or substantially all of the assets of HSBC UK Bank plc, the terms of which have previously been approved by an Extraordinary Resolution of the holders of the Covered Bonds in accordance with the Transaction Documents) and in any of the foregoing cases it shall not be discharged within 30 days;

- (e) **Appointment of receiver or similar official:** a liquidator, receiver, administrator, trustee or other similar official is appointed in relation to HSBC UK Bank plc or in relation to the whole or a substantial part (having an aggregate book value in excess of £50 million) of its assets or a distress, diligence or execution or other process is levied or enforced upon or sued out against the whole or a substantial part (having an aggregate book value in excess of £50 million) of its assets; or
- (f) **Initiation of other proceedings:** HSBC UK Bank plc initiates or consents to judicial proceedings relating to itself under any applicable liquidation, winding-up, sequestration, insolvency, bankruptcy, composition, reorganisation or other similar laws (except in connection with a reconstruction, amalgamation, merger or following the transfer of all or substantially all of the assets of HSBC UK Bank plc, the terms of which have previously been approved in writing by the Bond Trustee or an Extraordinary Resolution of the holders of the Covered Bonds, in each case in accordance with the Transaction Documents) or makes a conveyance to, assignment for the benefit of, or enters into any composition with, its creditors generally;

**HSBC Variable Rate**

the variable rate in respect of Mortgages set, except in limited circumstances described in the Servicing Agreement, by the Servicer in its discretion which shall not be directly linked to any index;

**ICSDs**

Euroclear and Clearstream, Luxembourg;

**Initial Advance**

in relation to a Mortgage, the original principal amount together with the amount of any retention advanced to the relevant Borrower after completion of the Mortgage;

**Initial Contribution Date**

the date of transfer of the Initial Portfolio to the LLP in accordance with the Mortgage Sale Agreement;

**Initial Portfolio**

the portfolio of Mortgages transferred to the LLP by the Seller on the Initial Contribution Date and including all right, title, interest and benefit of the Seller in and to:

- (a) all payments of principal and interest (including, for the avoidance of doubt, all Accrued Interest, Arrears of Interest, Capitalised Interest and Capitalised Expenses) and other sums due or to become due in respect of such Mortgages including, without limitation, the right to demand, sue for, recover and give receipts for all principal monies, interest and costs and the right to sue on all covenants and any undertakings made or

expressed to be made in favour of the Seller under the applicable Mortgage Conditions;

- (b) subject to, where applicable, the subsisting rights of redemption of Borrowers, all Deeds of Consent, Deeds of Postponement or any collateral security for the repayment of the relevant Mortgages;
- (c) the right to exercise all the powers of the Seller in relation thereto;
- (d) all the estate and interest in the Properties vested in the Seller; 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 Seller against any solicitor, licensed 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 Mortgages, or any part thereof or affecting the decision of the Seller to make or offer to make any such Mortgage or part thereof;

**Insolvency Event**

in respect of either Seller, the Servicer or the Cash Manager:

- (a) an order is made or an effective resolution passed for the winding-up of the relevant entity; or
- (b) the relevant entity stops or threatens to stop payment to its creditors generally or the relevant entity ceases or threatens to cease to carry on its business or substantially the whole of its business; or
- (c) an encumbrancer takes possession or a receiver, administrator, administrative receiver or other similar officer is appointed to the whole or any material part (having an aggregate book value in excess of £50 million) of the undertaking, property and assets of the relevant entity or a distress, diligence or execution is levied in respect of a claim for £50 million or more or enforced upon or sued out against the whole or any material part (having an aggregate book value in excess of £50 million) of the chattels or property of the relevant entity and, in the case of any of the foregoing events, is not discharged within 30 days; or
- (d) the relevant entity is unable to pay its debts as they fall due;

**Insurance Policies**

together, any contracts of insurance in relation to which the Issuer has an interest and which relate to any Mortgage in the Cover Pool, and **Insurance Policy** shall be construed accordingly;

**Intercompany Loan Agreement**

the term loan agreement between the Issuer, the LLP, the Cash Manager and the Security Trustee;

**Intercompany Loan Ledger**

the ledger of such name maintained by the Servicer pursuant to the Servicing Agreement to record all payments of interest and repayments of principal on each of the Term Advances;

<b>Interest Accumulation Account</b>	<p>the account opened and maintained in the name of the LLP, 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 LLP Available Revenue in accordance with the Priorities of Payments:</p> <ul style="list-style-type: none"> <li>(a) prior to the service of a Notice to Pay in payment of interest on the relevant Term Advance; and</li> <li>(b) following service of a Notice to Pay, Scheduled Interest that is Due for Payment in respect of such Accumulation Series of Covered Bonds;</li> </ul>
<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, as calculated in accordance with the Programme Conditions;
<b>Interest Collections</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 Mortgage) and other fees due from time to time under the Mortgages and other amounts received by the LLP in respect of the Mortgages other than the Principal Collections;</li> <li>(b) recoveries of interest from defaulting Borrowers under Mortgages being enforced;</li> <li>(c) recoveries of interest from defaulting Borrowers under Mortgages in respect of which enforcement procedures have been completed; and</li> <li>(d) any deemed Interest Collections;</li> </ul>
<b>Interest Commencement Date</b>	the meaning given in Condition 4(a) ( <i>Interest on Fixed Rate Covered Bonds</i> );
<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 Agreements</b>	each ISDA Master Agreement including a schedule and credit support annex thereto and each confirmation thereunder entered into between the LLP and an Interest Rate Swap Provider;
<b>Interest Rate Swap Providers</b>	each provider of an Interest Rate Swap under an Interest Rate Swap Agreement or any successor provider of an Interest Rate Swap;
<b>Interest Rate Swaps</b>	swap transactions which are intended to hedge against possible variances in the rates of interest payable on some or all of the Mortgages in the Mortgage Portfolio and a compounded daily SONIA rate;
<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 and the characteristics of the Mortgage Portfolio;
<b>ISDA</b>	International Swaps and Derivatives Association, Inc.;
<b>ISDA Definitions</b>	has the meaning given to them in the relevant Final Terms;
<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 Condition 4(b) ( <i>Interest on Floating Rate Covered Bonds</i> );
<b>Issue Date</b>	each date on which the Issuer issues Covered Bonds to the Covered Bondholders under the Programme, as specified in the applicable Final Terms;
<b>Issuer</b>	HSBC UK Bank plc, a public limited company incorporated under the laws of England and Wales (registered number 09928412), whose registered office is at 1 Centenary Square, Birmingham B1 1HQ;
<b>Issuer Acceleration Notice</b>	the meaning given in Condition 9(a) ( <i>Issuer Events of Default</i> );
<b>Issuer Event of Default</b>	the meaning given in Condition 9(a) ( <i>Issuer Events of Default</i> );
<b>Ledger</b>	each of the LLP Interest Collections Ledger, the LLP Principal Collections Ledger, the Capital Account Ledger, the Intercompany Loan Ledger, the Eligible Pre-Maturity Substitution Assets Ledger and each other ledger required to be opened on an LLP Account from time to time (and together, the <b>Ledgers</b> );
<b>Lending Criteria</b>	the lending criteria of the Seller from time to time, or such other criteria as would be acceptable to a Prudent Lender;
<b>Liquidation Member</b>	HSBC UK Covered Bonds (LM) Limited, a private company with limited liability incorporated in England and Wales (registered number 12687265);
<b>LLP</b>	HSBC UK Covered Bonds LLP, a limited liability partnership incorporated in England and Wales (partnership number OC432297), whose members are HSBC UK Bank plc and the Liquidation Member;
<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 Covered Bond Account, the Interest Accumulation Account, the Reserve Account, the Pre-Maturity Liquidity Account and any additional or replacement accounts (including any custody accounts for the purposes of Substitution Assets

and Authorised Investments) opened in the name of the LLP from time to time but excluding each Swap Collateral Account;

**LLP Available Funds**

the aggregate of LLP Available Principal and LLP Available Revenue;

**LLP Available Principal**

on a relevant Calculation Date, an amount equal to the aggregate of (without double counting):

- (a) the amount of Principal Collections received during the immediately preceding Calculation Period and credited to the LLP Principal Collections Ledger less any Principal Collections applied during such Calculation Period to acquire New Portfolios; and
- (b) any other amount standing to the credit of the LLP Principal Collections Ledger including: (i) the proceeds of any Term Advance (where such proceeds have not been applied in accordance with the terms of the Intercompany Loan Agreement); (ii) any Cash Capital Contributions received from a Member (other than any Cash Capital Contributions credited to the LLP Interest Collections Ledger); and (iii) the proceeds from any sale of Selected Mortgages pursuant to the terms of the LLP Deed or the Mortgage Sale Agreement, but excluding any amount in respect of principal received by the LLP under each Covered Bond Swap Agreement (which shall be applied in accordance with Clause 14.4 or 17.6 of the LLP Deed, as applicable, or credited to the LLP Interest Collections Ledger for application as LLP Available Revenue on the next succeeding LLP Payment Date); and
- (c) (i) following repayment of any Hard Bullet Covered Bonds by the Issuer on the Final Maturity Date thereof, any amounts standing to the credit of the Pre-Maturity Liquidity Account in respect of such Series of Hard Bullet Covered Bonds (except where the LLP has elected to or is required to retain such amounts on the Pre-Maturity Liquidity Account); and (ii) if the Pre-Maturity Test is passed on such Calculation Date, any amounts standing to the credit of the Pre-Maturity Liquidity Account; and
- (d) any Excess Proceeds,

but shall not include:

- (i) Third Party Amounts, which shall be paid on receipt in cleared funds to the Seller;
- (ii) any Swap Collateral Excluded Amounts (to the extent otherwise constituting LLP Available Principal);
- (iii) any Tax Credits and any amount received by the LLP from a Member in respect of Tax Credits (to the extent otherwise constituting LLP Available Principal);

- (iv) any Swap Provider Tax Payments received from any Swap Providers (to the extent otherwise constituting LLP Available Principal); and
- (v) any Associated Debt Amounts (to the extent otherwise constituting LLP Available Principal);

**LLP Available Revenue**

on a relevant Calculation Date, an amount equal to the aggregate of:

- (a) the amount of Interest Collections received during the immediately preceding Calculation Period and credited to the LLP Interest Collections Ledger;
- (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 immediately preceding Calculation Period but excluding amounts received by the LLP under the Interest Rate Swap Agreement and under each Covered Bond Swap Agreement (which shall be applied in accordance with Clause 14.4 or 17.6 of the LLP Deed, as applicable, or credited to the LLP Interest Collections Ledger for application as LLP Available Revenue on the next succeeding LLP Payment Date);
- (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 amounts not referred to in paragraphs (a) to (c) (inclusive) above received during the immediately preceding Calculation Period and standing to the credit of the LLP Interest Collections Ledger on the LLP Accounts;
- (e) following the service on the LLP of a Notice to Pay, amounts standing to the credit of the Reserve Fund to the extent required to pay items (a) to (c) and (e) of the "Guarantee Priority of Payments", taking into account the other funds available to the LLP; and
- (f) any amounts released from the Reserve Fund because they are no longer required to be held therein following the recovery by HSBC UK Bank plc of the rating requirements set out in paragraph (a) of the definition of Reserve Fund Required Amount,

but shall not include:

- (i) Third Party Amounts, which shall be paid on receipt in cleared funds to the Seller;
- (ii) any Tax Credits and any amount received by the LLP from a Member in respect of Tax Credits (to the extent otherwise constituting LLP Available Revenue);

- (iii) any Swap Provider Tax Payments received from Swap Providers (to the extent otherwise constituting LLP Available Revenue);
- (iv) any Swap Collateral Excluded Amounts (to the extent otherwise constituting LLP Available Revenue); and
- (v) any Associated Debt Amounts (to the extent otherwise constituting LLP Available Revenue),

and excluding (for the avoidance of doubt) amounts standing to the credit of the Interest Accumulation Account;

**LLP Deed**

the limited liability partnership deed entered into on the Programme Establishment Date between the LLP, HSBC UK Bank plc in its capacity as the Seller, the Liquidation Member, the Bond Trustee and the Security Trustee;

**LLP Event of Default**

the meaning given in Condition 9(b) (*LLP Events of Default*);

**LLP Interest Collections Ledger**

the ledger on the Covered Bond Account of such name maintained by the Servicer pursuant to the Servicing Agreement to record credits and debits of Interest Collections in accordance with the terms of the LLP Deed;

**LLP Management Committee**

the management committee comprising those persons listed in Schedule 1 (Representatives of the Members of the Meetings of the LLP Management Committee) to the LLP Deed, and thereafter their successors or such other persons appointed from time to time to the committee of management of the LLP in accordance with the LLP Deed which will act on behalf of the LLP and to which (subject to the provisions of the LLP Deed) the Members delegate all matters;

**LLP Monthly Interest Amount**

on any relevant LLP Payment Date in respect of each Accumulation Series of Covered Bonds:

- (a) which are linked to SONIA, an amount equal to the interest actually accrued on the relevant Accumulation Series of Covered Bonds up to (but excluding) such LLP Payment Date and not yet paid to the relevant Interest Accumulation Account since the previous Interest Payment Date;
- (b) which are not linked to SONIA, an amount equal to:

$$(A/B) + c$$

Where:

'A' is the interest due on the relevant Accumulation Series of Covered Bonds on the immediately following Interest Payment Date, or where an Interest Payment Date falls on the LLP Payment Date on that Interest Payment Date;

'B' is the number of calendar months that fall between Interest Payment Dates in respect of the relevant Accumulation Series of Covered Bonds; and

	'C' is an amount equal to the aggregate of all LLP Monthly Interest Amounts not paid to the relevant Interest Accumulation Account in respect of an Accumulation Series of Covered Bonds since the previous Interest Payment Date;
<b>LLP Mortgage</b>	any Mortgage transferred or assigned to the LLP pursuant to the terms of the Mortgage Sale Agreement;
<b>LLP Payment Date</b>	the 25 <sup>th</sup> day of each calendar month or, if not a London Business Day, the next following London Business Day, and the first LLP Payment Date will be on the 25 <sup>th</sup> day of the month immediately following the Initial Contribution Date;
<b>LLP Payment Period</b>	the period from and including an LLP Payment Date to but excluding the next following LLP Payment Date, save that in the case of the first LLP Payment Period, it means the period from but excluding the last day of the immediately preceding Calculation Period to but excluding the first LLP Payment Date;
<b>LLP Principal Collections Ledger</b>	the ledger on the Covered Bond Account maintained by the Servicer pursuant to the Servicing Agreement to record the credits and debits of the Principal Collections in accordance with the terms of the LLP Deed;
<b>LLP Variable Rate</b>	the LLP variable rate applicable to Mortgages in the Cover Pool, as set, other than in limited circumstances, by the Servicer in accordance with the Servicing Agreement;
<b>LLPA 2000</b>	Limited Liability Partnerships Act 2000;
<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>	the Main Market of the London Stock Exchange plc;
<b>Margin</b>	as specified in the applicable Final Terms;
<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 Establishment Date, as amended, supplemented varied and/or restated 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>	from time to time, each member of the LLP;
<b>Modified Following Business Day Convention</b>	the meaning given in Condition 4(b)(i)(C) ( <i>Interest – Interest on Floating Rate Covered Bonds</i> );
<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 Mortgage;
<b>Monthly Payment Date</b>	in relation to a Mortgage, the date in each month on which the relevant Borrower is required to make a Monthly Payment;

<b>Moody's</b>	Moody's Investors Service Limited, which is established in the European Union and has applied for registration under the UK CRA Regulation;
<b>Mortgage</b>	a loan or loans which are, or are to be, sold by the Seller to the LLP from time to time under the terms of the Mortgage Sale Agreement (including any Additional Borrowings, Product Switches and/or capitalised arrears), governed by English law, secured by a charge by way of a first ranking legal mortgage over a residential property in England or Wales together with any Related Security, referenced by its property identifier number and comprising the aggregate of all principal sums, interest, costs, charges, expenses and other monies due or owing with respect to that loan or loans under the relevant Mortgage Conditions by a Borrower on the security of a Mortgage from time to time outstanding, or, as the context may require, the Borrower's obligations in respect of the same, but excludes any loan or loans which are repurchased by the Seller or otherwise sold by the LLP and no longer beneficially owned by it;
<b>Mortgage Account</b>	as the context requires, either: (a) all Mortgages secured on the same Property; or (b) an account maintained by a Servicer in respect of a particular Mortgage (whether by way of principal, interest or otherwise) and all amounts received in respect thereof;
<b>Mortgage Agreement</b>	in relation to a Mortgage, the loan agreement entered into between the relevant Borrower and the Seller, as amended, restated, supplemented, assigned and/or novated from time to time;
<b>Mortgage Conditions</b>	all the terms and conditions applicable to a Mortgage, including, without limitation, those set out in the Seller's relevant mortgage conditions booklet and the Seller's relevant general conditions, each as varied from time to time by the relevant Mortgage Agreement and the relevant Mortgage Deed;
<b>Mortgage Deed</b>	in respect of any Mortgage, the deed creating that Mortgage;
<b>Mortgage Files</b>	the file or files relating to each Mortgage (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 Seller and including mortgage documentation applicable to the Mortgage, each letter of offer for that Mortgage, the Valuation Report (if applicable) and, to the extent available, the solicitor's or licensed conveyancer's Certificate of Title;
<b>Mortgage Notice</b>	a notice in the form set out in the Mortgage Sale Agreement subject to any amendment as may be agreed between the parties thereto served in accordance with the terms of the Mortgage Sale Agreement;
<b>Mortgage Portfolio or Portfolio</b>	together at any time, the Initial Portfolio and each New Portfolio acquired by the LLP (but excluding any Mortgages which have been repurchased by the Seller or otherwise sold by the LLP to a Relevant Purchaser);

<b>Mortgage Sale Agreement</b>	the Mortgage Sale Agreement entered into on the Initial Contribution Date (as amended, amended and restated and/or supplemented from time to time) between HSBC UK Bank plc, the LLP and the Security Trustee;
<b>Mortgage Warranties</b>	the representations and warranties set out in Part 2 (Mortgage Representations and Warranties) of Schedule 1 (Representations and Warranties) of the Mortgage Sale Agreement, which are made by the Seller;
<b>Mortgaged Property</b>	with respect to Property the subject of a Mortgage, such Property, and each first fixed charge by way of legal mortgage relating to such Property, assigned by the Seller to the LLP pursuant to the Mortgage Sale Agreement, which secures the repayment of the relevant Mortgage including the Mortgage Conditions applicable to it;
<b>N Covered Bond</b>	a Registered Covered Bond in definitive form made out in the name of a specified N Covered Bondholder issued or to be issued by the Issuer in the form of a German " <i>Namensschuldverschreibung</i> ";
<b>Negative Carry Factor</b>	the meaning given in the section in this Base Prospectus entitled " <i>Summary of the Principal Documents – LLP Deed</i> " on page 159;
<b>New Mortgage Loan Types</b>	a new type of mortgage loan originated or acquired by the Seller, which the Seller intends to transfer to the LLP, the terms and conditions of which are materially different (in the opinion of the Seller, acting reasonably) from the Mortgages. For the avoidance of doubt, a mortgage loan will not constitute a New Mortgage Loan Type if it differs from the Mortgages due to it having a different origination date, 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 Mortgages</b>	Mortgages, other than the Mortgages comprised in the Initial Portfolio, which the Seller may assign or transfer to the LLP after the Initial Contribution Date pursuant to the Mortgage Sale Agreement;
<b>New Member</b>	any new member who shall be admitted to the LLP after the Programme Establishment Date pursuant to the LLP Deed;
<b>New Portfolio</b>	<p>each portfolio of New Mortgages (other than any New Mortgages which have been redeemed in full prior to the relevant Transfer Date or which do not otherwise comply with the terms of the Mortgage Sale Agreement as at the Transfer Date), particulars of which are set out in the relevant Mortgage Notice or in a document stored upon electronic media (including, but not limited to, a CD-ROM), and including all right, title, interest and benefit of the Seller in and to:</p> <p>(a) all payments of principal and interest (including, for the avoidance of doubt, all Accrued Interest, Arrears of Interest, Capitalised Interest and Capitalised Expenses) and other sums due or to become due in respect of such Mortgages including, without limitation, the right to demand, sue for, recover and give receipts for all</p>

	principal monies, interest and costs and the right to sue on all covenants and any undertakings made or expressed to be made in favour of the Seller under the applicable Mortgage Conditions;
	(b) subject where applicable to the subsisting rights of redemption of Borrowers, all Deeds of Consent, Deeds of Postponement or any collateral security for the repayment of the relevant Mortgages;
	(c) the right to exercise all the powers of the Seller in relation thereto;
	(d) all the estate and interest in the Properties vested in the Seller; 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 Seller against any solicitor, licensed 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 Mortgages, or any part thereof, or affecting the decision of the Seller to make or offer to make any such Mortgage or part thereof;
<b>New Seller</b>	any member of the Group (other than HSBC UK Bank plc) that is a <b>connected person</b> as defined in Regulation 5 of the RCB Regulations and that accedes to the relevant Transaction Documents and sells Mortgages to the LLP in the future;
<b>NGCB</b>	the meaning given on page 89;
<b>Non-Forward Starting Covered Bond Swap</b>	Each covered bond swap transaction described in a Non-Forward Starting Covered Bond Swap Agreement;
<b>Non-Forward Starting Covered Bond Swap Agreement</b>	Each agreement between the LLP, a Covered Bond Swap Provider and the Security Trustee in respect of a Series or Tranche, as applicable, of Covered Bonds which provides a hedge against certain interest rate, currency and/or other risks in respect of amounts received by the LLP under the Mortgages in the Mortgage Portfolio and the Interest Rate Swap and amounts payable by the LLP under the Intercompany Loan Agreement (prior to service of a Notice to Pay or service of an LLP Acceleration Notice) and under the Covered Bond Guarantee in respect of Covered Bonds (after service of a Notice to Pay or service of an LLP Acceleration Notice) in the form of an ISDA Master Agreement, including a schedule, one confirmation in relation to one transaction and a credit support annex;
<b>Notice to Pay</b>	the meaning given in Condition 9(a) ( <i>Issuer Events of Default</i> );
<b>Notice to Pay Event</b>	the occurrence of any of the following events: <ul style="list-style-type: none"> <li>(a) the occurrence of any HSBC Trigger; or</li> <li>(b) the occurrence of an LLP Event of Default and the service by the Bond Trustee of an LLP Acceleration Notice on the LLP;</li> </ul>

<b>Number of Months in Arrears</b>	<p>as at the date of determination in respect of a Mortgage, the result of the calculation <math>(A-B) / C</math>, where:</p> <ul style="list-style-type: none"> <li>(a) 'A' equals the sum of all Monthly Payments in respect of advances under that Mortgage that were due and payable by the relevant Borrower on any due date up to that date of determination;</li> <li>(b) 'B' equals the sum of all payments actually made by that Borrower in respect of that Mortgage up to that date of determination (the difference between 'A' and 'B' being the "arrears balance"); and</li> <li>(c) 'C' equals the then Monthly Payment in respect of all advances under that Mortgage;</li> </ul>
<b>Official List</b>	official list of the FCA;
<b>OFT</b>	Office of Fair Trading;
<b>Original Due for Payment Date</b>	has the meaning given in paragraph (a)(i) of the definition of <b>Due for Payment</b> ;
<b>Outstanding or outstanding</b>	<p>in relation to the Covered Bonds of all or any Series, all the Covered Bonds of such Series issued other than:</p> <ul style="list-style-type: none"> <li>(a) those Covered Bonds which have been redeemed in full and cancelled pursuant to the Trust Presents;</li> <li>(b) those Covered Bonds in respect of which the date (including, where applicable, any deferred date) for redemption in accordance with the Conditions has occurred and the redemption monies (including all interest payable thereon) have been duly paid to the Bond Trustee or to the Principal Paying Agent in the manner provided in the Agency Agreement (and where appropriate notice to that effect has been given to the relative Covered Bondholders in accordance with Condition 13 (<i>Notices</i>)) and remain available for payment against presentation of the relevant Covered Bonds and/or Receipts and/or Coupons;</li> <li>(c) those Covered Bonds which have been purchased and cancelled in accordance with Conditions 6(f) (<i>Redemption and Purchase – Purchases</i>) and 6(g) (<i>Redemption and Purchase – Cancellation</i>);</li> <li>(d) those Covered Bonds which have become void or in respect of which claims have become prescribed, in each case under Condition 8 (<i>Prescription</i>);</li> <li>(e) those mutilated or defaced Covered Bonds which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 10 (<i>Replacement of Covered Bonds, Receipts, Coupons and Talons</i>);</li> <li>(f) (for the purpose only of ascertaining the Principal Amount Outstanding of the Covered Bonds outstanding and without prejudice to the status for any other purpose of the relevant Covered Bonds) those Covered Bonds which are alleged to have been lost,</li> </ul>

stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 10 (*Replacement of Covered Bonds, Receipts, Coupons and Talons*); and

- (g) any Global Covered Bond to the extent that it shall have been exchanged for definitive Covered Bonds or another Global Covered Bond pursuant to its provisions, the provisions of the Trust Presents and the Agency Agreement,

provided that for each of the following:

- (i) the right to attend and vote at any meeting of the holders of the Covered Bonds of any Series, to give instruction or direction to the Bond Trustee and for the purposes of a resolution in writing as envisaged by paragraph 20 of Schedule 4 (Provisions of Meetings for Covered Bondholders) to the Trust Deed;
- (ii) the determination of how many and which Covered Bonds of any Series are for the time being outstanding for the purposes of Clause 10.3 (*Proceedings, Action And Indemnification*) of the Trust Deed, Conditions 9 (*Events of Default and Enforcement*) and 14 (*Meetings of Covered Bondholders, Modification, Waiver and Substitution*) and paragraphs 2, 5, 6, and 9 of Schedule 4 (Provisions of Meetings for Covered Bondholders) to the Trust Deed;
- (iii) any discretion, power or authority (whether contained in the Trust Presents or vested by operation of law) which the Bond Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the holders of the Covered Bonds of any Series; and
- (iv) the determination by the Bond Trustee whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the holders of the Covered Bonds of any Series,

those Covered Bonds of the relevant Series (if any) which are for the time being held by or on behalf of or for the benefit of the Issuer, or the LLP, any holding company of any of them or any other Subsidiary of any such holding company, in each case as beneficial owner shall (unless and until ceasing to be so held) be deemed not to remain outstanding except in the case of the Issuer, the LLP, any holding company of the Issuer, the LLP or any other Subsidiary of any such holding company (each a **Relevant Person**) holds, by itself or together with any other Relevant Person, all of the Covered Bonds then outstanding or, in respect of a Series of Covered Bonds holds all Covered Bond of such Series;

<b>Partial Portfolio</b>	part of any portfolio of Selected Mortgages;
<b>Partially Indexed Valuation</b>	at any date in relation to any Mortgage will be: <ul style="list-style-type: none"> <li>(a) where the latest valuation of the relevant Mortgaged Property is equal to or greater than the indexed valuation as at that date, the indexed valuation; or</li> <li>(b) where the latest valuation of the relevant Mortgaged Property is less than the indexed valuation as at that date, the latest valuation <i>plus</i> 85% of the difference between the latest valuation and the indexed valuation;</li> </ul>
<b>Paying Agents</b>	the meaning given in the section of this Base Prospectus entitled " <i>Terms and Conditions of the Covered Bonds</i> " on page 85;
<b>Payment Day</b>	the meaning given in Condition 5(f) ( <i>Payment Day</i> );
<b>Performing Mortgage Loans</b>	Mortgages in the Mortgage Portfolio that are not more than three months in arrears;
<b>Permanent Global Covered Bond</b>	The meaning given in the section of this Base Prospectus entitled " <i>Form of the Covered Bonds – Bearer Covered Bonds</i> " on page 66;
<b>Post-Enforcement Priority of Payments</b>	the meaning given in the section of this Base Prospectus entitled " <i>Cashflows – 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</i> " on page 192;
<b>Potential Issuer Event of Default</b>	the meaning given in Condition 14 ( <i>Meetings of Covered Bondholders, Modification, Waiver and Substitution – Substitution</i> );
<b>Potential LLP Event of Default</b>	the meaning given in Condition 14 ( <i>Meetings of Covered Bondholders, Modification, Waiver and Substitution– Substitution</i> );
<b>Pre-Acceleration Principal Priority of Payments</b>	the meaning given in the section of this Base Prospectus entitled " <i>Cashflows</i> " on page 184;
<b>Pre-Acceleration Priorities of Payments</b>	the Pre-Acceleration Principal Priority of Payments and the Pre-Acceleration Revenue Priority of Payments;
<b>Pre-Acceleration Revenue Priority of Payments</b>	the meaning given in the section of this Base Prospectus entitled " <i>Cashflows</i> " on page 181;
<b>Pre-Maturity Liquidity Account</b>	the account opened in the name of the LLP pursuant to the Account Bank Agreement to record the credits and debits of monies available to repay any Series of Hard Bullet Covered Bonds on the Final Maturity Date thereof if the Pre-Maturity Test has been breached;
<b>Pre-Maturity Test</b>	The meaning given in the section of this Base Prospectus entitled " <i>Credit Structure – Pre-Maturity Liquidity</i> " on page 177;
<b>Pre-Maturity Test Date</b>	the meaning given in the section of this Base Prospectus entitled " <i>Credit Structure – Pre-Maturity Liquidity</i> " on page 177;

<b>Preceding Business Day Convention</b>	the meaning given in Condition 4(b) ( <i>Interest on Floating Rate Covered Bonds</i> );
<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 Collections</b>	<ul style="list-style-type: none"> <li>(a) principal repayments under the Mortgages (including payments of arrears, Capitalised Interest and Capitalised Expenses);</li> <li>(b) recoveries of principal from defaulting Borrowers under Mortgages being enforced (including the proceeds of sale of the relevant Property);</li> <li>(c) any payment pursuant to any Insurance Policy in respect of a Property in connection with a Mortgage in the Portfolio;</li> <li>(d) the proceeds of the repurchase of any Mortgage by the 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); and</li> <li>(e) any deemed Principal Collections;</li> </ul>
<b>Principal Paying Agent</b>	the meaning given in the section of this Base Prospectus entitled " <i>Terms and Conditions of the Covered Bonds</i> " on page 85;
<b>Priorities of Payments</b>	together, the Pre-Acceleration Priorities of Payments, the Guarantee Priority of Payments and the Post-Enforcement Priority of Payments, and <b>Priority of Payment</b> means any one of them;
<b>Product Switch</b>	<p>a variation to the financial terms or conditions included in the Mortgage Conditions applicable to a Mortgage excluding any variation which:</p> <ul style="list-style-type: none"> <li>(a) lengthens the term of a Mortgage or any advance thereunder;</li> <li>(b) reduces the term of the Mortgage or any advance thereunder (whether as a result of a lump sum repayment of principal or an increase in the relevant Monthly Payment);</li> <li>(c) results in a change of the relevant Borrower(s);</li> <li>(d) increases the amount outstanding under the Mortgage or advance;</li> <li>(e) any variation of a Mortgage from a repayment Mortgage to an interest only Mortgage or vice-versa; or</li> <li>(f) involves the change in the legal ownership of the relevant Mortgaged Property or changes the Mortgage or advance to a Product Type which is not an Approved Product Type;</li> </ul>

	<ul style="list-style-type: none"> <li>(g) any variation agreed with a Borrower to control or manage arrears on such Mortgage;</li> <li>(h) any variation imposed by statute; or</li> <li>(i) any variation in the rate of interest payable to another rate of interest permitted under, or otherwise contemplated by, the relevant Mortgage Conditions (including to a reversionary rate of the Seller);</li> </ul>
<b>Programme</b>	the Covered Bond programme established by, or otherwise contemplated in, the Programme Agreement and the Trust Deed;
<b>Programme Agreement</b>	the meaning given in the section of this Base Prospectus entitled " <i>Subscription and Sale and Transfer and Selling Restrictions</i> " on page 206;
<b>Programme Conditions</b>	in respect of any Series of Covered Bonds issued on or after the Programme Establishment Date, the conditions for the Programme as set out in Schedule 1 (Terms and Conditions of the Covered Bonds) of the Trust Deed;
<b>Programme Establishment Date</b>	26 March 2021;
<b>Programme Resolution</b>	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 to take, or to direct the Security Trustee to take, any such enforcement action as is referred to in Condition 9 ( <i>Events of Default and Enforcement</i> ) or Clause 10.1 or 10.2 of the Trust Deed or any Extraordinary Resolution to sanction any matter that the Trust Deed or any other Transaction Document expressly requires to be sanctioned by an Extraordinary Resolution of the Covered Bondholders of all Series taken together as a single Series;
<b>Property</b>	a freehold, leasehold or commonhold property which is subject to a charge expressed to be by way of legal mortgage;
<b>Prudent Lender</b>	a reasonable and prudent mortgage lender lending to borrowers in England and/or Wales;
<b>Purchaser</b>	any third party or the Seller to whom the LLP offers to sell Selected Mortgages;
<b>Rating Agencies</b>	Moody's and Fitch, or their successors, to the extent such rating agencies are appointed by the Issuer to provide ratings in respect of the Covered Bonds, and each a <b>Rating Agency</b> ;
<b>Rating Condition</b>	<p>in respect of any proposed act or omission, that such act or omission has been notified in writing to each of the Rating Agencies by the Issuer or the LLP (as applicable) and each Rating Agency has either:</p> <ul style="list-style-type: none"> <li>(a) provided written confirmation that such proposed act or omission will not result in the downgrade, withdrawal or suspension of the then current ratings assigned by that Rating Agency to any Series of Covered Bonds; or</li> </ul>

- (b) not advised the notifying party that such proposed act or omission will result in the downgrade, withdrawal or suspension of the then current ratings assigned by that Rating Agency to any Series of Covered Bonds;

<b>RCB Regulations</b>	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 Regulated Covered Bond Specialist Sourcebook published by the FCA on 6 March 2008, as amended, revised, replaced or supplemented from time to time;
<b>Receiptholders</b>	the holders of the Receipts;
<b>Receipts</b>	the meaning given in the section of this Base Prospectus entitled " <i>Terms and Conditions of the Covered Bonds</i> " on page 85;
<b>Record Date</b>	the meaning given in Condition 5(d) ( <i>Payments in respect of Registered Covered Bonds</i> );
<b>Redeemed Covered Bonds</b>	the meaning given in Condition 6(c) ( <i>Redemption at the option of the Issuer (Issuer Call)</i> );
<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>	each Registered Covered Bond in definitive form issued or, as the context may require, to be issued by the Issuer in accordance with the provisions of the Programme Agreement or any other agreement between the Issuer and the relevant Dealer(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 (Forms of Global and Definitive Covered Bonds, Receipts, Coupons and Talons) 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;
<b>Registered Global Covered Bonds</b>	Registered Global Covered Bonds;
<b>Registrar</b>	in relation to all or any Series of the Covered Bonds, HSBC Bank plc in its capacity as a registrar, which expression includes any additional or successor registrar appointed from time to time;
<b>Registration Document</b>	the Registration Document of the Issuer dated 19 June 2024 submitted to and filed with the FCA;

<b>Regulated Mortgage Contract</b>	the meaning given in "Regulated Mortgage Contracts" on page 196;
<b>Regulation S</b>	Regulation S under the Securities Act;
<b>Related Security</b>	<p>in relation to a Mortgage, that part of the Mortgage that represents the security for the repayment of advances made and other amounts due in respect of that Mortgage including the relevant Mortgaged Property and all other matters applicable thereto acquired as part of the Mortgage which is, or is to be, sold to the LLP pursuant to the 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 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 Seller against any person (including, without limitation, any valuer, licensed conveyancer, solicitor and any registrar or registry) in connection with any report, valuation, opinion, certificate or other statement of fact or opinion (including, without limitation, each Certificate of Title and Valuation Report) given or received in connection with all or part of any Mortgage and its Related Security or affecting the decision of the Seller to make or offer to make all or part of the relevant Mortgage; and</li> <li>(c) the benefit of (including, without limitation, the rights as the insured person under and pursuant to 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 Mortgage and/or Mortgaged Property and Mortgage Files;</li> </ul>
<b>Relevant Date</b>	the meaning given in Condition 7 ( <i>Taxation</i> );
<b>Relevant Purchaser</b>	in relation to a Mortgage and its Related Security, any person who, in accordance with the terms of the Transaction Documents, purchases such Mortgage and its Related Security from the LLP and any subsequent purchaser thereof, where such person has acceded to the Mortgage Sale Agreement or entered into a new Mortgage Sale Agreement in accordance with the terms of the relevant Mortgage Sale Agreement;
<b>Representations and Warranties</b>	the representations and warranties set out in Schedule 1 (Representations and Warranties) of the Mortgage Sale Agreement, which are made by the Seller;
<b>Repurchase Notice</b>	a notice from the LLP to the Seller identifying a Mortgage in the Portfolio which does not, as at the relevant Transfer Date or relevant Calculation Date (in the case of any Additional Borrowing), materially comply with the Mortgage Warranties set out in the Mortgage Sale Agreement;

<b>Required Redemption Amount</b>	the meaning given in the section of this Base Prospectus entitled " <i>Summary of the Principal Documents – Mortgage Sale Agreement</i> " on page 148;
<b>Required True Balance Amount</b>	the meaning given in the section of this Base Prospectus entitled " <i>Summary of the Principal Documents – LLP Deed</i> " on page 159;
<b>Reserve Account</b>	the account opened in the name of the LLP pursuant to the Account Bank Agreement, to record the crediting of Interest Collections and (where applicable) proceeds of Term Advances to the Reserve Fund and the debiting of such Reserve Fund in accordance with the terms of the LLP Deed;
<b>Reserve Fund</b>	the reserve fund that the LLP will be required to establish in the Covered Bond Account which will be credited with part of a Term Advance (in the LLP's discretion) and the proceeds of LLP Available Revenue up to an aggregate amount equal to the Reserve Fund Required Amount;
<b>Reserve Fund Required Amount</b>	<p>on any date:</p> <ul style="list-style-type: none"> <li>(a) if the Issuer is assigned a short-term issuer default rating of at least F1+ by Fitch and a short-term counterparty risk assessment of at least P-1(cr) by Moody's, nil or such other amount as HSBC UK Bank plc shall direct the LLP from time to time and otherwise; and</li> <li>(b) the higher of: <ul style="list-style-type: none"> <li>(i) if the Issuer is not assigned a short-term issuer default rating of at least F1+ by Fitch, an amount equal to the Sterling equivalent of amounts of interest due on each Series of Covered Bonds on the immediately following three LLP Payment Dates, or such other amount as notified by HSBC UK Bank plc to Fitch from time to time, together with an amount equal to one-quarter of the anticipated aggregate annual amount payable in respect of the items specified in paragraphs (a) to (e) of the Pre-Acceleration Revenue Priority of Payments, <i>plus</i> £600,000; and</li> <li>(ii) if the Issuer is not assigned a short-term counterparty risk assessment of at least P-1(cr) by Moody's, an amount equal to the Sterling Equivalent of one month's interest due on each Series of Covered Bonds together with an amount equal to one-twelfth of the anticipated aggregate annual amount payable in respect of the items specified in paragraphs (a) to (e) of the Pre-Acceleration Revenue Priority of Payments, <i>plus</i> £600,000,</li> </ul> </li> </ul> <p>provided that where any amount payable in respect of the Covered Bonds or the Covered Bond Swaps is determined by reference to a floating rate, then:</p>

- (iii) (unless that floating rate is a compounded daily SONIA rate) the Reserve Fund Required Amount shall also be determined with reference to the screen rate for that floating rate on the date on which the Reserve Fund Required Amount is determined; or
- (iv) if that floating rate is a compounded daily SONIA rate, the Reserve Fund Required Amount shall also be determined with reference to a rate equal to the sum of:
  - (A) the SONIA screen rate published on the date on which the Reserve Fund Required Amount is determined (or, if such date is not a London Business Day, the immediately preceding London Business Day), compounded daily over the relevant period; and
  - (B) the Margin or the margin in relation to the Covered Bond Swaps (as applicable) for such period;

**Reset Date**

the meaning given in the ISDA Definitions;

**Sale Proceeds**

the cash proceeds realised from the sale of Selected Mortgages and their Related Security;

**Scheduled Interest**

an amount equal to the amount in respect of interest which would have been due and payable under the Covered Bonds on each Interest Payment Date as specified in Condition 4 (*Interest*) (excluding any additional amounts relating to premiums, default interest or interest upon interest (**Excluded Scheduled Interest Amounts**) payable by the Issuer following an Issuer Event of Default but including such amounts (whenever the same arose) following service of an LLP Acceleration Notice) as if the Covered Bonds had not become due and repayable prior to their Final Maturity Date and, if the Final Terms specified that an Extended Due for Payment Date is applicable to the relevant Covered Bonds, as if the Final 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), but not including any additional amounts the Issuer would be obliged to pay as a result of any gross-up in respect of any withholding or deduction made under the circumstances set out in Condition 7 (*Taxation*);

**Scheduled Payment Date**

in relation to payments under the Covered Bond Guarantee, each relevant Interest Payment Date or the relevant Final Maturity Date as if the Covered Bonds had not become due and repayable prior to their relevant Final Maturity Date or Extended Due for Payment Date;

**Scheduled Principal**

an amount equal to the amount in respect of principal which would have been due and repayable under the Covered Bonds on each Interest Payment Date or the Final Maturity Date (as the case may be) as specified in Condition 6(a) (*Final redemption*) and Condition 6(c) (*Redemption at the option of*

	<p><i>the Issuer (Issuer Call))</i> (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, if the Final Terms specifies that an Extended Due for Payment Date is applicable to the relevant Covered Bonds, as if the maturity date of the Covered Bonds had been the Extended Due for Payment Date;</p>
<b>SEC</b>	U.S. Securities and Exchange Commission;
<b>Secured Creditors</b>	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 Receipholders, the Couponholders, the Issuer, the Seller, the Servicer, the Account Bank, the Cash Manager, the Covered Bond Swap Providers, the Interest Rate Swap Providers, the Corporate Services Provider, the Paying Agents and any other person which becomes a Secured Creditor pursuant to the Deed of Charge;
<b>Secured Obligations</b>	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 to pay and discharge pursuant to the Deed of Charge and all claims, demands or damages for breach of any such covenant, and references to Secured Obligations includes references to any of them;
<b>Securities Act</b>	United States Securities Act of 1933, as amended;
<b>Securities Swap Collateral Account Bank</b>	HSBC Bank plc in its capacity as such under the Swap Collateral Account Bank Agreement together with any successor, additional or replacement account bank or any additional or alternative account bank appointed by the LLP from time to time pursuant to a relevant bank account agreement entered into by (amongst others) the LLP, the relevant successor, additional, replacement or alternative account bank and the Security Trustee;
<b>Security</b>	the meaning given in the section of this Base Prospectus entitled " <i>Summary of the Principal Documents – Deed of Charge</i> " on page 175;
<b>Security Trustee</b>	CSC Trustees Limited, in its capacity as Security Trustee under the Trust Deed and the Deed of Charge together with any successor Security Trustee or additional Security Trustees appointed from time to time thereafter;
<b>Selected Mortgages Offer Notice</b>	a notice substantially in the form set out in Schedule 10 (Selected Mortgages Offer Notice) to the relevant Mortgage Sale Agreement, and served in accordance with the terms of the relevant Mortgage Sale Agreement;
<b>Selected Mortgages Repurchase Notice</b>	a notice substantially in the form set out in Schedule 13 to the relevant Mortgage Sale Agreement from the Seller served on

	the LLP accepting an offer set out in a Selected Mortgages Offer Notice;
<b>Selected Mortgages</b>	Mortgages 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;
<b>Selection Date</b>	the meaning given in Condition 6(c) ( <i>Redemption at the option of the Issuer (Issuer Call)</i> )
<b>Seller</b>	HSBC UK Bank plc and any New Seller as the context so requires, and <b>Seller</b> means all of them together;
<b>Series</b>	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> , <b>holders of Covered Bonds of the relevant Series</b> and related expressions shall be construed accordingly;
<b>Series Reserved Matter</b>	<p>in relation to Covered Bonds of a Series:</p> <ul style="list-style-type: none"> <li>(a) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds;</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 quorum or 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 be materially prejudicial to the interests of the holders of Covered Bonds of any Series);</li> <li>(e) except in accordance with Condition 14 (<i>Meetings of Covered Bondholders, Modification, Waiver and Substitution</i>), 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</li> </ul>

	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 5 to the Trust Deed or this definition;
<b>Servicer</b>	HSBC UK Bank plc, in its capacity as servicer under the Servicing Agreement;
<b>Servicer Event of Default</b>	the meaning given in the section of this Base Prospectus entitled " <i>Summary of the Principal Documents – Servicing Agreement</i> " on page 155;
<b>Servicer Termination Event</b>	the meaning given in the section of this Base Prospectus entitled " <i>Summary of the Principal Documents – Servicing Agreement</i> " on page 155;
<b>Servicing Agreement</b>	the servicing agreement entered into on the Programme Establishment Date (and as amended, amended and restated and/or supplemented from time to time) between the LLP, the Servicer and the Security Trustee;
<b>SONIA</b>	means the Sterling Over Night Index Average as calculated by the Bank of England and appearing on the Reuters page designated SONIA1;
<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>	if applicable, as specified in the applicable Final Terms;
<b>Specified Period</b>	the meaning (if any), given in the applicable Final Terms;
<b>Standard Documentation</b>	the standard documentation annexed to the relevant exhibit of the relevant Mortgage Sale Agreement or any update or replacement thereof as the Seller may from time to time introduce acting in accordance with the standards of a Prudent Lender;
<b>Standard Variable Rate</b>	the HSBC Variable Rate and/or the standard variable mortgage base rate applicable to Mortgages;
<b>Sterling Equivalent</b>	in relation to a Term Advance or a Series of Covered Bond which is denominated in (a) a currency other than Sterling, the Sterling equivalent of such amount ascertained using the relevant Covered Bond Swap Rate relating thereto, or if no such Covered Bond Swap is in place, the SONIA Spot Rate, and (b) Sterling, the applicable amount in Sterling;
<b>sub-unit</b>	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>Subordinated Loan</b>	for so long as the Covered Bonds are outstanding, the subordinated debt obligation arising from the conversion of the outstanding balance of the Seller's Capital Contribution to the LLP upon the Seller automatically ceasing to be a member of the LLP as a result of the appointment of an administrator or liquidator to the Seller or as a result of the Seller disposing of its interest in the Liquidation Member such that the Seller holds less than 20 per cent. of the share capital of the Liquidation Member;
<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 Assets</b>	<p>each of:</p> <ul style="list-style-type: none"> <li>(a) Sterling gilt-edged securities;</li> <li>(b) Sterling demand or time deposits, certificates of deposit, long-term debt obligations and short-term debt obligations (including commercial paper); provided that in all cases such investments have a remaining period to maturity of one year or less and the short-term unsecured, unguaranteed and unsubordinated debt obligations or, as applicable, the long-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) are rated P-1/Aa3 by Moody's and F1+/AA- by Fitch or their equivalents by two other internationally recognised rating agencies; and</li> <li>(c) Sterling-denominated government and public debt securities, as defined from time to time by the FCA, provided that such investments have a remaining period to maturity of one year or less and which are rated at least Aaa by Moody's and F1+ by Fitch or their equivalents by two other internationally recognised rating agencies,</li> </ul> <p>provided, in each case, that such Substitution Assets comply with the requirements of Regulation 2(1)(a) of the RCB Regulations and that no United Kingdom stamp duty or stamp duty reserve tax would be payable on a transfer of, or an agreement to transfer, such Substitution Assets.</p> <p>Disclosure in respect of compliance with the UK CRA Regulation by each of the rating agencies referred to in this section will be included in the applicable Final Terms;</p>
<b>Successor in Business</b>	any entity which (a) acquires all or substantially all of the undertaking and/or assets of the Issuer or (b) acquires the beneficial ownership of the whole of the issued voting stock and/or share capital of the Issuer or (c) into which the Issuer is amalgamated, merged or reconstructed and where the Issuer is not the continuing company;
<b>Swap Agreements</b>	the Covered Bond Swap Agreements together with the Interest Rate Swap Agreements, and each a <b>Swap Agreement</b> ;

<b>Swap Collateral</b>	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 Account</b>	any account in the name of the LLP held with the Swap Collateral Account Bank or such other bank from time to time, as applicable, into which Swap Collateral in respect of the Interest Rate Swap or a Covered Bond Swap may be deposited in accordance with the terms of any applicable Swap Agreement;
<b>Swap Collateral Account Bank</b>	the Cash Swap Collateral Account Bank and/or the Securities Swap Collateral Account Bank;
<b>Swap Collateral Account Bank Agreement</b>	the swap collateral account bank account agreement entered into on the Programme Establishment Date between the LLP, the Swap Collateral Account Bank, the Cash Manager and the Security Trustee;
<b>Swap Collateral Account Mandate</b>	the bank account mandate between the LLP and the Swap Collateral Account Bank relating to the operation of the Swap Collateral Account in or substantially in the form set out in Schedule 3 (Swap Collateral Account Mandate) to the Swap Collateral Account Bank Agreement;
<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 Agreements;
<b>Swap Provider Default</b>	the occurrence of an Event of Default or Termination Event (each as defined in each relevant Swap Agreement) where the relevant Swap Provider is the Defaulting Party or the sole Affected Party (each as defined in each of the relevant Swap Agreements), 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>	the Covered Bond Swap Providers and the Interest Rate Swap Providers, and each a <b>Swap Provider</b> ;
<b>Swap Provider Tax Payments</b>	payments received in certain circumstances by the LLP from the Swap Provider on a Member's behalf (pursuant to clause 2(d)(ii) of the relevant Swap Agreement);
<b>Swaps</b>	the Covered Bond Swaps together with the Interest Rate Swaps, and each a <b>Swap</b> ;

<b>T2</b>	the real time gross settlement system operated by the Eurosystem, or any successor system;
<b>Talons</b>	the meaning given in the section of this Base Prospectus entitled " <i>Terms and Conditions of the Covered Bonds</i> " on page 85;
<b>TARGET Day</b>	any day on which T2 is open for the settlement of payments in euro
<b>Tax Credit</b>	the meaning given in the relevant Swap Agreement;
<b>Temporary Global Covered Bond</b>	the meaning given in the section of this Base Prospectus entitled " <i>Form of the Covered Bonds – Bearer Covered Bonds</i> " on page 66;
<b>Term Advance</b>	each term advance made by the Issuer to the LLP from the proceeds of Covered Bonds pursuant to the Intercompany Loan Agreement;
<b>Term Advance 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>Third Party Amounts</b>	each of: <ul style="list-style-type: none"> <li>(a) payments of insurance premiums, if any, due to the Seller to the extent not paid or payable by the Seller (or the Servicer on its behalf) (or to the extent such insurance premiums have been paid by the Seller (or the Servicer on its behalf) in respect of any Additional Borrowing which is not purchased by the Seller to reimburse the Seller);</li> <li>(b) amounts under an unpaid direct debit which are repaid by the Seller (or the Servicer on its behalf) to the bank making such payment if such bank is unable to recoup that amount itself from its customer's account;</li> <li>(c) amounts paid to the Seller (or the Servicer on its behalf) by way of a cheque which the Seller is unable to recoup from the payee, or which cheque is dishonoured for any reason whatsoever;</li> <li>(d) payments by the Borrower of any fees and other charges which are due to the Seller;</li> <li>(e) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service (including giving insurance cover) to any of that Borrower or the Seller or the Servicer or the LLP;</li> <li>(f) 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);</li> <li>(g) (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 Mortgage) any amount payable to a Borrower under</li> </ul>

the terms of the Mortgage or the Mortgage to which that Borrower is a party (other than any Additional Borrowing);

- (h) any amounts owed to the Seller pursuant to Clause 6 (Trust of Monies) of the Mortgage Sale Agreement;
- (i) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service (including giving insurance cover) to any of that Borrower or the Seller or the Servicer or the LLP, which amounts may be paid daily from monies on deposit in the LLP Accounts;
- (j) any amounts representing overpayments made on behalf of a Borrower by the Department for Work and Pensions which the Department for Work and Pensions subsequently seeks to recover; and
- (k) any other amounts which the Servicer determines (in its sole discretion) as having been incorrectly paid into an LLP Account during any Calculation Period;

**Title Information Documents**

in relation to each Mortgage 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 Mortgage and all searches and enquiries undertaken in connection with the grant by the Borrower of the related Mortgage;

**Tranche**

Covered Bonds which are identical in all respects (including as to listing);

**Transaction Documents**

- (a) the Account Bank Agreement;
- (b) the Agency Agreement;
- (c) the Asset Monitor Agreement;
- (d) the Cash Management Agreement;
- (e) the Corporate Services Agreement;
- (f) each Covered Bond Swap Agreement;
- (g) the Deed of Charge (and any documents entered into pursuant to the Deed of Charge);
- (h) the Intercompany Loan Agreement;
- (i) each Interest Rate Swap Agreement;
- (j) the LLP Deed;
- (k) the Mortgage Sale Agreement;
- (l) the Programme Agreement;
- (m) the Servicing Agreement;
- (n) the Swap Collateral Account Bank Agreement;

- (o) the Trust Deed;
- (p) each set of Final Terms (as applicable in the case of each issue of listed Covered Bonds subscribed pursuant to a subscription agreement);
- (q) each Subscription Agreement (as applicable in the case of each issue of listed Covered Bonds subscribed pursuant to a subscription agreement);
- (r) the Master Definitions and Construction Agreement;
- (s) each document, agreement or indenture ancillary or supplemental to any of the documents specified in paragraphs (a) to (r) (inclusive) above and paragraph (t) below; and
- (t) any other agreement or document from time to time designated as such by the Issuer, the LLP and the Bond Trustee and/or the Security Trustee;

**Transfer Agent**

in relation to all or any Series of the Covered Bonds, HSBC Bank plc in its capacity as a transfer agent, which expression includes any additional or successor transfer agent appointed from time to time;

**Transfer Date**

each of the Initial Contribution Date and the date of transfer of any New Portfolio to the LLP in accordance with the Mortgage Sale Agreement;

**True Balance**

for any Mortgage on any relevant date of determination, the aggregate (but avoiding double counting) of the following:

- (a) the aggregate of all principal amounts advanced to the relevant Borrower;
- (b) Capitalised Expenses;
- (c) Capitalised Interest;
- (d) (to the extent not covered by paragraphs (b) and (c) above) Capitalised Arrears; and

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,

less any repayment or payment of any of the foregoing made on or before the end of the Business Day immediately preceding the date of determination and excluding any retentions made but not released and any Additional Borrowings committed to be made but not made by the end of the Business Day immediately preceding the date of determination;

**Trust Deed**

the meaning given in the section of this Base Prospectus entitled "*Terms and Conditions of the Covered Bonds*" on page 85;

<b>Trust Presents</b>	together, the Trust Deed, the Deed of Charge and the Schedules and any trust deed supplemental to the Trust Deed, the Deed of Charge and the Schedules (if any) thereto and the Covered Bonds, the Receipts, the Coupons, the Talons, the Conditions and the Final Terms, all as from time to time modified in accordance with the provisions therein contained;
<b>UCITS Directive</b>	the meaning given in the section in this Base Prospectus entitled " <i>Description of the UK Regulated Covered Bond Regime</i> " on page 197;
<b>UK CRA Regulation</b>	Regulation (EC) No. 1060/2009 as it forms part of domestic law in the UK by virtue of the EUWA;
<b>UK Prospectus Regulation</b>	the meaning given on page 1;
<b>Unremedied Breach of the Pre-Maturity Test</b>	following a failure of the Pre-Maturity Test in respect of a Series of Hard Bullet Covered Bonds, if HSBC UK Bank plc has not made a Cash Capital Contribution or a Capital Contribution in Kind to the LLP in the required amount within 20 Business Days of such failure;
<b>UTCCR</b>	Unfair Terms in Consumer Contracts Regulations 1999 (SI 1999/2083), as amended, and Unfair Terms in Consumer Contracts Regulations 1994 (SI 1994/3159);
<b>Valuation Report</b>	the valuation report or reports, if any, obtained in respect of the relevant Mortgaged Property in connection with the offer of a Mortgage or an Additional Borrowing, as the case may be;
<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 the Seller from time to time or an Associate or Fellow of the Royal Institution of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers employed in-house by the Seller in respect of the valuation of a Property;
<b>Variable Rate Mortgages</b>	those Mortgages 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;
<b>VAT</b>	value added tax as imposed by: (a) the United Kingdom under the Value Added Tax Act 1994 and legislation (whether delegated or otherwise) replacing the same or supplemental thereto; or (b) any primary or subordinate legislation promulgated by the European Union or any official body or agency thereof, and (in both cases) any similar turnover tax replacing or introduced in addition to any of the same;
<b>Yield Shortfall Test</b>	the test as to whether the aggregate amount of interest on the Mortgages, any Substitution Assets and amounts under the Interest Rate Swap Agreements to be received by the LLP during the relevant LLP Payment Period would give a yield on the Mortgages of at least 0.4% <i>plus</i> 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.

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**LLP**

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**ARRANGER AND DEALER**

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